SHINSEI BANK, LTD.

Interim Report 2000

Interim Report

Six Months Ended September 30, 2000

2000

SHINSEI BANK

We would like to take this opportunity to thank our stockholders and customers for their continuing support and advice. We are pleased to present the Shinsei Bank's *Interim Report* for the first half of fiscal 2000, which will end March 31, 2001.

The Bank recommenced its operations under a new management group in March 2000 and changed its name from The Long-Term Credit Bank of Japan, Limited, to Shinsei Bank, Limited, on June 5, 2000. This *Interim Report* presents the current condition of the Bank, following the restarting of its operations, and financial results for the six-month interim period ended September 30, 2000.

January 2001

SHINSEI BANK, LTD.

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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.

Consolidated Financial Highlights

Shinsei Bank, Ltd. (formerly The Long-Term Credit Bank of Japan, Limited) and Subsidiaries
For the Six Months Ended September 30, 2000 and 1999 and for the Year Ended March 31, 2000

	Billions of Yen			Millions of U.S. Dollars
	Sept. 30, 2000 (6 months)	Sept. 30, 1999 (6 months)	Mar. 31, 2000 (1 year)	**Sept. 30, 2000 (6 months)**
For the Fiscal Terms Ended				
Total Income	**¥ 193.4**	¥ 1,360.4	¥ 1,974.2	**$ 1,791**
Total Expenses	**123.3**	1,361.2	1,863.1	**1,142**
Income (Loss) before Income Taxes and Minority Interests	**70.1**	(0.8)	111.0	**649**
Net Income	**69.8**	0.3	111.3	**647**
Balances at the End of				
Total Assets	**¥10,949.0**	¥16,239.8	¥13,206.7	**$101,380**
Loans and Bills Discounted	**7,244.7**	9,651.5	7,711.0	**67,081**
Securities	**2,701.8**	1,743.2	2,804.7	**25,017**
Cash and Due from Banks	**525.8**	536.4	1,930.2	**4,869**
Debentures	**5,106.3**	7,621.6	6,730.7	**47,281**
Deposits, Including NCDs	**2,883.5**	3,605.6	2,777.5	**26,700**
Total Stockholders' Equity	**543.9**	13.2	473.5	**5,037**
Per Common Share (in Yen and U.S. Dollars)				
Net Income	**¥ 25.72**	¥ 0.14	¥ 45.60	**$ 0.24**
Cash Dividends	**—**	—	—	**—**
Total Stockholders' Equity	**76.22**	—	50.31	**0.71**
Ratios				
Risk-Weighted Capital Ratio (BIS Criteria)		0.19%		
Risk-Weighted Capital Ratio (Domestic Criteria)	**15.55%**		12.21%	

Note: The risk-weighted capital ratio for regulatory purposes of the Bank was changed from BIS Criteria to Domestic Criteria in the year ended March 31, 2000, due to the withdrawal from overseas operations.

Non-Consolidated Financial Highlights

Shinsei Bank, Ltd. (formerly The Long-Term Credit Bank of Japan, Limited)
For the Six Months Ended September 30, 2000 and 1999 and for the Year Ended March 31, 2000

	Billions of Yen			Millions of U.S. Dollars
	Sept. 30, 2000 (6 months)	Sept. 30, 1999 (6 months)	Mar. 31, 2000 (1 year)	**Sept. 30, 2000 (6 months)**
For the Fiscal Terms Ended				
Total Income	**¥ 190.8**	¥ 1,355.0	¥ 1,964.2	**$ 1,767**
Total Expenses	**121.0**	1,354.6	1,853.2	**1,120**
Income before Income Taxes	**69.8**	0.4	110.9	**647**
Net Income	**69.7**	—	109.8	**646**
Balance at the End of				
Total Assets	**¥11,477.2**	¥16,642.2	¥13,755.7	**$106,271**
Loans and Bills Discounted	**7,240.9**	9,628.9	7,704.7	**67,046**
Securities	**2,741.4**	1,759.7	2,810.1	**25,384**
Cash and Due from Banks	**595.5**	652.2	1,969.7	**5,515**
Debentures	**4,916.0**	7,390.2	6,481.8	**45,519**
Deposits, Including NCDs	**2,931.7**	3,664.7	2,824.2	**27,146**
Total Stockholders' Equity	**538.5**	0.0	469.8	**4,987**
Per Common Share (in Yen and U.S. Dollars)				
Net Income	**¥ 25.67**	¥ —	¥ 44.99	**$ 0.24**
Cash Dividends	**—**	—	—	**—**
Total Stockholders' Equity	**74.23**	—	48.94	**0.69**
(Reference)				
For the Fiscal Terms Ended				
Net Business Profit <*gyomu jun-eki*>	**¥ 104.5**	¥ 162.3	¥ 49.2	**$ 968**
Net Business Profit (Losses) <Before General Loan Loss Reserve>	**17.5**	(30.6)	(46.9)	**163**
Net Operating Income (Losses) <*keijo rieki*>	**69.5**	(346.0)	(112.7)	**644**
Net Stock Gains (Losses)	**56.7**	(41.5)	338.4	**525**
Total Credit Cost Included in Net Operating Income	**88.8**	1,056.9	1,043.6	**823**

Note: Above indicators shown in reference are used for regulatory purposes.
Definitions
Net Business Profit *(gyomu jun-eki):* ((Net interest income + corresponding expenses for money held in trust) + Fees and commissions, net + Trading revenue, net + Other operating income, net) – Expenses (excluding extraordinary items) – Net addition to General Loan Loss Reserve
Net Operating Income *(keijo rieki):* Net income before deducting extraordinary items, such as disposal of premises. Net Stock Gains are included here.
Credit Cost: Write-off of loans, Net provision of Specific Reserve, Loss on sale of loans, etc.

All U.S. Dollar amounts above, presented solely for the reader's convenience, are translated at ¥108.00 = U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2000.

Shinsei Bank, Ltd., commenced operations in March 2000, after assuming the business operations of the former Long-Term Credit Bank of Japan, Ltd. (LTCB), following the termination of LTCB's temporary nationalization and the appointment of a new management group.

Shinsei Bank is the first bank in Japan to be owned by foreign capital, and our objective is take maximum advantage of the unique features that differentiate us from Japanese banking institutions. To this end, we are aiming to offer cutting-edge financial products and services best suited to the needs of our Japanese customers.

Our basic policy is not only to build on the base of business operations established as a long-term credit bank, including the issuance of bank debentures and lending to industrial corporations, but also to expand our activities in two priority areas—retail banking and investment banking. To implement this policy effectively, we are revising our human resource management systems, investing in IT-related areas, including management information systems, actively recruiting new personnel, and adopting other measures to expand and strengthen our operating infrastructure while also carrying out a range of policies to strengthen our positions in the retail and investment banking fields.

In retail banking, we have already begun to implement significant policies, including the start-up of the marketing of investment trusts in April 2000; the commencement of operations at our newly formed subsidiary, The Shinsei Card Co., Ltd., in June; and the conclusion of an agreement with Japan's postal savings system that allows our customers to access services through the postal ATM network. The most significant changes, however, are yet to come. We are considering what is the best for our customers, beginning with products and services and extending to include branches and other service delivery channels as well as the style of service offerings. Based on our ideas, we plan to implement specific measures related to branches and services.

