

For Immediate Release

December 27, 2002

Shinsei Bank Announces New Scheme for Real Estate Finance

- Multi-Asset Program (MAP) enables small-scale real estate financing -

Tokyo (Friday, December 27, 2002) – Shinsei Bank, Limited (Shinsei Bank) announced today an innovative real estate finance scheme called the “Multi-Asset Program (MAP)”. Based on non-recourse lending, MAP utilizes income-producing real estate assets as collateral. Shinsei Bank developed the MAP scheme jointly with Ground Financial Advisory Co., Ltd. (Ground Financial Advisory) and Mizuho Asset Trust and Banking Co., Ltd. (Mizuho Asset Trust Bank). Shinsei Bank recently closed their first deal using the new MAP scheme.

In MAP multiple non-recourse loans can be provided at any time through a single special purpose company (SPC) instead of establishing a new SPC for individual deals. Compared to standard non-recourse loan transactions, the MAP scheme allows for large transaction and maintenance cost reduction by using the single SPC.

The MAP scheme targets the following property types: office buildings (including tenant-owned properties), commercial facilities, and residential leasing properties that are operating as income producing properties at the time of entrustment. The value of the property (or group of properties) in general must exceed 300 million yen in order to be eligible for the MAP scheme. There is no maximum limit of the value of the property for the MAP scheme; properties valued in the multi-billion yen range are eligible.

While the real estate non-recourse loan market has expanded over the past few years, the majority of the deals have been in the multi-billion yen range. Despite strong demand, high transaction and maintenance costs have been barriers to setting up small-scale deals. The new MAP scheme lowers the cost of raising capital through a non-recourse loan to a much more reasonable level even in small-scale deals.

Shinsei Bank expects to have a dozen deals, or approximately total 50 billion yen of deals, in the MAP scheme within a year.

Please refer to the attached description of the scheme, the outline of the first deal, the corporate summary of Ground Financial Advisory, and the scheme chart.

Main Features of the MAP Scheme

① Lower Cost Realized by Multi-Asset Structure

Instead of establishing a new SPC for every deal, the borrower is a fixed SPC (Yugen Kaisha MAP). This SPC is a vehicle by which multiple non-recourse loans can be provided at any time. This enables the creation of a “multi-asset structure” scheme. Through this scheme, the costs involved in establishing and maintaining an SPC are significantly reduced. For small-scale deals, the cost of raising capital through a non-recourse loan is lowered to a much more reasonable level.

② Expeditious Transaction

Since the participants in the scheme are fixed and the necessary documentation is already in place, transactions will be closed more expeditiously compared to standard non-recourse loan transactions.

③ Segregation of Debt and Equity Investment

With multiple transactions booked through a single SPC, it is important to ensure that each transaction does not affect the other and that the bankruptcy remoteness of the sponsor is fully achieved. The Trust Bank participating in the scheme bifurcates the trust beneficial interests into two tranches: 1) Senior Beneficial Interests and 2) Subordinate Beneficial Interests. The SPC receives the Senior Beneficial Interests, which essentially produces the same cash flow as the non-recourse loan itself. The Subordinate Beneficial Interests, or the equity investment, represent the right to receive any dividend income that remains after the payment of the Senior Beneficial Interests.

④ Payment Management via Internet

The tenants of collateral properties are required to wire rent into an account opened at Shinsei Bank. The property management companies are able to confirm the rent payments via the Internet.

⑤ Important Ramifications on Real Estate Market and Increase in Investment Opportunities

For the seller of an income-producing property, the MAP scheme makes possible the sale of the property with debt financing through the concurrent sale of the Subordinate Beneficial Interests and the Senior Beneficial Interests under the MAP scheme. The ownership of the Subordinate Beneficial Interests makes the purchaser the owner of the property in actuality, and the aim of the MAP scheme is to provide equity investors in the real estate market a greater number of investment opportunities.

⑥ Enhancement of Disclosure

All properties entrusted to the Trust Bank for the MAP scheme undergo a thorough due diligence process, and throughout the entrusted period, the financial conditions of the properties are carefully monitored through required monthly reporting (including notification on condition of trust assets, property management reports, etc.). This high level of disclosure required by the MAP scheme provides greater transparency to the real estate market. It is believed that this scheme will significantly contribute to the creation of liquidity to the real estate transaction market.

Outline of the First Deal

Property Name: Believe Nagata-cho Building (Chiyoda-ku, Tokyo)

Type: Office Building

Sponsor (Purchaser of Secondary Beneficial Interests): TOKYOTOSHIKAIHATSU Co., Ltd.

Loan Amount: 220 million yen

Corporate Summary of Grand Financial Advisory Co., Ltd.

Address:	1-6-14, Nishishinbash; Minato-ku, Tokyo
President and CEO:	Akihiko Saito
Establishment:	January 2002
Major Business:	Arrangement of real estate securitization
Phone:	03-5532-1031
URL:	http://www.groundfa.com

Scheme Chart

