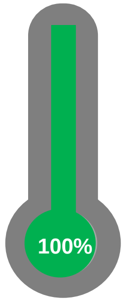
Hybrid Securities or Perpetual Bonds

Key characteristics of hybrid securities:

- **Subordination:** Hybrid securities are ranked below all senior debt claims but before common shares in a liquidation scenario.
- **Payment deferral:** The issuer is allowed to defer the coupon payment without triggering a default.
- **Permanence:** Most hybrid securities are perpetual or have a very long maturity date. However, TRIS Rating defines the effective maturity date is defined as the date the coupon step-up is equal to or more than 100 basis points (bps).

Equity Content

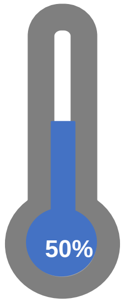
'High' (100% equity)



Key characteristics

- Remaining effective maturity >= 20 years.
- Must be converted into common shares within 2 years of the issuance.

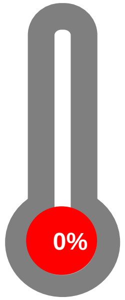
'Intermediate' (50% equity)



Key characteristics

- Remaining life until the effective maturity exceeding 20 years
- The first call date must be at least 5 years from the issuance date
- Contain a Replacement Capital Covenant (RCC)

'Nil' (0% equity)



Key characteristics

- Not meet the criteria for 'high' or 'intermediate' equity content

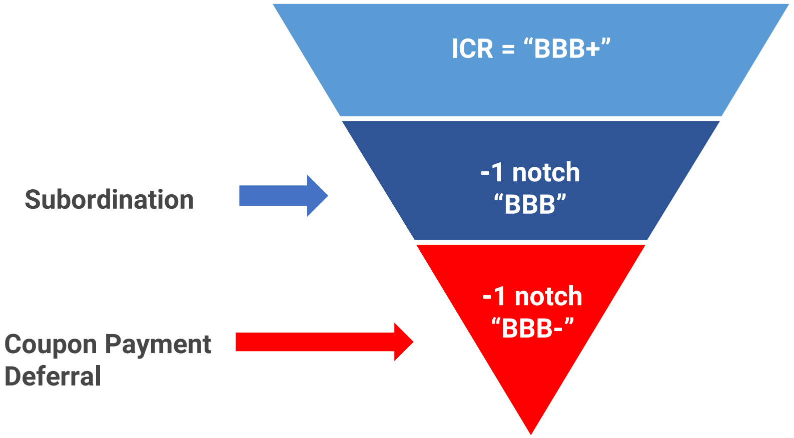
- Equity = 100%
- Coupon payments are treated as dividends

- Equity = 50%, Debt = 50%
- Coupon payments are treated as dividends 50% and interest expenses 50%

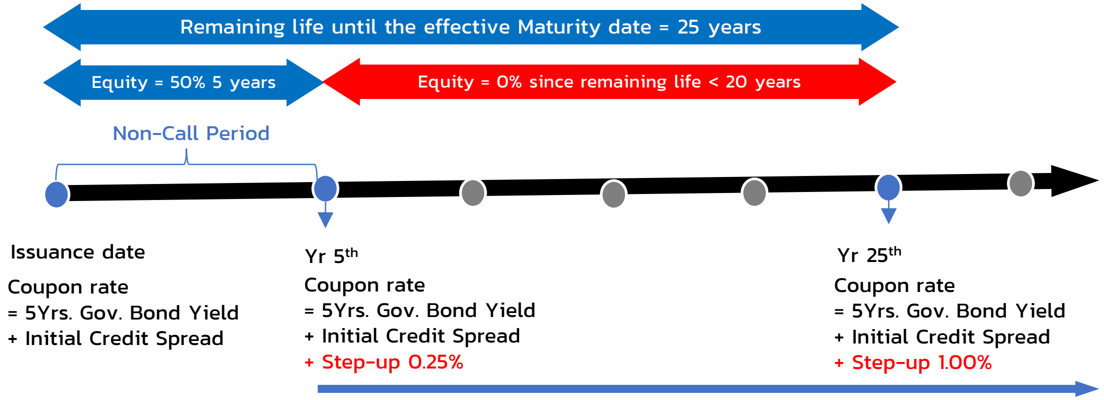
- Debt = 100%,
- Coupon payments are treated as interest expenses

Hybrid Securities Rating

The credit rating assigned to hybrid securities will be at least two notches below the issuer credit rating (ICR), reflecting the subordination risk and coupon payment deferral risk.



Example: Hybrid securities that received 50% equity content for 5 years



"In the event of redemption, the issuer is expected to redeem and replace the redeemed securities with new issuances that have the same or a higher level of equity content."

TRIS RATING
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