

## Regarding our posture on lending, and Small and Medium Sized Enterprises

We deeply regret that various constituencies have reported on and criticised our lending posture towards corporate customers. We sincerely note such criticism.

Based on our reflections on the failure of former LTCB, we have endeavored to restructure our business framework to achieve the goals of a good bank i.e. protecting depositors' funds, accommodating the funding needs of borrowing customers, and reducing non-performing loans on a step-by-step basis, all to maintain a sound banking business.

As a bank, we are fully aware that "there are no returns without risk, and sensible risk-taking must be encouraged". We have confirmed this important principle in our new policies.

However, we accept the criticisms that our posture in the recent past may have been rather straightforward, and caused some anxiety to our customers. We are modifying our policies as follows:

- (1) We will strengthen our support to customers where we can actively accommodate demand for loans. For other customers, we will reinforce our efforts on businesses such as non-recourse loans, or other suitable products, to meet their needs as much as possible.
- (2) For customers where we have concerns about credit standing, we will have sufficient discussions on their restructuring and repayment plans, paying attention to smooth financing, and taking the likelihood of short-term and medium term improvement into consideration. As far as possible, we will attempt to provide advice and proposals on their restructuring and repayment plans.

While we must give a high priority to the reduction of non-performing loans, we will take actions towards this goal on a step-by-step basis, in line with policies as noted above.

As regards Small and Medium Sized Enterprises (SME), we have established the "SME Committee" on August 30, with the approval of the Shinsei Bank Management Committee. President Masamoto Yashiro chairs the SME Committee, which has been created to reinforce our important goal of meeting the funding needs of Small and Medium Sized Enterprises. Under this Committee, we promptly established task forces to promote conventional loan business, and to provide new types of loans, such as non-recourse loans. We have started these activities specifically to actively promote appropriate and effective funding to Small and Medium Sized Enterprises.

With these measures, we will continue our efforts to maintain sound management of our banking business, and accommodating our customers' funding needs.