

Ranking On Capital Servicing As A Commercial Loan Primary Servicer Affirmed At ABOVE AVERAGE; Outlook Remains Stable

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OVERVIEW

- CSC primarily services performing and nonperforming real estate-backed commercial loans, apartment loans, and residential mortgage loans, as well as consumer loans.
- The company remains committed to expanding its business and its usage of sophisticated internal controls.
- We have affirmed our ABOVE AVERAGE servicer evaluation ranking on CSC as a commercial loan primary servicer. The outlook on the ranking remains stable.

TOKYO (Standard & Poor's) Aug. 24, 2011--Standard & Poor's Ratings Services today said that it has affirmed its ABOVE AVERAGE servicer evaluation ranking on Capital Servicing Co. Ltd. (CSC) as a commercial loan primary servicer. The outlook on the ranking remains stable. CSC remains on Standard & Poor's Select Servicer List in the aforementioned category.

CSC was established in September 1998. In September 1999, CSC was licensed by the Ministry of Justice as Japan's 23rd servicer and was permitted to conduct servicing operations as allowed under Japan's Law Concerning Special Measures for the Servicing Business (Servicer Law), which came into effect in February 1999. In December 1999, the company actually started its special servicing business as a main business. Currently, CSC's main business activity is the servicing of performing and nonperforming real estate-backed commercial loans, apartment loans, and residential mortgage loans, as well as consumer loans.

Today's affirmation of the ranking on CSC is primarily based on the company's efforts to increase its servicing volume and improve operational efficiency; its utilization of highly versatile computer systems to service various kinds of assets; and its continued focus on expanding its usage of sophisticated internal controls.

Standard & Poor's affirmed its overall ABOVE AVERAGE ranking on CSC as a commercial loan primary servicer after examining and analyzing various factors, including the following:

- The company's track record as a commercial loan primary servicer;
- Its efforts to promote efficient servicing operations;
- The servicing experience of its management team and collection staff;
- Its detailed internal policies and procedures;
- Its future business development plans;
- The implementation and results of its internal audits;
- The progress it has achieved in establishing internal controls;
- Its internal training programs;
- Its disaster recovery plans, including data backup systems, and its execution of system resumption tests;
- The quality and capacity of the computer system supporting day-to-day servicing operations;
- Its experience in servicing loans in securitization transactions;
- Its effective boarding of loans originated by third parties;
- Its cash management methods;
- Its ability to report to investors and relevant parties; and
- Its management of delinquent and defaulted receivables.

Standard & Poor's continues to see CSC's progress in implementing its business plans, and its response to heightening market and investor expectations in terms of commercial loan primary servicing and to other changes in its business environment, as key factors in assessing the company's credit quality.

Standard & Poor's servicer evaluations are based on an objective and comprehensive assessment of a servicer's operational capabilities for servicing various types of receivables and obligatory rights. Based on the assessment, we assign rankings in the following five categories: STRONG, ABOVE AVERAGE, AVERAGE, BELOW AVERAGE, and WEAK.

To be included in, or to remain on, Standard & Poor's Select Servicer List, servicers must, in principle, meet the criteria for attaining at least an AVERAGE ranking with a stable outlook.

RELATED CRITERIA AND RESEARCH

"Revised Criteria For Including RMBS, CMBS, And ABS Servicers On Standard & Poor's Select Servicer List," published April 16, 2009

"Servicer Evaluation Ranking Criteria: U.S.," published Sept. 21, 2004

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