

TRIS

TRIS RATING

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NEWS

News for Investors

Announcement No. 574

7 October 2008

Asia Sermkij Leasing Public Company Limited

Company Rating:
Rating Outlook:BBB+
Stable

Rating Rationale

TRIS Rating assigns the company rating to Asia Sermkij Leasing PLC (ASK) at "BBB+". The rating reflects the company's experienced management team in the auto hire purchase business, its ability to maintain a strong position in the selected commercial vehicles niche markets, business and financial supports from the major shareholders, efficient risk management systems, and long-term relationships with dealers. However, these strengths are partially offset by the nature of its portfolio, which is considered more volatile to adversely change of economic factors, despite higher returns. In addition, intensified competition in the auto hire purchase business has constrained profitability and business expansion. Moreover, an uncertain economic environment, coupled with a higher cost of living and varying oil prices, even though trending lower, may make it difficult for ASK to expand the loan portfolio. These factors may also impact the company's asset quality as reflected in the weakening non-performing loan (NPL) ratio.

ASK was established in 1984 by the Bangkok Bank Group to provide retail auto financing loans under hire purchase contracts. In 1992, Chailease Finance Ltd., the largest leasing company in Taiwan, joined with the Bangkok Bank Group to establish Bangkok Grand Pacific Lease PLC (BGPL), which subsequently purchased all of ASK's shares from the Bangkok Bank Group. BGPL provides hire purchase and leasing loans to corporate clients, emphasizing machinery and equipment (M&E) loans as well as loans for commercial vehicles. BGPL also provides factoring loans. The shareholding was restructured in 2004, before the company was listed on the Stock Exchange of Thailand (SET) in 2005. BGPL, which was previously ASK's parent, became a wholly-owned subsidiary of ASK. Currently, the Bangkok Bank Group holds 13.5% in ASK, with the Koo Group from Taiwan, under Chailease Finance Ltd., A.K. Enterprise (Thailand) Co., Ltd., and Mr. John Lee Koo, is ASK's largest shareholder (72.9% combined ownership).

At the end of June 2008, ASK had B11,042 million in consolidated outstanding loans. Of its consolidated loan portfolio, 77.1% was retail auto financing loans held by ASK, 15.0% and 7.4% were M&E loans and factoring loans through BGPL, and 0.5% was other loans through both ASK and BGPL. ASK's overall customer concentration risk is considered low, due to the nature of retail auto financing loans which are the largest portion of the company's total consolidated loan portfolio. In addition, ASK's diversified portfolio mix of retail auto hire purchase loans partly helps reduce product concentration risk. At the end of 2007, ASK's outstanding retail auto hire purchase loans comprised passenger cars and pick-up trucks (47.1%), vans (11.8%), big trucks (30.3%), taxis (9.1%) and refinancing loans (1.7%). Although loans for commercial vehicles, such as big trucks, vans and taxis, have generated higher returns, the composition of ASK's retail portfolio carried higher risk than other major auto financing companies which have concentrated on passenger cars and pick-up trucks because the resale price and asset liquidation for passenger cars and pick-up trucks were less of a concern than for other vehicle types. To mitigate the higher risk, therefore, the company implemented a segmentation strategy to focus on the less risky sub-segments of each asset type and target customer group, lowering overall risk.

Although ASK has a riskier portfolio, the ratio of NPL (loans with more than three installments past due) to average loans is quite low when compared with other auto hire purchase companies, due to its good credit risk management. However, the NPL ratio rose from 0.99% in 2004 to 1.75% at the end of June 2008. The experienced management team, efficient risk management system and conservative underwriting policy are factors that could help the company keep asset quality at an acceptable level, despite the current negative business environment. By the way, intensified competition in the auto hire purchase industry has pressured the profitability of ASK and other major operators. The ratio of return on average assets, at 1.64% in 2007, was considered low in a cross-industry comparison.

As an affiliate of the Bangkok Bank, ASK's liquidity risk is considered low due to the secure funding source from the bank. ASK has also diversified its funding sources to other financial institutions, partly leveraging the creditworthiness of its foreign parent company. Moreover, the parent companies keep providing support to ASK in many forms: capital injections to support business expansion, operational controls to meet the standards required by the foreign parent, customer referrals and an international network for leasing and factoring.

