

Fitch Upgrades Shinsei Servicer To ‘CSS1-(JPN)’ And ‘RPS1-(JPN)’

Fitch Ratings-Tokyo/Singapore/New York -3 April 2007: Fitch Ratings has today upgraded Shinsei Servicing Company’s (“Shinsei Servicer”) commercial mortgage special servicer rating to ‘CSS1-(JPN)’ (CSS1 minus(JPN)) from ‘CSS2+(JPN)’ and its residential mortgage primary servicer rating to ‘RPS1-(JPN)’ (RPS1 minus(JPN)) from ‘RPS2+(JPN)’.

The upgrades reflect Shinsei Servicer’s strengths which include experienced and capable management and staff, its highly automated and efficient operations and strong internal control management together with strong support from Shinsei Bank Group in human resources and business.

Shinsei Servicer was established in October 2001 and commenced servicing operations in January 2002, after receiving a licence from the Ministry of Justice, Japan. The servicer is a fully-owned indirect subsidiary of Shinsei Bank Co., Ltd. (the bank, rated ‘BBB+’/Stable/‘F2’), The bank focuses on retail and investment banking, such as loan trading, securitisation, M&A, private equity and corporate restructuring, which require a strong servicing ability. The servicer works closely with the bank as a business partner.

The CSS rating covers the operations of the servicer’s Asset Management Division which primarily conducts commercial mortgage special servicing. However, the servicer’s focus has currently shifted from NPLs (non-performing loans) to PLs/SPLs (performing/sub-performing loans) following the market trend. Fitch acknowledges that the servicer proactively responded to the market change by enhancing efforts with obligors, forming teams with highly specialised staff and upgrading its IT systems. By the end of November 2006, the division had cumulatively serviced 13,950 loans with an aggregate legal balance of JPY1,564 billion. Fitch will continue to monitor the effectiveness of these measures in the rapidly changing market.

For residential mortgage primary servicing, Fitch reviewed the operations of the servicer’s Retail Loan Division, which managed 19,000 loans worth approximately JPY205bn (excluding over 52,000 loans worth JPY549bn where Shinsei Servicer was acting as backup servicer) as of December 2006. The servicer is acknowledged as having a solid track record in the large-scale transfer of residential mortgages. The servicer has invested in upgrading its system and operates with a high level of automation, information control, and an accurate portfolio manual for each deal allowing exemplary daily operations. Furthermore, the servicer has strengthened its default management by the employment of experienced staff. While Fitch recognises that the company’s delinquency rate has decreased owing to these efforts, the agency will continue to monitor the servicer’s efforts.

Fitch rates primary, special and master servicers in Japan based on its asset types on a scale of one through five, with one being the highest rating. In addition, Fitch may attach a plus (+) or minus (-) sign to the rating, indicating a relative position within each rating category. “JPN” appears in the Japanese ratings to reflect their relevance in Japan’s legal, economic and social context. For further details, please refer to the report titled ‘Rating Japanese Servicers’, dated 26 April 2006 available on Fitch’s websites at ‘www.fitchratings.com’ in English and ‘www.fitchratings.co.jp’ in Japanese.

The updated report on Shinsei Servicer both in English and Japanese will be available shortly on Fitch’s websites, or through Fitch Market Services at 1-800-853-4824 in New York or Fitch’s Tokyo office at +81-3-3288-2628 in Japan.

Contact:

Hisaharu Kamiya, Tokyo, Tel/email: + 81 3 3288 2701/ hisaharu.kamiya@fitchratings.com

Midori Sakakibara, Tokyo, +81 3 3288 2670/ midori.sakakibara@fitchratings.com

Diane Pendley, New York, +1 212 908 0777/ diane.pendley@fitchratings.com

Masako Osako, New York, +1 212 908 0546/ masako.osako@fitchratings.com

Media Relations: Chinatsu Ozaki, Tokyo, Tel: +81 3 3288 2679.

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