In investment banking, we established our Financial Engineering Group in March 2000, immediately after Shinsei Bank began its operations. Thereafter, we have worked to strengthen the capabilities of this group both organizationally and personnel-wise, and it went into full operation in July. The group includes professionals from various fields, both Japanese and foreign, and is prepared to offer such new services as securitization, non-recourse loans, and syndicated loans as well as a wide range of leading-edge advisory services. Moreover, to expand our investment banking operations even more effectively, we are making specific preparations for the establishment of a subsidiary to provide securities-related services.

Along with these developments, we were able to report a quite satisfactory performance for our first interim period, ended September 30, 2000, including net business profit above our initial forecasts. We plan to press forward with efforts to ensure the soundness of our operations and increase profitability, while endeavoring to reach our targets set under our Plan for Restoring Sound Management, prepared in March 2000.

The environment for the activities of Japanese industrial and financial corporations is changing with greater speed than at any other time in the past. In most fields of economic activity, efforts are being made to remove conventional frameworks and ways of doing things; the relationships between banks and their customers are no exception to this. We always welcome new changes and rise to the challenges they present. Our objective at Shinsei Bank is to offer leading-edge products and services that meet the wide-ranging needs of our customers and become a truly useful partner for our customers.

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

January 2001

Masamoto Yashiro
President and CEO

The Bank began its operations anew in March 2000 and in June changed its corporate name from The Long-Term Credit Bank of Japan, Limited (LTCB), to Shinsei Bank, Ltd., thereby confirming the recommencement of its operations as a new financial institution. During the first half of fiscal 2000, ended September 30, 2000, Shinsei Bank implemented a broad range of policies, from the reorganization of its activities to making changes in many aspects of its operations. The following paragraphs explain some of the recent developments in the Bank's activities. (A review of the financial results for the interim period ended September 30, 2000, may be found beginning on page 9.)

START-UP OF THE OPERATIONS OF THE NEW BANK

New Corporate Governance Structure

In March 2000, the Bank introduced a Corporate Executive Officer System to make the transition to a management system that clarifies the responsibilities and roles of members of the Board of Directors on the one hand and the duties of the management group in charge of day-to-day operations on the other. This new corporate governance structure, which incorporates checks and balances as well as risk management functions, aims to establish management frameworks that can respond nimbly and quickly to customer needs. Shinsei Bank is one of the first banks in Japan to introduce a complete corporate governance system incorporating these concepts.

The Board of Directors comprises three Internal Directors and twelve External Directors. The latter—External, Non-Executive Directors—include senior management of other companies with extensive business experience and representatives of financial institutions with investments in the Bank through New LTCB Partners C.V. ("Partners"), the investment group established to acquire the operations of the former LTCB. Drawing on the capabilities and rich experience of these members of the Board, Shinsei Bank is able to make strategic and sophisticated decisions. In addition, Board members are in a position to look after the interests of stockholders and supervise the conduct of operations.

The Bank's Corporate Executive Officers, who have the responsibility for day-to-day management, have been drawn from experienced professionals in Japan and overseas and have broad experience in finance and management. For particularly important matters, the Management Committee, which is the President's consultative group, provides for full discussion and deliberation.

In addition, to ensure the substantially sounder conduct of the Bank's operations, an Audit Committee has been established consisting of Non-Executive Directors and Statutory Auditors to strengthen the functions for supervising the Bank's operations. In particular, the Bank has made it obligatory for the Audit Committee to review in advance any transactions with stockholders and certain other parties. Under this system, the committee checks to confirm that standard procedures have been followed and that the transactions are appropriate from a third-party point of view.

Reorganization and Strengthening of Management Systems

To respond appropriately and speedily to the increasingly diverse and sophisticated needs of the Bank's customers and provide highly professional financial services, the Bank reorganized itself by introducing "Groups" that include branches. Through the implementation of these Groups, the Bank has modified its activities to enable the heads of the Groups to allocate management resources flexibly, including the assignment and compensation of personnel within their respective organizational units. In addition, measures were implemented to shorten the lines of communication between the Head Office and branches to enable the Bank to respond to customer needs quickly and with tailor-made solutions.

Moreover, through these reorganization measures and the employment of external personnel with sophisticated professional expertise, the Bank has been able to strengthen its capabilities in strategic areas, such as new product development and the enhancement of risk management systems.

Improvement of the Management Infrastructure

Introduction of New Human Resource System As part of the Bank's program to improve the infrastructure for creating a new corporate culture and developing personnel capable of competing effectively, in July 2000 the Bank introduced a new human resource system incorporating the three basic concepts of "thorough emphasis on performance," "delegation of authority for personnel matters," and "active recruitment of staff from outside the Bank."

Enhancement of Management Information System To empower management to make decisions that enable the Bank to respond nimbly to changes in the environment for financial services, the Bank is proceeding with the development of a Management Information System (MIS) that will provide for greater sophistication in profit and performance management.

Upgrading of IT Systems The Bank is first working to strengthen the functions of a common IT infrastructure with the aim of structuring sophisticated and efficient systems that will form the basis for improving customer service and offering new products. At the same time, the Bank is placing special emphasis on IT projects deemed to have high priorities, such as the introduction of an improved MIS and systems for providing new financial products for individual customers.

Risk Management Systems

Shinsei Bank regards risk management as an activity of the highest priority and is continually working to substantially enhance its systems in this area. Since commencing operations in March 2000, the Bank has taken aggressive steps in various areas, including human resources, procedures, and organization, to enhance its risk management systems not only in credit and market risk but also in measuring the overall risks confronted and how to deal nimbly and effectively in managing these risks.

In addition to recruiting personnel who have held highly responsible positions in risk management in Europe and the United States as Corporate Executive Officers in charge of risk management, the Bank has prepared a basic set of rules and regulations entitled *Risk Management Policy* and reorganized its operations in this area.

Credit Risk Management To improve credit risk management activities, the Bank is shifting from the previous method of delegating authority to certain individuals to a decision-making process involving discussion and judgment within a group of officers. The Bank is also scheduled to make revisions to its credit authority system and internal credit-rating system during the current fiscal year.

Market Risk Management The Bank has established the ALM Committee (which meets monthly) to be the top decision-making group in all matters related to market and liquidity risk management, and this committee makes judgments on all ALM-related issues. In addition, the Bank has established the Market Risk Management Committee (which meets weekly) under the ALM Committee, and it provides reports to management regarding market risk, related profit and loss, as well as liquidity.

Measures to Improve Profitability and Financial Position

Strengthening Basic Earnings Power To enhance profitability, in addition to the conduct of its traditional core businesses, the Bank is working to strengthen its position in retail banking and investment banking. Accordingly, the Bank is aggressively recruiting professional staff from outside, readying systems to provide new products and services, and increasing the sophistication of its capabilities for making proposals to clients with the objective of broadening the range of profit-making opportunities.

Specific initiatives have included the active introduction of new products in domestic corporate banking, such as commitment lines and syndicated loans. Similarly, in retail banking activities, the Bank has broadened its lineup of investment trusts, foreign currency deposits, and other products and has begun to offer credit cards that also serve as ATM cash cards. In addition, the Bank is working to increase lending spreads through improvements in the risk and return characteristics of its loan portfolio.

The Bank will continue to work to maintain and increase profitability, and plans call for responding to customer and market needs through the offering of additional new products, including nonrecourse loans, expanding loan trading operations, and commencing 24-hour ATM services.

