

## FITCH AFFIRMS THAILAND'S CAS AT 'RSS2(THA)'

Fitch Ratings-Bangkok/Singapore-29 September 2011: Fitch Ratings (Thailand) Limited has affirmed Capital Advisory Services (Thailand) Limited's (CAS) Residential Mortgage Special Servicer rating at 'RSS2(tha)'.

The rating reflects CAS's robust servicing technology, stable and experienced senior and middle management, as well as satisfactory collection performance of Thai residential non performing loan (NPL) portfolios. The rating also takes into account the company's increased involvement in risk management and internal audit processes. Fitch notes that CAS successfully retained the servicing contracts for the residential NPL portfolios that Lehman Brothers-related entities sold to a new investor in late 2010. Continuing the servicing contracts for the aforementioned portfolios - which generated the majority of CAS's revenue - was one of the company's major challenges in 2010.

Other major challenges remain the difficulties in securing new servicing business and in managing headcount amid shrinking business volume. Notwithstanding CAS's experience in NPL servicing and the presence of few third-party servicers in Thailand, no new residential NPL portfolios have been entrusted to CAS since early 2008. This was a result of major NPL investors in the market having their own servicing capability and subdued activity during 2008-2009. Although CAS recently acquired a new mandate in servicing commercial NPL portfolios, the size is small. As a result, CAS has continued to downsize, although there have been no resignations among asset managers or department heads in 2010 and the year to date. However, if its portfolio runoff continues, the company's future ability to retain key staff members may become an issue.

The company's operating performance has been mainly supported by cost-cutting measures especially on personnel expense. CAS also earns revenue from non-NPL servicing businesses (including property brokerage fees) although revenue contribution from these sources remains moderate and less predictable. Its financial position remains strong given its liability-free position and strong equity to asset ratio of 80% as end-June 2011. Fitch believes this and continued cost control measures should allow the company to weather the business downturn over the next 12 months. Nonetheless, should the company's financial position deteriorate materially or if it faces high turnover of key staff, CAS's rating may be negatively affected.

Established in Thailand in 2000, CAS is the second-largest subsidiary of the Capital Services Holding Corporation, a holding company offering real estate and loan asset management services through its subsidiaries. CAS added two large residential NPL portfolios to its servicing portfolios in late 2007. As of April 2011, its total servicing NPL portfolios included approximately 8,282 loans with unpaid principal balance of THB11.9bn and approximately 627 real-estate owned properties.

Fitch rates primary, special, and master servicers in Thailand, based on their asset types, and on a scale of 1 to 5, with 1 being the highest rating. Within some of these rating levels, Fitch further differentiates ratings by plus (+) and minus (-) as well as the flat rating. 'tha' appears in Thai ratings to reflect their relevance in Thailand's legal, economic and social context.

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Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria: 'Global Rating Criteria for Structured Finance Servicers', dated 16 August 2010, is available on '[www.fitchratings.com](http://www.fitchratings.com)'.

Applicable Criteria and Related Research:

Global Rating Criteria for Structured Finance Servicers

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=547305](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=547305)

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