Rating Outlook

The "stable" outlook is based on TRIS Rating's expectation that ASK will be able to maintain market position in its niche markets of targeted commercial vehicles. ASK's experienced management team, efficient risk management and operating systems are expected to help the company control asset quality and improve profitability. Supports from major shareholders are expected to continue and help the company mitigate probable future downside risks.

Key Rating Considerations

Strengths/Opportunities

- Experienced management team in the auto financing business
- Strong market position in niche markets of targeted commercial vehicles
- Strong business and financial supports from major shareholders
- Efficient risk management systems

Weaknesses/Threats

- Higher risk exposure from nature/characteristics of targeted commercial vehicles
- Relatively low profitability in a cross-industry comparison
- Negative economic factors that might put more pressure on the company's deteriorating asset quality

Corporate Overview

ASK was established by the Bangkok Bank Group in 1984, with an initial Bt10 million in paid-up capital, to operate an auto hire purchase business. In 1991, the company began expanding into provincial areas, opening its first branch in Rayong. Paid-up capital increased to Bt50 million in 1992, the same year that ASK became a wholly-owned subsidiary of BGPL. BGPL, which concentrates on M&E hire purchase and leasing loans as well as factoring loans, to corporate clients, was established in 1989 by the Bangkok Bank Group and Chailease Finance Ltd., the largest leasing company under the Koo Group of Taiwan. In 1994, ASK opened a second provincial branch in Samutsakhon. Following this event, its paid-up capital increased to Bt160 million to support portfolio growth and enhance operational efficiency during a period of economic growth. The company was negatively impacted by foreign exchange losses incurred during the financial crisis in 1997. Consequently, its paid-up capital was increased

substantially to Bt460 million, in order to strengthen the company's capital base. In 2004, the shareholding was restructured in preparation for a listing on the SET. To relieve a conflict of interest between ASK and its parent company, BGPL, both of which provided hire purchase loans, the company's shareholding was restructured. BGPL became the wholly-owned subsidiary of ASK, with the BGPL's shareholders becoming ASK shareholders. That same year, the company opened another new provincial branch in Phitsanulok. In 2005, the company was listed on the SET with an initial public offering (IPO) of 23 million shares at Bt8.90 per share. In 2006, the company doubled its paid-up capital to Bt1,150 million. The Koo Group is currently the major shareholder with a total of 72.9% of the shareholding; Chailease Finance Ltd. (37.4%), A.K. Enterprise (Thailand) Co., Ltd. (35.0%) and Mr. John Lee Koo (0.5%). The Bangkok Bank Group, which its shareholding was diluted after the 1997 financial crisis, has moved to support ASK in the form of lending.

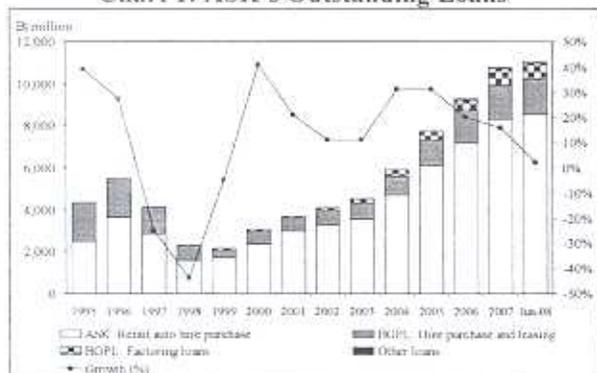
Table 1: ASK's Shareholders as of 8 April 2008

Shareholders	No. of Shares	%
Koo Group	167,628,650	72.88
- Chailease Finance	86,096,730	37.43
- A.K. Enterprise (Thailand)	80,452,280	34.98
- Mr. John Lee Koo	1,079,640	0.47
Bangkok Bank Group	31,011,320	13.48
- Bangkok Bank	16,899,560	7.35
- Bangkok Insurance	2,204,280	0.96
- Asia Sermkij	551,080	0.24
- Chatri Sophonpanich	11,212,360	4.87
- Chatsiri Sophonpanich	107,500	0.05
- Chalee Sophonpanich	16,540	0.01
- Chai Sophonpanich	20,000	0.01
Management Team	2,500,430	1.09
Others	2,8859,600	12.55
Total	230,000,000	100.00

Source: ASK

On a consolidated basis, after the shareholding was restructured in 2004, the company's outstanding loans grew by more than 30% per year in 2004 and 2005, increasing from Bt4,543 million in 2003 to Bt7,756 million in 2005. The loan portfolio has grown at a slower pace since 2006, along with the slow growth of the economy and the uncertain political situation. Outstanding loans grew by 20% to Bt9,291 million in 2006 and by 16% to Bt10,776 million in 2007. As a result of negative economic factors continuing to impact the overall economy, signs of deteriorating asset quality and a conservative business policy, the company's portfolio increased by only 2% to Bt11,042 million at the end of June 2008.