Improving Financial Position Also with the aim of building a strong earnings base and financial position, the Bank is implementing the following measures. In its funding operations, the Bank is:

- Reducing the volume of higher cost funds (amortization of higher cost coupon debentures),
- Along with the shift toward shorter maturities in the loan portfolio, increasing the proportion of deposits and expanding the diversity of funding instruments through the issuance of three-year bank debentures and other measures, and
- Enhancing the efficiency of capital (amortization of subordinated obligations).

Similarly, in the applications of funds, the Bank is:

- Shortening the maturities of its investments in market funds and bonds.

Most of the Bank's holdings of stocks have been sold to the Deposit Insurance Corporation of Japan (DIC); therefore, its asset portfolio is sound and not susceptible in any significant degree to changes in equity prices. The Bank will continue to work to improve the quality of its balance sheet and aim for stronger, stabler earnings power.

Enhancing Efficiency To manage general, administrative, and other expenses effectively, the Bank has introduced a budget system that makes business profit after the deduction of expenses the final performance objective and is working to enhance efficiency through other measures, including the prompt preparation of monthly reports. The Bank has also taken measures to reduce operating expenses at the Group level, reviewed its usage of office space in its branches, reexamined its IT-related systems management, and taken other steps to rationalize its operations.

Initiatives in Strategic Areas

As a basic strategy, the Bank will continue to provide services in its existing core businesses, such as sales of debentures and credit extension to corporate customers. In addition to the traditional services that the Bank has been offering as a long-term credit bank, it will work to increase customer satisfaction and strengthen its profitability by aggressively expanding its position in strategic areas, for example, via tie-ups with the leading companies with investments in the Bank through Partners. These areas will include retail banking and new cutting-edge financial services that were formerly offered in Japan only by foreign financial institutions. The Bank is implementing the following initiatives in these strategic areas:

Retail Banking

- Accompanying the introduction of the Group System, business units in charge of individual customers at the branch level became independent divisions
- Newly established the Individual Banking Products Development Division to strengthen capabilities for developing financial products for individuals
- Made the investment trust development section in the Individual Banking Products Development Division independent as the Asset Management Service Division, while strengthening its capabilities
- Enhanced product development and marketing capabilities for financial products for individuals through the recruitment of about 60 additional staff since March 2000
- Commenced sales of investment trusts at all branches since April 2000 and expanded the selection of these investment funds to 14 types as of September 2000
- Substantially expanded the types of foreign currency deposits offered
- Commenced credit card operations through the establishment of The Shinsei Card Co., Ltd., in June 2000
- Began tie-up with Japan's postal savings system in October 2000, including the mutual use of ATMs and fund transfer services
- Began mutual use of ATMs with six trust banks in December 2000

Financial Products

- Implemented a reorganization in July 2000 to strengthen product development capabilities, optimize synergies, and develop new sales channels
- Actively recruited outside professionals in new product and service areas, including loan trading and nonrecourse loans
- Commenced the offering of nonrecourse real estate loans under the brand name W-QLICK (pronounced "double click")

Future Directions

Shinsei Bank intends to continue to respond to the needs of its customers and the market, providing valuable and innovative financial products and services in addition to its existing businesses, including debentures and loans. To this end, the Bank will aggressively develop its operations, including the expansion of Shinsei Bank Group companies. Specific initiatives will encompass substantially increased participation in high-value-added business activities, including those listed below:

- Securitization (establishment of a securities subsidiary),
- Asset management (expansion of investment trust operations),
- Investment in selected industries as well as small and medium-sized companies (venture capital investments, fund management, and other activities), and
- Enhancement of convenience for retail banking customers (expansion of remote channels, including telephone banking, Internet services, and tie-ups with other financial institutions for the joint use of ATMs, and strengthening of capabilities for lending to individuals).

PROGRESS TOWARD RESTORING SOUND MANAGEMENT

During the period of temporary nationalization of the former LTCB, measures were already under way based on LTCB's Corporate Restructuring Plan to reduce personnel and expenses, withdraw fully from international banking operations, and dispose of properties not necessary for the Bank's operations, including resort houses and other welfare facilities. During the interim period under review, the Bank continued its activities to increase efficiency and rationalize its operations. These activities included reducing the running expenses of Bank offices, disposing of dormitories and other employee housing, and rationalizing general affairs operations. As a consequence, during the interim period, the Bank posted, on a non-consolidated basis, only ¥28.4 billion, or 42% of the planned ¥67.0 billion for fiscal 2000 in Operating Expenses, which was determined by the Plan for Restoring Sound Management.

NONPERFORMING LOANS (NON-CONSOLIDATED)

As of September 30, 2000, nonperforming loans disclosed under the Financial Reconstruction Law remained virtually the same as at March 31, 2000, amounting to ¥1,873.8 billion, representing an increase of ¥9.1 billion at March 31, 2000. By type of nonperforming exposure, the balance of substandard loans, compared with March 31, 2000, fell ¥232.8 billion as certain loans in this category were reclassified as doubtful or of lower quality. On the other hand, the balance of loans in the doubtful or of lower quality category rose ¥242.0 billion. Please see the table of "Nonperforming Claims Disclosed under the Financial Reconstruction Law" on page 10. For provisions, please see "Provisions to the Reserve for Loan Losses for the Interim Period Ended September 30, 2000" and "Reserve for Loan Losses" on page 11.

Definitions of Claims Classified under the Financial Reconstruction Law

The asset quality of the following balance sheet items is assessed under the Financial Reconstruction Law: loans and bills discounted, foreign exchanges, 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, as provided for under the Bankruptcy Law, the Corporate Reorganization 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 concerning 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

SUMMARY OF CONSOLIDATED STATEMENTS OF INCOME AND BALANCE SHEETS

For the interim period of fiscal 2000 ended September 30, 2000, Shinsei Bank posted, in the consolidated statements of income, net interest income, which is interest income of ¥124.5 billion less interest expenses of ¥86.0 billion, of ¥38.5 billion. This represents a ¥36.4 billion increase of net interest income from ¥2.0 billion (interest income of ¥190.9 billion less interest expenses of ¥188.8 billion) in the corresponding period in the previous year, primarily as a result of coupon bank debentures with relatively higher interest rates issued in previous fiscal years and other factors. Also, as a consequence of efforts to reduce general and administrative expenses, gains from the sale of certain stocks to the Deposit Insurance Corporation (DIC), and other developments, income before income taxes and minority interests increased to ¥70.1 billion and net income was ¥69.8 billion.

Among assets and liabilities, loans and bills discounted declined ¥466.3 billion in comparison with March 31, 2000, to ¥7,244.7 billion, while debentures outstanding declined ¥1,624.4 billion, to ¥5,106.3 billion. Deposits, including negotiable certificates of deposit (NCDs), increased ¥106.0 billion, to ¥2,883.5 billion.

In the stockholders' equity account, the Bank transferred capital surplus to fully dispose of the deficit, and stockholders' equity increased ¥70.4 billion compared with March 31, 2000, principally by net income of ¥69.8 billion, to ¥543.9 billion at September 30, 2000.

