



Press Release

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TRIS Rating and Standard & Poor's Jointly Held Seminar Entitled "Thailand's Banking Outlook and Hybrid Capital under BASEL III"

On 11 September 2014, TRIS Rating Co., Ltd., together with Standard & Poor's Ratings Services, organized a joint seminar entitled "Thailand's Banking Outlook and Hybrid Capital under BASEL III", at the Dusit Thani Hotel, Bangkok.

The seminar exemplifies the strong partnership between both credit rating agencies since Standard & Poor's has become a shareholder of TRIS Corporation, TRIS Rating's parent company, in late 2011.

At the seminar, Mr. Kim Eng Tan, Senior Director, Head of Asia-Pacific Sovereign Ratings, Standard & Poor's Ratings Services, shared his outlook for the Thai economy. Mr. Kim Eng Tan said *"Thailand's strong external profile, modest government debt, and a track record of effective monetary policy are factors that support the sovereign's credit metrics. However, the country's ongoing political uncertainties and its relatively low-income economy constrain the ratings."* He commented *"The ongoing political uncertainties weighs on the Thailand's economic and fiscal performances and has reduced impetus for important reforms. Over time, sovereign credit fundamentals could weaken."*

Ms. Geeta Chugh, Senior Director, Financial Institutions Ratings, Asia-Pacific, Standard & Poor's Ratings Services, outlined the key risks and prospects for the Thai banking sector. *"Standard & Poor's has a stable outlook for the banking system of Thailand. We don't expect political issues to be resolved any time soon in Thailand, and that means Thai banks are prone to further vulnerability. Nevertheless, most rated banks in Thailand have adequate capitalization and earnings for their rating category. This puts them in a position of strength going into next year,"* said Geeta Chugh.

The seminar concluded with Ms. Raithiwa Naruemol, Executive Vice President, TRIS Rating Co., Ltd., discussing about hybrid capital securities under the BASEL III regime regulated by the Bank of Thailand. Ms. Raithiwa said that commercial banks may need to issue hybrid securities to strengthen their capital funds under the new regulatory requirements. Ms. Raithiwa also explained TRIS Rating's criteria for hybrid capital securities under the BASEL III. *"The ratings for hybrid capital securities reflect the risk from subordination and the additional risk from loss absorption features. Holders of hybrid capital securities face higher risks from deferred coupons and/or principal write-downs than the default risk of an issuer's senior debentures. Therefore, the issue ratings of the hybrid capital securities will be lower than a bank's standalone rating by about four notches for hybrid Tier 1 securities and about two notches for hybrid Tier 2 securities,"* said Ms. Raithiwa.

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