Chart 1: ASK's Outstanding Loans



Source: ASK

BUSINESS ANALYSIS

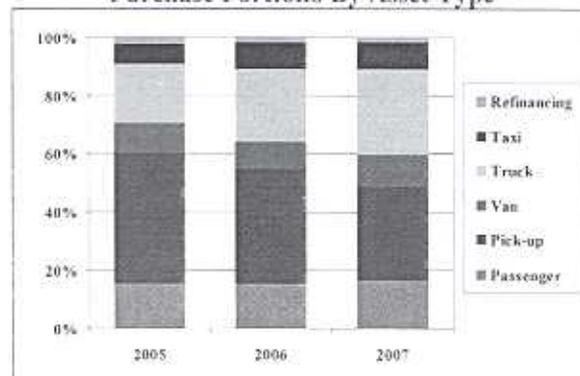
ASK and BGPL provide hire purchase and leasing loans for automobiles, M&E, and working capital loans in the form of factoring. At the end of June 2008, retail auto financing loans accounted for 77.1% of the total consolidated loans. M&E leasing, together with loans for commercial vehicles through BGPL, accounted for 15.0% and factoring loans for 7.4%.

▪ **Diversified portfolio mix partly mitigates product concentration risk**

Retail auto hire purchase loans are the major portion of ASK's consolidated outstanding loans. ASK has diversified its portfolio mix to reduce product concentration, while customer base has been diversified by the nature of business. At the end of June 2008, retail auto hire purchase loans were comprised passenger cars and pick-up trucks (47.1%), vans (11.8%), big trucks (30.3%), taxis (9.1%) and refinancing loans (1.7%). ASK has concentrated on major popular brands, which enable the company to mitigate the risk from resale value and liquidation. At the end of 2007, the retail auto hire purchase loans by manufacturer were for Isuzu (40.7%), Toyota (32.9%), Hino (12.9%), Nissan (3.2%), Mitsubishi (2.7%) and

other brands (7.6%). In addition, signs of an economic slowdown and other negative factors prompted the company to focus more on new car loans, despite offering a lower rate of returns due to intense competition. However, the risk is lower than used car loans. The contribution of new car loans as a percentage of retail auto hire purchase loans increased from 65.1% in 2005 to 71.1% at the end of June 2008.

Chart 2: Composition of ASK's Retail Auto Hire Purchase Portfolio By Asset Type



Source: ASK

▪ **Financial lease business improves**

The number of small and medium-sized enterprises (SME) increased after the 1997 financial crisis. Normally, SMEs face difficulty raising funds from traditional financing sources, such as commercial banks, due to their shorter track records and lack of fixed assets that can be used as collateral. Financial leases offer a source of additional funding by financing with leased assets, allowing the lessee to use its limited funds as working capital rather than for an outright asset purchase. Lessees benefit as the monthly rental fee is fully tax deductible and lowers tax payment. However, the leasing industry in Thailand remains a nascent industry in comparison with other developed countries, even though it started more than 20 years ago.

BGPL is a financial leasing company that focuses on M&E leases, which comprise more than 80% of its outstanding loans. The company also offers financing for commercial vehicles. Contracts are either financial leases or hire purchases. The BGPL company's outstanding loans for M&E, including commercial vehicles, rose significantly to Bt1,227 million in 2005, from Bt925 million in 2004. Outstanding loans grew by 28% to Bt1,567 million in 2006. Since 2007, the economic slowdown has caused BGPL to become more stringent in its underwriting policy, and outstanding loans have increased slightly to Bt1,616 million and Bt1,632 million at the end of 2007 and June 2008, respectively.

The company tries to mitigate customer's credit risk and the liquidity risk of leased assets by concentrating on customers in high potential industries and industries in which technologies do not change rapidly, such as auto parts and logistics. For the first half of 2008, interest income from the BGPL company's hire purchase and leasing business constitutes approximately 17.8% of total interest income from ASK's three major businesses on a consolidated basis.