SUMMARY OF PERFORMANCE

In the consolidated statements of income for the interim period of fiscal 2000 under review, consolidated net income was ¥69.8 billion, almost the same as for the non-consolidated statements of income. This was because the number of subsidiaries was reduced while the former LTCB was under temporary nationalization as part of rationalization measures. Shinsei Bank, after taking over the operations of LTCB, is proceeding with the implementation of measures to develop a strong group of subsidiaries, focusing on high-value-added business activities.

REVIEW OF PERFORMANCE

Profits for the Interim Period (Non-Consolidated)

Net interest income for the interim period amounted to ¥38.9 billion, with interest income of ¥123.5 billion less interest expenses of ¥84.6 billion, reflecting the maturing of coupon bank debentures with relatively higher interest rates issued in previous fiscal years, improvement in lending spreads, and other developments. In addition, fees and commissions, net, were ¥5.8 billion. As a consequence of these and other factors, gross business profit used for regulatory purposes amounted to ¥46.0 billion.

General and administrative expenses were reduced ¥0.9 billion, to ¥29.2 billion, for the interim period, as the Bank worked to lower its operating costs through rationalization measures while, at the same time, using its resources to enter new business areas and aggressively hire professionals with high levels of skills, focusing especially on leading-edge areas, such as financial products, risk management, and information technology as well as on retail banking.

In addition, the Bank reported ¥55.0 billion in gains from the sale of stocks to DIC in April 2000 and increased the reserves for loan losses by ¥1.8 billion (net of a reversal of the general reserve for loan losses). As a consequence of these factors, net operating income used for regulatory purposes amounted to ¥69.5 billion and net income was ¥69.7 billion for the interim period.

Please note that since there were no retained earnings available for dividends at the end of the previous fiscal year, March 31, 2000, the Bank could not pay an interim dividend for the interim period under review.

Review of Balance Sheet Data (Non-Consolidated)

As of September 30, 2000, total assets were ¥2,278.4 billion lower than at March 31, 2000, and amounted to ¥11,477.2 billion. This was the result of a decline in cash and due from banks of ¥1,374.1 billion, compared with March 31, 2000, to ¥595.5 billion; a drop in loans and bills discounted of ¥463.7 billion, to ¥7,240.9 billion, accompanying the trend among major corporations to reduce bank borrowings and stagnant demand for financing capital investment; as well as other factors.

On the liabilities side, in tandem with the decline in the Bank's balances of earning assets and the shorter periods to maturity of these assets, the balance of bank debentures fell ¥1,565.7 billion in comparison with March 31, 2000, to ¥4,916.0 billion. On the other hand, deposits, including NCDs, increased ¥107.5 billion, to ¥2,931.7 billion.

In the stockholders' equity account, the Bank transferred capital surplus to fully dispose of the deficit, in accordance with the decision made at the General Meeting of Stockholders in June 2000; as a consequence, ¥69.7 billion, the full amount of interim net income, was entered in the earned surplus account. On the other hand, because the Bank adopted the mark-to-market accounting method for other securities (with direct entry into the stockholders' equity accounts), net unrealized losses on securities available-for-sale (amounting to a loss of ¥1.0 billion for the interim period) were newly recognized and entered in the stockholders' equity account. Please see Notes to Semi-Annual Consolidated Financial Statements, 3. "Adoption of New Accounting Standard for Financial Instruments," on page 18. As a result, total stockholders' equity at the end of the interim period was ¥538.5 billion.

ASSET QUALITY AND DISPOSAL OF NONPERFORMING CLAIMS (NON-CONSOLIDATED)

Status of Nonperforming Claims

Nonperforming claims as of September 30, 2000, as disclosed under the Financial Reconstruction Law, remained at almost the same level as at March 31, 2000, and amounted to ¥1,873.8 billion, representing an increase of ¥9.1 billion. However, as a result of bankruptcies of large companies having transactions with the Bank, claims on bankrupt and quasi-bankrupt customers rose ¥519.2 billion, to ¥808.3 billion, even though claims in the substandard category declined ¥232.8 billion, to ¥568.5 billion, and those in the doubtful category fell ¥277.2 billion, to ¥496.9 billion.

Nonperforming Claims Disclosed under the Financial Reconstruction Law

	Millions of Yen		
	Sept. 30, 2000	Mar. 31, 2000	Change
Bankrupt and Quasi-Bankrupt (A)	**¥ 808,316**	¥ 289,050	¥519,266
Doubtful (B)	**496,977**	774,211	(277,234)
Substandard (C)	**568,581**	801,480	(232,899)
Total (A)+(B)+(C)	**¥1,873,875**	¥1,864,742	¥ 9,133

Coverage Ratios

Coverage ratios for nonperforming claims, taking account of loan loss reserves, collateral pledged against these claims, and guarantees of such claims as of September 30, 2000, as disclosed under the Financial Reconstruction Law were as follows: bankrupt and quasi-bankrupt, 100%; doubtful, 74.46%; and substandard, 44.58%. The coverage ratio for all nonperforming claims was 76.41%.

The Bank has not made direct write-offs of the portion of nonperforming claims that are estimated to be uncollectible, but, if such write-offs were made (in the estimated amount of ¥299,794 million), the coverage ratio for all such claims would be 71.92%.

Coverage Ratios for Nonperforming Claims Disclosed under the Financial Reconstruction Law

	Millions of Yen				
		Amounts of Coverage			
	Amount of Claims	Reserves for Loan Losses	Collateral and Guarantees	Total	Coverage Ratios
Bankrupt and Quasi-Bankrupt	¥ 808,316	¥342,241	¥466,074	¥ 808,316	100.00%
Doubtful	496,977	283,037	87,014	370,051	74.46
Substandard	568,581	138,809	114,669	253,478	44.58
Total	¥1,873,875	¥764,088	¥667,758	¥1,431,846	76.41%

Nonperforming Claims Disposed of during the Interim Period

Nonperforming claims dealt with during the interim period resulted in an ¥86.9 billion reversal of the general reserve for loan losses and additions to the specific reserve for loan losses of ¥88.8 billion. The overall addition to the reserves for loan losses was ¥1.8 billion. As a result, the Bank reported ¥88.8 billion of losses (including the provision) for nonperforming claims, but, when the overall reserve for nonperforming loans is taken into account, the loss amount was ¥1.8 billion.

Provisions to the Reserve for Loan Losses for the Interim Period Ended September 30, 2000

	Millions of Yen
	Sept. 30, 2000
Provisions to Specific Reserve for Loan Losses	¥88,837
Other Losses on Loan Sales	1
Sub-total	88,838
Reversal of General Reserve for Loan Losses	(86,956)
Reversal of Reserve for Loans to Restructuring Countries	(31)
Total, Net	¥ 1,849

Reserve for Loan Losses

The balances of the reserves for loan losses as of September 30, 2000, were as follows. The general reserve for loan losses declined ¥102.4 billion, to ¥215.0 billion; the specific reserve for loan losses increased ¥81.5 billion, to ¥630.7 billion; and the reserve for loans to restructuring countries remained almost unchanged, at ¥0.2 billion. The overall balance of these reserves fell ¥20.9 billion, to ¥846.0 billion. During the interim period, ¥22.7 billion of these reserves were used for charge-offs of nonperforming exposure.

