
Fitch Downgrades Nissin Servicer's Special Servicer Ratings; Maintains Watch Negative

Fitch Ratings-Tokyo/Singapore-28 October 2010: Fitch Ratings has today downgraded Nissin Servicer Co., Ltd.'s (NSC) asset-backed special servicer rating to 'ABSS4(JPN)' from 'ABSS3(JPN)' and its commercial mortgage special servicer rating to 'CSS4(JPN)' from 'CSS3-(JPN)'. Simultaneously, the agency is maintaining the Rating Watch Negative (RWN) status on both ratings.

These rating actions reflect the increase in NSC's funding uncertainty following the collapse of Incubator Bank of Japan (IBJ, not rated by Fitch); IBJ filed for civil rehabilitation procedure on 10 September 2010. Fitch immediately placed NSC's servicer ratings on RWN on 10 September 2010 (for more information please refer to the rating action commentary, entitled "Fitch Places Nissin Servicer's Special Servicer Ratings on Watch Negative"), as a result of the possible impact this may have on NSC's performance and its ability to continue stable servicing.

Since 2008, NSC has borrowed short-term loans, primarily from IBJ and several other companies which have close relationships with IBJ. It is expected that in approximately eight months, part of IBJ's business will be transferred to a bridge bank. Fitch notes that the servicer's ability to continue stable servicing faces increased uncertainty, at least until it becomes clear how IBJ's loans to NSC will be treated in the scheduled transfer.

The agency notes that NSC needs to immediately review its business strategy and to rebuild its financing plan. Fitch will monitor NSC's responses to the current situation and will follow closely developments regarding the transfer of IBJ to a bridge bank, including its influence on NSC's servicing ability.

NSC continues to perform stably in collecting loans in its purchased loan portfolio. Since Fitch's last rating review in December 2009, there have been no significant changes to NSC's servicing operations and its servicing capabilities, including its collection ability.

Since July 2001, Nissin has been handling unsecured and secured loan receivables with a license from the Minister of Justice (obtained in October 2001). As at end-September 2010, Nissin serviced over 13,000 secured and unsecured loans, with an unpaid principal balance of approximately JPY400bn.

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Additional information is available at www.fitchratings.com.

Applicable criteria available on Fitch's website at www.fitchratings.com: "Rating Criteria for Japanese Servicers", dated 4 September 2009, "Global Rating Criteria for Structured Finance Servicers", dated 16 August 2010.

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