▪ **Additional income from factoring**

Since 1999, BGPL has offered factoring loans, a type of working capital loan, by leveraging expertise in the factoring business of its foreign parent company. Similar to the leasing business, BGPL also concentrates on SMEs in high potential industries with good performance and strong repayment ability. BGPL has evaluated the credit risk of both its customers (the seller side of the invoice) and its customers' receivables (the buyer side of the invoice). In addition, BGPL mostly provides factoring contracts with recourse, which means that BGPL maintains the right to recourse from the seller side in the event that the buyer side defaults.

BGPL is one of only two companies in Thailand that offer international factoring through membership of the Factors Chain International (FCI), an organization that has more than 242 members in 64 countries worldwide. BGPL became connected with FCI through its foreign parent company, the Chailease Group. Only a member of the international association is able to operate an international factoring business, as membership partly reflects a guarantee of a member's creditworthiness. International factoring accounted for only 8.5% of BGPL's total factoring loans in 2007 due to the fact that the international factoring business in Thailand remains in its early stage as most international businesses in Thailand are more familiar with traditional financial products offered by commercial banks.

BGPL's outstanding factoring loans increased by 16%, from Bt414 million in 2005 to Bt482 million in 2006. The total loan portfolio grew by 65% to Bt797 million in 2007, which increased the proportion of factoring loans to ASK's consolidated outstanding loans to 7%, up from 5% the previous year. Outstanding loans decreased slightly to Bt773 million at the end of June 2008, with interest income from the factoring business constituting 6.6% of the total interest income from the three leading businesses for the first half of 2008.

▪ **Strong relationship with dealers**

The auto dealer is the most important marketing channel for the traditional auto financing business. Maintaining good relationships with dealers is one of the key success factors of the business because most new accounts are referred from dealers. With over 20 years experience in the auto financing business, ASK's strong relationships with dealers have been maintained by providing them with continued good and quick service. Moreover, ASK has cooperated with dealers in conducting a connection with joint marketing campaigns to boost sales volumes for dealers and acquire new loan accounts. At the end of 2007, ASK had relationships with 178 new auto dealers and 203 used auto dealers.

▪ **Efficient risk management system**

Although ASK is a small financial service provider compared with a commercial bank, the full range of risk management (credit risk, financial/market risk and operational risk) has been implemented. Sound risk management mechanisms have been set up to reduce the company's overall risk and enhance the company's performance. The capability to segment customers and a conservative underwriting policy help the company acquire good credit profile customers, despite the higher risk from nature of each asset type. Effective monitoring and collection systems are used to manage and control its asset quality, resulting in a relatively low NPL ratio. In addition, as a subsidiary of the Chailease Group, the company is audited by its foreign parent company annually to ensure and strengthen its operating processes to meet higher standards.

ASSET QUALITY

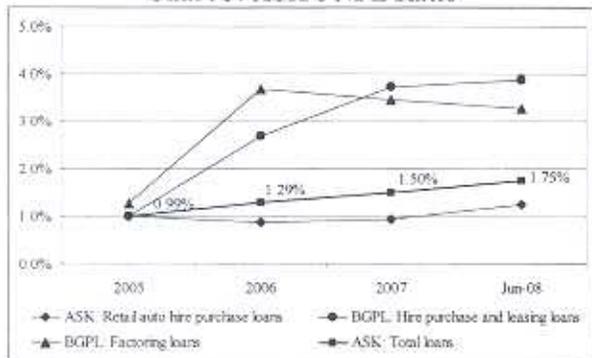
ASK's asset quality is protected through efficient risk management systems in use during the underwriting process. The tools include a credit scoring system and checks of the blacklist from an internal database and the National Credit Bureau Co., Ltd. are utilized with the segmentation strategy to screen potential target customers or asset types.

▪ **Weakening but acceptable asset quality**

Although ASK's portfolio composition appears riskier than other traditional auto hire purchase operators, its NPL ratio (percentage of loans with more than three installments past due to average loans) is quite good. The NPL ratio for retail auto hire purchase loans was approximately 1% during 2005-2007, even though distinctly rising, but in line with the industry's trend, to 1.26% at the end of June 2008 from 0.93% in

2007. The NPL ratio for M&E and factoring loans has deteriorated, partly due to the nature of larger average contract size than retail auto financing loans. The NPL ratio for M&E loans rose from 1.01% in 2005 to 3.87% at the end of June 2008, while the ratio for factoring loans was 3.27% at the end of June 2008, rising from 1.27% in 2005. The weaker asset quality of the M&E and factoring loans caused ASK's consolidated NPL ratio to rise to 1.75% at the end of June 2008, from 1.50% in 2007, 1.29% in 2006, and 0.99% in 2005.