Reserve for Loan Losses (Non-Consolidated)

	Millions of Yen		
	Sept. 30, 2000	Mar. 31, 2000	Change
General Reserve	**¥215,007**	¥317,480	¥(102,473)
Specific Reserve	**630,733**	549,191	81,542
Reserve for Loans to Restructuring Countries	**282**	308	(26)
Total	**¥846,023**	¥866,981	¥ (20,958)

Risk-Monitored Assets

The Bank's total risk-monitored assets at September 30, 2000, on a non-consolidated basis, were almost unchanged from March 31, 2000, and amounted to ¥1,794.7 billion, an increase of ¥3.8 billion. Restructured loans fell ¥232.4 billion in comparison with March 31, 2000, to ¥546.3 billion. Past due loans three months or more were almost unchanged and amounted to ¥22.2 billion. Past due loans were down ¥142.5 billion, to ¥658.6 billion. Loans to borrowers in bankruptcy, however, rose ¥379.3 billion, to ¥567.4 billion.

Please note that risk-monitored assets on a consolidated basis at the end of the interim period were ¥1,794.3 billion, almost at the same level as for non-consolidated risk-monitored assets.

Risk-Monitored Assets (Consolidated)

	Millions of Yen				
	Sept. 30, 2000	Change from Sept. 30, 1999	Change from Mar. 31, 2000	Sept. 30, 1999	Mar. 31, 2000
Loans to Borrowers in Bankruptcy	**¥ 567,492**	¥ (544,362)	¥ 379,326	¥1,111,854	¥ 188,166
Past Due Loans	**658,099**	(418,516)	(142,617)	1,076,615	800,716
Past Due Loans Three Months or More	**22,210**	2,434	(455)	19,776	22,665
Restructured Loans	**546,529**	128,813	(232,286)	417,716	778,815
Total	**¥1,794,332**	¥ (831,631)	¥ 3,970	¥2,625,963	¥1,790,362
Total Loans and Bills Discounted Outstanding	**¥7,244,711**	¥(2,406,881)	¥(466,313)	¥9,651,592	¥7,711,024

(Ratio to Total Loans and Bills Discounted)

Loans to Borrowers in Bankruptcy	**7.8%**	–3.7%	5.4%	11.5%	2.4%
Past Due Loans	**9.1%**	–2.1%	–1.3%	11.2%	10.4%
Past Due Loans Three Months or More	**0.3%**	0.1%	0.0%	0.2%	0.3%
Restructured Loans	**7.5%**	3.2%	–2.6%	4.3%	10.1%
Total	**24.8%**	–2.4%	1.6%	27.2%	23.2%

(Non-Consolidated)

	Millions of Yen				
	Sept. 30, 2000	Change from Sept. 30, 1999	Change from Mar. 31, 2000	Sept. 30, 1999	Mar. 31, 2000
Loans to Borrowers in Bankruptcy	**¥ 567,490**	¥ (544,364)	¥ 379,324	¥1,111,854	¥ 188,166
Past Due Loans	**658,674**	(417,941)	(142,581)	1,076,615	801,255
Past Due Loans Three Months or More	**22,210**	2,434	(455)	19,776	22,665
Restructured Loans	**546,370**	128,654	(232,445)	417,716	778,815
Total	**¥1,794,746**	¥ (831,217)	¥ 3,844	¥2,625,963	¥1,790,902
Total Loans and Bills Discounted Outstanding	**¥7,240,961**	¥(2,388,036)	¥(463,764)	¥9,628,997	¥7,704,725

(Ratio to Total Loans and Bills Discounted)

Loans to Borrowers in Bankruptcy	**7.8%**	–3.7%	5.4%	11.5%	2.4%
Past Due Loans	**9.1%**	–2.1%	–1.3%	11.2%	10.4%
Past Due Loans Three Months or More	**0.3%**	0.1%	0.0%	0.2%	0.3%
Restructured Loans	**7.5%**	3.2%	–2.6%	4.3%	10.1%
Total	**24.8%**	–2.5%	1.6%	27.3%	23.2%

Definitions of Risk-Monitored Loan Categories Risk-monitored loans 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,
- 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, and
- The borrower's transactions with the promissory note clearinghouse 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 Reconstruction 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.

CAPITAL RATIO

The Bank's risk-weighted capital ratio (Domestic Criteria) on a consolidated basis as of September 30, 2000, was 15.55%, 3.34 percentage points higher than at March 31, 2000. In addition, the non-consolidated capital ratio (Domestic Criteria) was 14.42%, 2.87 percentage points higher than at March 31, 2000.

Capital Adequacy—Consolidated

	Billions of Yen			
	Sept. 30, 2000 (Domestic Criteria)	Change from Mar. 31, 2000	Sept. 30, 1999 (BIS Criteria)	Mar. 31, 2000 (Domestic Criteria)
(1) Tier I	**¥ 544.0**	¥ 70.4	¥ 13.3	¥ 473.6
(2) Tier II	**544.0**	70.4	13.3	473.6
45% of Unrealized Gains on Securities	**—**	—	130.3	—
General Loan Loss Reserves	**43.7**	(4.7)	174.3	48.4
Subordinated Debts, Hybrid Capital Instruments	**615.4**	(190.9)	481.0	806.3
Cutoff (Tier I Cap)	**(115.0)**	(266.1)	(772.3)	(381.1)
(3) Deductions (Double Gearing/Leveraging)	**—**	—	—	—
(4) Total Capital (1) + (2) – (3)	**1,088.0**	140.8	26.7	947.2
(5) Risk Assets	**6,995.7**	(759.9)	13,945.6	7,755.6
Total Capital Ratio (4) / (5) (%)	**15.55%**	3.34%	0.19%	12.21%

The risk-weighted capital ratio for regulatory purposes of the Bank was changed from BIS Criteria to Domestic Criteria in the year ended March 31, 2000, due to the withdrawal from overseas operations.

Consolidated Balance Sheets

Shinsei Bank, Ltd. (formerly The Long-Term Credit Bank of Japan, Limited) and Subsidiaries
September 30, 2000 and 1999 and March 31, 2000

	Millions of Yen		
	Sept. 30, 2000	Sept. 30, 1999	Mar. 31, 2000
ASSETS			
Cash and Due from Banks	**¥ 525,861**	¥ 536,403	¥ 1,930,219
Call Loans	**458,570**	445,353	363,492
Commercial Paper and Other Debt Purchased	**17**	2,303	1,189
Trading Assets	**293,438**	1,047,601	545,120
Money Held in Trust	**49,425**	52,403	—
Securities	**2,701,842**	1,743,208	2,804,703
Loans and Bills Discounted	**7,244,711**	9,651,592	7,711,024
Foreign Exchanges	**15,534**	20,843	14,294
Other Assets	**252,666**	4,259,145	366,778
Premises and Equipment	**35,958**	68,432	35,865
Deferred Discounts on and Issuance Expenses for Debentures	**1,510**	2,435	1,981
Deferred Income Taxes	**—**	667	—
Customers' Liabilities for Acceptances and Guarantees	**215,259**	476,793	298,624
Reserve for Loan Losses	**(845,744)**	(2,067,289)	(866,518)
Total Assets	**¥10,949,054**	¥16,239,893	¥13,206,776
LIABILITIES, MINORITY INTERESTS IN SUBSIDIARIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Debentures	**¥ 5,106,360**	¥ 7,621,633	¥ 6,730,795
Deposits, Including NCDs	**2,883,553**	3,605,648	2,777,516
Call Money	**89,000**	444,500	245,206
Commercial Paper	**—**	—	500
Trading Liabilities	**215,039**	647,722	277,876
Borrowed Money	**620,512**	2,597,990	902,995
Foreign Exchanges	**127**	1,381	270
Other Liabilities	**1,256,171**	661,631	1,482,460
Reserve for Derivative-Related Credit Risk	**—**	—	1,295
Reserve for Retirement Benefits	**18,902**	17,275	15,512
Reserve for Loss on Disposition of Premises and Equipment	**81**	—	80
Reserve for Contingencies on Loans Sold	**—**	100,216	—
Reserve for Disposition of Specific Assets	**—**	51,737	—
Other Reserve	**0**	6	0
Acceptances and Guarantees	**215,259**	476,793	298,624
Total Liabilities	**10,405,009**	16,226,539	12,733,132
Minority Interests in Subsidiaries	**60**	63	59
Stockholders' Equity:			
Capital Stock:			
Common Stock	**180,853**	325,710	180,853
Preferred Stock	**270,443**	65,000	48,443
Preferred Stock Subscription	**—**	—	240,000
Capital Surplus	**18,558**	—	281,413
Earned Surplus (Deficit)	**73,254**	(377,419)	(277,125)
Treasury Stock, at Cost	**(0)**	—	(0)
Net Unrealized Losses on Securities Available-for-Sale	**(1,023)**	—	—
Foreign Currency Translation Adjustments	**1,899**	—	—
Total Stockholders' Equity	**543,985**	13,291	473,584
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Stockholders' Equity	**¥10,949,054**	¥16,239,893	¥13,206,776

See Notes to Semi-Annual Consolidated Financial Statements.

Consolidated Statements of Income

Shinsei Bank, Ltd. (formerly The Long-Term Credit Bank of Japan, Limited) and Subsidiaries
For the Six Months Ended September 30, 2000 and 1999 and for the Year Ended March 31, 2000

	Millions of Yen		
	Sept. 30, 2000 (6 months)	Sept. 30, 1999 (6 months)	Mar. 31, 2000 (1 year)
Income:			
Interest Income	**¥124,569**	¥ 190,983	¥ 340,486
Interest on Loans and Discounts	**83,131**	119,404	213,314
Interest and Dividends on Securities	**5,834**	14,589	25,359
Other Interest Income	**35,604**	56,990	101,813
Fees and Commissions	**7,177**	3,836	9,289
Trading Revenue	**2,067**	2,953	2,728
Other Operating Income	**1,432**	6,942	7,841
Other Income	**58,232**	1,155,699	1,613,896
Total Income	**193,479**	1,360,415	1,974,242
Expenses:			
Interest Expenses	**86,052**	188,892	319,756
Interest and Discounts on Debentures	**47,268**	82,619	149,020
Interest on Deposits & NCDs	**4,377**	15,377	27,519
Other Interest Expenses	**34,407**	90,896	143,217
Fees and Commissions	**999**	3,578	4,398
Trading Expenses	**—**	—	79
Other Operating Expenses	**1,381**	11,221	17,156
General and Administrative Expenses	**29,955**	31,497	62,735
Other Expenses	**4,960**	1,126,082	1,459,017
Total Expenses	**123,348**	1,361,273	1,863,143
Income (Loss) before Income Taxes and Minority Interests	**70,130**	(857)	111,098
Income Taxes:			
Current	**253**	579	1,526
Deferred	**—**	(1,799)	(1,786)
Minority Interests in Net Loss of Consolidated Subsidiaries	**0**	15	11
Net Income	**¥ 69,876**	¥ 346	¥ 111,346

See Notes to Semi-Annual Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

Shinsei Bank, Ltd. (formerly The Long-Term Credit Bank of Japan, Limited) and Subsidiaries
For the Six Months Ended September 30, 2000 and 1999 and for the Year Ended March 31, 2000

	Millions of Yen		
	Sept. 30, 2000 (6 months)	Sept. 30, 1999 (6 months)	Mar. 31, 2000 (1 year)
Common Stock:			
Balance at Beginning of Period	**¥180,853**	¥325,710	¥325,710
Issuance of Common Stock	**—**	—	60,000
Capital Reduction without Repayment	**—**	—	(204,856)
Balance at End of Period	**180,853**	325,710	180,853
Preferred Stock:			
Balance at Beginning of Period	**48,443**	65,000	65,000
Issuance of Preferred Stock	**222,000**	—	—
Capital Reduction without Repayment	**—**	—	(16,556)
Balance at End of Period	**270,443**	65,000	48,443
Preferred Stock Subscription:			
Balance at Beginning of Period	**240,000**	—	—
Issuance of Preferred Stock	**(240,000)**	—	240,000
Balance at End of Period	**—**	—	240,000
Capital Surplus:			
Balance at Beginning of Period	**281,413**	300,263	300,263
Issuance of Common Stock	**—**	—	60,000
Capital Reduction without Repayment	**—**	—	221,413
Transfer to Deficit	**(280,854)**	(300,263)	(300,263)
Issuance of Preferred Stock	**18,000**	—	—
Balance at End of Period	**18,558**	—	281,413
Earned Surplus (Deficit):			
Balance at Beginning of Period	**(277,125)**	(681,190)	(681,190)
Transfer from Capital Surplus	**280,854**	300,263	300,263
Increase Due to Exclusion of Consolidated Subsidiaries	**—**	7,403	7,827
Decrease Due to Addition of Consolidated Subsidiaries	**(351)**	—	—
Decrease Due to Exclusion of Consolidated Subsidiaries	**—**	(4,100)	(14,670)
Decrease Due to Exclusion of Affiliates under the Equity Method	**—**	(42)	(722)
Net Income	**69,876**	346	111,346
Others	**—**	(99)	20
Balance at End of Period	**73,254**	(377,419)	(277,125)
Treasury Stock:			
Balance at Beginning of Period	**(0)**	—	—
Purchase of Treasury Stock	**—**	—	(0)
Balance at End of Period	**(0)**	—	(0)
Net Unrealized Losses on Securities Available-for-Sale:			
Balance at Beginning of Period	**—**	—	—
Net Change during the Period	**(1,023)**	—	—
Balance at End of Period	**(1,023)**	—	—
Foreign Currency Translation Adjustments:			
Balance at Beginning of Period	**—**	—	—
Net Change during the Period	**1,899**	—	—
Balance at End of Period	**1,899**	—	—
Total	**¥543,985**	¥ 13,291	¥473,584

See Notes to Semi-Annual Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Shinsei Bank, Ltd. (formerly The Long-Term Credit Bank of Japan, Limited) and Subsidiaries
For the Six Months Ended September 30, 2000 and 1999 and for the Year Ended March 31, 2000