Chart 3: ASK's NPL Ratio



Source: ASK

▪ **Cushion for possible loan losses strengthened to confront deteriorating asset quality**

ASK's cushion for loan losses has improved since the shareholding was restructured in 2004. The ratio of allowance for possible loan losses for retail auto hire purchase loans improved to 1.06% at the end of June 2008, from 0.95% in 2007, 0.86% in 2006 and 0.76% in 2005 while the consolidated ratio of allowance for possible loan losses also improved to 1.59% at the end of June 2008, from 1.08% in 2005. However, the NPL coverage ratio fell continuously to 91.71% at the end of June 2008, from 123.42% in 2005 as asset quality slowly declined.

PROFITABILITY

▪ **Relatively low profitability**

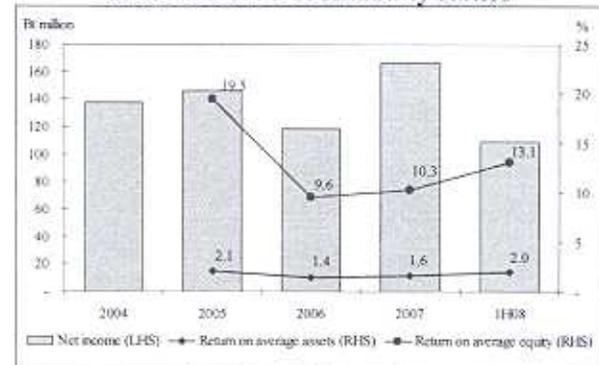
ASK has reported increasing profits following its portfolio expansion since 2005. Net profit increased from Bt138 million in 2004 to Bt146 million in 2005. Profit dropped to Bt119 million in 2006 due to higher interest rate expenses from larger borrowings to fund the expansion. The recapitalization in late 2006, coupled with portfolio growth in 2007, improved its net profit to Bt166 million in 2007.

However, intense competition during rising interest rates means returns could not rise as much as funding costs, resulting in a narrower spread. ASK's consolidated spread fell to 3.37% in 2006, from 5.36% in 2005. In 2007, the company concentrated on the higher yielding portfolio

segments, improving consolidated interest yields to 9.20% in 2007, from 8.75% in 2006. The spread rose to 4.16% in 2007.

Despite an improved performance and spread, ASK's profitability is considered low in a cross-industry comparison. The return on average assets ratio fell to 1.37% in 2006 from 2.10% in 2005 due to the burden of larger interest expenses. The ratio improved to 1.64% in 2007. In addition, as a result of rising interest rates and some mismatches in assets and liabilities from a short-term floating rate borrowing against longer-term fixed rate assets, profitability may be constrained.

Chart 4: ASK's Profitability Ratios



* Annualized ratios for 1H08

Source: ASK

▪ **Non-interest based income supports financial performance**

Non-interest based income from related services, such as car registration services, insurance recommendation services, as well as penalty fees from late payments, has played a supporting role to the company's profitability. ASK's consolidated non-interest based income accounted for an average 15% of its total consolidated income from 2005 through the first half of 2008. If the company is able to increase the revenue contribution from fee-based income, profitability will be partly enhanced during periods of high constraint on the interest spread.

FUNDING/LIQUIDITY

▪ **Exposure to interest rate risk**

ASK provides fixed rate loans over the contract period while 79% of its total borrowing at the end of June 2008 was short-term. During a period of rising interest rates, the company unavoidably faces an interest rate risk. The average funding cost is expected to increase, while the average yield from outstanding loans stays fixed, despite the fact that half of the installments are due within a year and ASK can provide new loans at higher rates. However, intense competition is expected to pressure overall returns, constraining overall spread.

The company plans to raise funds through longer-term fixed rate borrowing to cover its mismatched gap and stabilize the overall spread. Moreover, an interest rate swaps to change the floating rate term loans for step-up fixed rate loans is a tool to partly relieve its interest rate risk.