	Millions of Yen		
	Sept. 30, 2000 (6 months)	Sept. 30, 1999 (6 months)	Mar. 31, 2000 (1 year)
I. Cash Flows from Operating Activities:			
Net Income (Loss) before Income Taxes and Minority Interests	**¥ 70,130**	¥ (857)	¥ 111,098
Transfer to Temporary Nationalization Account	**—**	(936,594)	—
Depreciation	**400**	682	849
Equity in Losses of Affiliates	**45**	175	653
Decrease in Reserve for Loan Losses	**(20,774)**	(1,597,427)	(2,798,198)
Increase in Reserve for Derivative-Related Credit Risk	**—**	—	1,295
Increase (Decrease) in Reserve for Employee Retirement Benefits	**3,389**	(2,908)	(4,672)
Decrease in Reserve for Loss on Disposition of Specific Assets	**—**	(27,977)	(79,714)
Decrease (Increase) in Reserve for Losses from Loans Sold to CCPC	**—**	2,695	(97,521)
Increase in Reserve for Loss on Disposition of Specific Assets	**—**	—	80
Decrease in Other Reserve	**—**	—	(6)
Interest Income	**(124,569)**	(190,983)	(340,486)
Interest Expenses	**86,052**	188,892	319,756
Gain (Loss) on Securities	**(56,040)**	41,959	(337,215)
Loss (Gain) on Money Held in Trust	**483**	(720)	3,939
Net Exchange Losses	**1,393**	5,782	6,816
Net Loss (Gain) on Sale of Premises and Equipment	**482**	1,386	(436)
Net Loss on Transfer of Specific Assets to Resolution and Collection Corporation, etc.	**—**	—	678,206
Net Decrease (Increase) in Trading Assets and Liabilities	**188,845**	(87,289)	45,344
Net Decrease in Loans and Bills Discounted	**470,754**	4,039,006	2,273,804
Net Increase (Decrease) in Deposits, Including NCDs	**106,037**	233,680	(594,452)
Net Decrease in Debentures	**(1,565,788)**	(274,720)	(1,187,788)
Net Decrease in Borrowed Money (Other than Subordinated Debt)	**(43,889)**	—	(2,743,815)
Net Decrease (Increase) in Due from Banks (Other than Deposits with the Bank of Japan)	**395,865**	—	(488,344)
Net Increase (Decrease) in Call Loans, Commercial Paper and Other Debt Purchased	**(93,906)**	143,617	226,592
Net Decrease (Increase) in Collateral under Securities Borrowing Transactions	**100,109**	—	(100,109)
Net Decrease in Call Money and Commercial Paper	**(156,706)**	(2,255,071)	(1,419,768)
Net Increase (Decrease) in Collateral under Securities Lending Transactions	**74,787**	(365,424)	646,213
Net Increase (Decrease) in Foreign Exchanges (Assets)	**(1,240)**	214	4,774
Net Decrease (Increase) in Foreign Exchanges (Liabilities)	**(143)**	380	(730)
Interest Received	**126,997**	280,508	469,311
Interest Paid	**(110,676)**	(212,800)	(371,024)
Proceeds from Sale of Specific Assets to Resolution and Collection Corporation	**—**	—	698,475
Others, Net	**(261,334)**	494,479	2,081,995
Sub-total	**(809,293)**	(519,316)	(2,995,076)
Income Taxes Paid	**(852)**	(585)	(2,097)
Net Cash Used in Operating Activities	**(810,145)**	(519,902)	(2,997,173)
II. Cash Flows from Investing Activities:			
Purchase of Securities	**(4,798,296)**	(101,251)	(2,901,597)
Proceeds from Sale of Securities	**2,104,977**	381,451	2,361,707
Proceeds from Redemption of Securities	**2,849,111**	20,274	137,645
Investment in Money Held in Trust	**(49,909)**	(619)	(310,169)
Proceeds from Disposition of Money Held in Trust	**—**	7,430	365,443
Proceeds from Sale of Premises and Equipment	**—**	9,802	44,929
Purchase of Premises and Equipment	**(1,067)**	(138)	—
Net Cash Provided by (Used in) Investing Activities	**104,815**	316,950	(302,041)
III. Cash Flows from Financing Activities:			
Payment on Subordinated Borrowings	**(243,900)**	—	—
Payment for Redemption of Subordinated Debts	**(59,545)**	(24,110)	(24,110)
Decrease of Issuance of Foreign Bonds	**—**	(6,492)	—
Proceeds from Issuance and Subscription of Shares	**—**	—	360,000
Proceed on Temporary Nationalization Account	**—**	—	3,587,951
Others	**—**	(1)	—
Net Cash Provided by (Used in) Financing Activities	**(303,445)**	(30,603)	3,923,841
IV. Effect of Exchange Rate Difference on Cash and Cash Equivalents	**—**	(42,470)	—
V. Net Decrease (Increase) in Cash and Cash Equivalents	**(1,008,775)**	(276,025)	624,626
VI. Cash and Cash Equivalents at Beginning of Period	**1,040,698**	817,247	416,071
VII. Decrease in Cash and Cash Equivalents Due to Exclusion of Subsidiaries from Consolidation	**—**	(4,818)	—
VIII. Cash and Cash Equivalents at End of Period	**¥ 31,922**	¥ 536,403	¥1,040,698

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, Ltd. (the "Bank," formerly the Long-Term Credit Bank of Japan, Limited) 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.

Other Assets includes "Due from the Deposit Insurance Corporation" ("Due from DIC") amounting to ¥6,836 million for the compensation of losses incurred during the temporary nationalization period pursuant to Articles 62 and 72 of the Financial Reconstruction Law.

The amount of Due from DIC is subject to change due to the subsequent review process for the final determination of the balance sheet as at February 29, 2000, in accordance with the procedures prescribed in the Share Purchase Agreement dated February 9, 2000. The financial statements do not include adjustments that might result from the outcome of this uncertainty. (See Note 4.)

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, 2000 were as follows:

	Number of companies		
	Sept. 30, 2000	Mar. 31, 2000	Net Change
Subsidiaries	8	7	1
Affiliates	5	5	0

3. Adoption of New Accounting Standard for Financial Instruments

A new accounting standard for financial instruments has been adopted effective from the year beginning April 1, 2000. The effect of this adoption was to increase income before income taxes and minority interests for the six months ended September 30, 2000 by ¥1,018 million. The significant changes in measurement and presentation in the financial statements by the adoption are as follows:

(1) Classification and Valuation of Securities

Prior to April 1, 2000, although trading securities were stated at market value, other listed securities were carried at the lower of moving average cost or market and other unlisted securities were carried at cost determined by the moving average method. Effective from April 1, 2000, securities other than investments in affiliates are classified into three categories, based principally on the Bank's intent, as follows:

- "Trading Securities" are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers. Trading securities are carried at market value with corresponding unrealized gains/losses recorded in income.
- "Securities Being Held to Maturity" are debt securities for which the Bank and its subsidiaries have positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost.
- "Securities Available-for-Sale" are securities other than trading securities and securities being held to maturity. Securities available-for-sale are carried at fair value with corresponding unrealized gains/losses recorded directly in a separate component of stockholders' equity. Securities available-for-sale for which

fair value is not readily determinable are carried at moving average cost or amortized cost determined by the moving average method.

The amortized cost and estimated fair values of marketable securities at September 30, 2000 were as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Trading Securities	¥ 64,743	¥ 86	¥ 17	¥ 64,812
Securities Being Held to Maturity (Japanese Government Bonds only)	¥ 20	¥ 1	¥ —	¥ 21
Securities Available-for-Sale:				
Equity Securities	¥ 43	¥ 62	¥ 0	¥ 105
Japanese Government Bonds	2,428,944	119	1,863	2,427,136
Japanese Local Government Bonds	12,028	4	106	11,916
Japanese Corporate Bonds	94,052	828	387	94,496
Other	141,527	824	551	141,799
Total Securities Available-for-Sale	¥2,676,596	¥1,839	¥2,908	¥2,675,454

Securities included in Money held in trust are stated at the same method as described above.