Table 2: ASK's Funding Structure

Percentage	2004	2005	2006	2007	Jun 2008
Short-term borrowings	78.7	84.3	76.6	75.5	79.4
• OD and short-term borrowings	78.7	69.0	75.7	64.4	69.8
- Related parties	28.0	33.6	21.7	26.7	26.0
- Others	50.7	35.4	54.0	37.7	33.8
• Current portion of long-term borrowings	-	15.4	0.9	11.1	19.5
- Related parties	-	15.4	0.9	11.1	10.9
- Others	-	-	-	-	8.7
Long-term borrowings	21.3	15.7	23.4	24.5	20.6
- Related parties	21.3	15.7	13.0	4.5	4.3
- Others	-	-	10.4	20.0	16.3
Total borrowings	100.0	100.0	100.0	100.0	100.0
- Related parties	49.3	64.6	35.6	42.3	41.2
- Others	50.7	35.4	64.4	57.7	58.8
Total borrowings	100.0	100.0	100.0	100.0	100.0

Source: ASK

▪ **Mismatch in asset and liability, but acceptable from secure funding source**

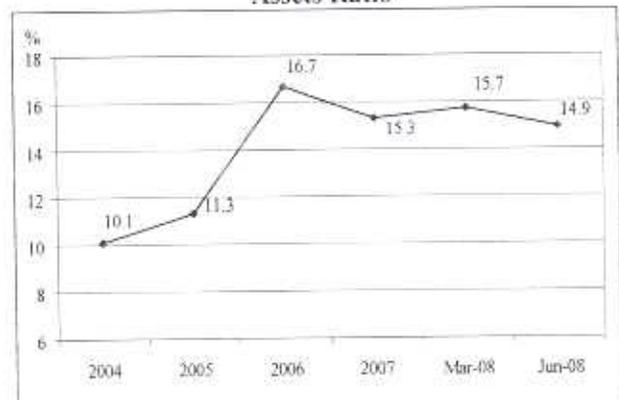
After the change in shareholder structure in 2004, ASK funded an average of 80% of its total borrowings through short-term borrowings (short-term promissory notes (P/N), short-term loans and current portion of long-term loans), creating a mismatch in the company's assets and liabilities. However, ASK's liquidity risk was considered acceptable because ASK has borrowed mainly from Bangkok Bank, its second major shareholder group who has never canceled or lowered the credit facilities available to the company. Borrowings from this lender accounted for 40% of ASK's total borrowings at the end of June 2008. The company set an internal guideline to hold as unused approximately 10%-15% of its credit facilities for liquidity cushion. At the end of June 2008, ASK had Bt1,167 million in available credit lines of which approximately 60% was from the Bangkok Bank. In addition, the company has tried to diversify its funding sources to other financial institutions, maintaining credit availability from the Bangkok Bank as the last resort.

CAPITALIZATION

▪ **Capital base strengthened after re-capitalization**

ASK's capital base improved slightly after the recapitalization with Bt115 million IPO in 2005 against a substantial 31.7% growth in its portfolio. The ratio of shareholders' equity to total assets rose to 11.33% in 2005, from 10.06% in 2004. The ratio significantly improved after a successful rights offering in 2006 doubled paid-up capital. The ratio improved to 16.69% at the end of 2006. Although ASK's capital base was growing from retained earnings, it was not rapid enough to fund the loan expansion that averaged 18% annual growth in 2006 and 2007. Moreover, high dividend payments in 2007 and 2008, at the stated maximum payout of 70% of profits, partly mitigated the strengthening of the equity base. These caused the ratio of shareholders' equity to total asset ratio fell to 15.30% in 2007 and 14.92% at the end of June 2008. However, ASK's capital base is considered adequate to facilitate a conservative portfolio expansion at about 10%-15% annually over the medium term.

Chart 5: ASK's Shareholders' Equity to Total Assets Ratio



Source: ASK

Financial Statistics*
Unit: Bt million

	Jan-Jun 2008	Year Ended 31 December			
		2007	2006	2005	2004
Total assets	11,099	10,866	9,444	7,898	6,028
Total loans	11,042	10,776	9,291	7,756	5,935
Allowance for doubtful accounts	175	161	124	84	59
Short-term borrowings	7,314	6,782	5,905	5,761	4,134
Long-term borrowings	1,900	2,200	1,800	1,070	1,120
Shareholders' equity	1,656	1,662	1,576	895	607
Net interest income (net operating lease cost)	283	510	360	397	332
Bad debts and doubtful accounts	31	85	45	49	36
Non-interest income	80	143	144	131	108
Operating expenses	186	352	304	292	238
Net income	109	166	119	146	138

* Consolidated financial statements

Key Financial Ratios*
Unit: %

	Jan-Jun 2008	Year Ended 31 December			
		2007	2006	2005	2004
Profitability					
Net interest income/average assets	2.57 **	5.02	4.16	5.71	n.a.
Net interest income/total income	50.23	47.54	40.25	53.81	59.77
Operating expenses/total income	33.08	32.79	33.94	39.52	42.81
Operating profit/average assets	1.33 **	2.12	1.79	2.69	n.a.
Return on average assets	0.99 **	1.64	1.37	2.10	n.a.
Return on average equity	6.57 **	10.27	9.59	19.50	n.a.
Asset Quality					
Non-performing loans***/average loans	1.75	1.50	1.29	0.99	n.a.
Bad debts and doubtful accounts/average loans	0.28 **	0.85	0.53	0.72	n.a.
Allowance for doubtful accounts/total loans	1.59	1.49	1.33	1.08	1.00
Capitalization					
Debt/equity (times)	5.70	5.54	4.99	7.82	8.94
Shareholders' equity/total assets	14.92	15.30	16.69	11.33	10.06
Shareholders' equity/total loans	15.00	15.43	16.97	11.54	10.22
Liquidity					
Short-term borrowings/total liabilities	77.45	73.69	75.06	82.26	76.25
Total loans/total assets	99.48	99.17	98.38	98.20	98.45
Total loans/total borrowings	119.85	119.97	120.58	113.55	112.96

* Consolidated financial statements

** Non-annualized

*** Loans with more than three installments past due

Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing medium- and long-term credit ratings. The ratings range from AAA, the highest rating, to D, the lowest rating. The medium- and long-term debt instrument covers the period of time from one year up. The definitions are:

- AAA** The highest rating, indicating a company or a debt instrument with smallest degree of credit risk. The company has extremely strong capacity to pay interest and repay principal on time, and is unlikely to be affected by adverse changes in business, economic or other external conditions.
- AA** The rating indicates a company or a debt instrument with a very low degree of credit risk. The company has very strong capacity to pay interest and repay principal on time, but is somewhat more susceptible to the adverse changes in business, economic, or other external conditions than AAA rating.
- A** The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.
- BBB** The rating indicates a company or a debt instrument with moderate credit risk. The company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.
- BB** The rating indicates a company or a debt instrument with a high credit risk. The company has less than moderate capacity to pay interest and repay principal on time, and can be significantly affected by adverse changes in business, economic or other external conditions, leading to inadequate capacity to pay interest and repay principal.
- B** The rating indicates a company or a debt instrument with a very high credit risk. The company has low capacity to pay interest and repay principal on time. Adverse changes in business, economic or other external conditions could lead to inability or unwillingness to pay interest and repay principal.
- C** The rating indicates a company or a debt instrument with the highest risk of default. The company has a significant inability to pay interest and repay principal on time, and is dependent upon favourable business, economic or other external conditions to meet its obligations.
- D** The rating for a company or a debt instrument for which payment is in default.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

TRIS Rating's short-term ratings focus entirely on the likelihood of default and do not focus on recovery in the event of default. Each of TRIS Rating's short-term debt instrument covers the period of not more than one year. The symbols and definitions for short-term ratings are as follows:

- T1** Issuer has strong market position, wide margin of financial protection, appropriate liquidity and other measures of superior investor protection. Issuer designated with a "+" has a higher degree of these protections.
- T2** Issuer has secure market position, sound financial fundamentals and satisfactory ability to repay short-term obligations.
- T3** Issuer has acceptable capacity for meeting its short-term obligations.
- T4** Issuer has weak capacity for meeting its short-term obligations.
- D** The rating for an issuer for which payment is in default.

All ratings assigned by TRIS Rating are local currency ratings; they reflect the Thai issuers' ability to service their debt obligations, excluding the risk of convertibility of the Thai baht payments into foreign currencies.

TRIS Rating also assigns a "Rating Outlook" that reflects the potential direction of a credit rating over the medium to long term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on its fundamental creditworthiness. The rating outlook will be announced in conjunction with the credit rating. In all cases, the outlook assigned to a company will apply to all debt obligations issued by the company. The categories for "Rating Outlook" are as follows:

- Positive** The rating may be raised.
- Stable** The rating is not likely to change.
- Negative** The rating may be lowered.
- Developing** The rating may be raised, lowered or remain unchanged.

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