(2) Derivatives and Hedge Accounting

Prior to April 1, 2000, although derivatives recorded in trading positions were stated at fair value, other derivatives were principally accounted for by the accrual method. Effective April 1, 2000, all derivatives are stated at fair value. The corresponding unrealized gains/losses are deferred if certain hedge conditions are met. The Bank principally applies a “macro hedge,” which is permitted for Japanese banks until the year ending March 31, 2002, for interest rate derivatives to manage interest rate risk of the Bank as a whole. The effectiveness of the macro hedge is reviewed for a reduction in interest rate risk exposure and the actual risk amount of derivatives within the pre-approved limit under the Bank’s risk control policies. At September 30, 2000, the gross deferred gains and the gross deferred losses were ¥62,451 million and ¥36,393 million, respectively, and the net amount is included in other liabilities.

• Adoption of New Accounting Standard for Retirement Benefits

A new accounting standard for retirement benefits has been adopted effective from the year beginning April 1, 2000. The effect of this adoption was to decrease income before income taxes and minority interests for the six months ended September 30, 2000 by ¥1,314 million.

Prior to April 1, 2000, the accrued provision for retirement allowances of the Bank was calculated to state the estimated liability at the amount which would be required to be paid if all employees eligible for the retirement allowances plan were to terminate their employment voluntarily at the balance sheet date. Effective April 1, 2000, the reserve for retirement benefits is provided based on the estimated present value of the actuarial by determined retirement benefit obligation and the fair value of plan assets. The initial unrecognized net obligation of ¥16,753 million is being amortized over 15 years.

4. Subsequent Event

Due from DIC was determined as ¥1,967 million by the agreement dated January 5, 2001 between the Bank, DIC and the New LTCB Partners C.V.

Non-Consolidated Balance Sheets

Shinsei Bank, Ltd. (formerly The Long-Term Credit Bank of Japan, Limited)
September 30, 2000 and 1999 and March 31, 2000

	Millions of Yen		
	Sept. 30, 2000	Sept. 30, 1999	Mar. 31, 2000
ASSETS			
Cash and Due from Banks	**¥ 595,569**	¥ 652,255	¥ 1,969,712
Call Loans	**458,000**	441,609	363,492
Commercial Paper and Other Debt Purchased	**17**	2,303	1,189
Trading Assets	**526,274**	1,090,342	785,219
Money Held in Trust	**53,760**	52,403	—
Securities	**2,741,458**	1,759,764	2,810,164
Loans and Bills Discounted	**7,240,961**	9,628,997	7,704,725
Foreign Exchanges	**15,534**	20,843	14,294
Other Assets	**226,255**	4,232,500	365,021
Premises and Equipment	**35,608**	68,074	35,631
Deferred Discounts on and Issuance Expenses for Debentures	**1,030**	1,586	1,236
Customers' Liabilities for Acceptances and Guarantees	**428,819**	757,453	571,997
Reserve for Loan Losses	**(846,023)**	(2,065,837)	(866,981)
Total Assets	**¥11,477,268**	¥16,642,296	¥13,755,705
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Debentures	**¥ 4,916,096**	¥ 7,390,242	¥ 6,481,884
Deposits, Including NCDs	**2,931,785**	3,664,700	2,824,226
Call Money	**89,000**	444,500	245,206
Commercial Paper	**—**	—	500
Trading Liabilities	**469,109**	738,260	564,910
Borrowed Money	**829,470**	2,822,743	1,093,646
Foreign Exchanges	**161**	1,381	270
Other Liabilities	**1,255,614**	653,883	1,486,654
Reserve for Derivative-Related Credit Risk	**—**	—	1,295
Reserve for Retirement Benefits	**18,626**	17,172	15,255
Reserve for Contingencies on Loans Sold	**—**	100,216	—
Reserve for Disposition of Specific Assets	**—**	51,737	—
Other Reserve	**0**	6	0
Acceptances and Guarantees	**428,819**	757,453	571,997
Total Liabilities	**10,938,684**	16,642,296	13,285,849
Stockholders' Equity:			
Capital Stock:			
Common Stock	**180,853**	325,710	180,853
Preferred Stock	**270,443**	65,000	48,443
Preferred Stock Subscription	**—**	—	240,000
Capital Surplus	**18,558**	—	281,413
Legal Reserve	**—**	—	—
Earned Surplus (Deficit)	**69,752**	(390,710)	(280,854)
Net Unrealized Losses on Securities Available-for-Sale	**(1,023)**	—	—
Total Stockholders' Equity	**538,583**	0	469,855
Total Liabilities and Stockholders' Equity	**¥11,477,268**	¥16,642,296	¥13,755,705

Non-Consolidated Statements of Income

Shinsei Bank, Ltd. (formerly The Long-Term Credit Bank of Japan, Limited)
For the Six Months Ended September 30, 2000 and 1999 and for the Year Ended March 31, 2000

	Millions of Yen		
	Sept. 30, 2000	Sept. 30, 1999	Mar. 31, 2000
Income:			
Interest Income	**¥123,561**	¥ 187,658	¥ 334,310
Interest on Loans and Discounts	**81,304**	117,787	209,750
Interest and Dividends on Securities	**7,623**	14,355	25,126
Others	**34,634**	55,516	99,434
Fees and Commissions	**6,795**	4,673	8,431
Trading Revenue	**1,449**	2,058	591
Other Operating Income	**897**	6,831	7,731
Other Income	**58,166**	1,153,846	1,613,163
Total Income	**190,870**	1,355,068	1,964,227
Expenses:			
Interest Expenses	**84,649**	187,158	315,800
Interest and Discounts on Debentures	**41,431**	78,185	140,470
Interest on Deposits & NCDs	**5,211**	15,629	28,728
Others	**38,007**	93,344	146,602
Fees and Commissions	**984**	4,169	5,178
Trading Expenses	**—**	—	313
Other Operating Expenses	**1,124**	10,941	16,665
General and Administrative Expenses	**29,257**	30,209	61,116
Other Expenses	**4,987**	1,122,125	1,454,209
Total Expenses	**121,003**	1,354,603	1,853,283
Income before Income Taxes	**69,866**	464	110,943
Income Taxes:			
Current	**114**	464	1,088
Deferred	**—**	—	—
Net Income	**¥ 69,752**	¥ —	¥ 109,855

Corporate Information

(As of September 30, 2000)

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:
674,528,000

Number of Stockholders
3

Stockholders
New LTCB Partners C.V.
Deposit Insurance Corporation of Japan
Resolution and Collection Corporation

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
Otemachi Branch
Shibuya 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

SHINSEI BANK

SHINSEI BANK, LTD.
1-8, UCHISAIWAICHO 2-CHOME, CHIYODA-KU, TOKYO 100-8501, JAPAN

SHINSEI BANK, LTD. Interim Report 2000

For further information, please contact:
Corporate Communications Division
SHINSEI BANK, LTD.
1-8, UCHISAIWAICHO 2-CHOME,
CHIYODA-KU, TOKYO 100-8501, JAPAN
Tel: 81-3-5511-5111 Fax: 81-3-5511-5505
URL: http://www.shinseibank.co.jp
E-mail: webmaster@shinseibank.co.jp

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