

Information Disclosures under Basel III Capital Requirement As of 30 June 2013

Scope of Information Disclosure

TISCO Bank discloses information under Basel III capital requirement based on the bank position only and in accordance with the Bank of Thailand's notification SorNorSor 4/2556 on the regulatory capital disclosure requirement for commercial banks.

Capital Structure

According to the Bank of Thailand's regulation, the regulatory capital for commercial banks registered in Thailand and based on Internal Rating Based Approach (IRB) consists of Common Equity Tier 1 (CET1), Additional Tier 1, and Tier 2 Capital. CET1 capital includes paid up capital, premium (discount) on share capital and warrants, statutory reserve, reserves appropriated from net profits, net profit after appropriation, and other components following the BOT's regulation, which are the net amount after regulatory adjustments such as goodwill and intangible assets, where Additional Tier 1 capital consists of money received from the issuance of non-cumulative preferred stocks and money received from the issuance of debt instruments that are subordinated to depositors, general creditors, and other subordinated debts of the bank, which are the net amount after regulatory adjustment such as reciprocal cross holding in the Additional Tier 1 capital of banking, financial and insurance entities.

Tier 2 capital is the sum of instruments issued by the bank which meet the criteria for inclusion in Tier 2 capital, general provision and surplus of provision, less any deduction from Tier 2 capital.

For TISCO Bank, Tier 1 capital primarily comprises of paid-up share capital and cumulative profit after appropriation, while Tier 2 capital mostly consists of long-term subordinated debentures issued. Additionally, the deductions from shortage of reserve are also incorporated in Tier 1 capital.

Table 1 TISCO Bank's Capital Structure

Unit : Million Baht

Items	30-Jun-13
1. Tier 1 Capital	16,606.84
1.1 CET 1	16,606.84
1.1.1 Paid-up share capital	8,191.71
1.1.2 Premium (discount) on share capital	1,120.74
1.1.3 Warrants	-
1.1.4 Statutory reserves	984.00
1.1.5 Reserve appropriated from the net profit	-
1.1.6 Cumulative profit after appropriation	6,804.32
1.1.7 Other comprehensive income	-
1.1.8 Any adjustments of CET 1	-
1.1.9 Deductions from CET 1	493.94
1.1.9.1 Deductions from CET 1 Capital *	493.94
1.1.9.2 Deductions from Tier 1 Capital for the remaining balances in case of insufficiency of Tier 1 Capital to be fully deducted	-
1.2 Additional Tier 1	0.00
1.2.1 Non-cumulative perpetual preferred stock and non-cumulative perpetual preferred stock warrants	0.00
1.2.2 Hybrid Tier 1 to be counted as Tier 1 Capital	-
1.2.3 Surplus (shortfall) from the issue of instruments in 1.2.1-1.2.2 where the bank receives funds	0.00
1.2.4 Deductions from Additional Tier 1 Capital	-
1.2.4.1 Deductions from Additional Tier 1 Capital **	-
1.2.4.2 Deductions from Tier 2 Capital for the remaining balances in case of insufficiency of Tier 1 Capital to be fully deducted	-
2. Tier 2 Capital	8,104.83
2.1 Cumulative perpetual preferred stock and cumulative perpetual preferred stock warrants	-
2.2 Funds received from debt instruments subordinated to depositors and general creditors	7,518.70
2.3 Surplus (shortfall) from the issue of the instruments 2.1-2.2 where the bank receives funds	-
2.4 General provision	586.13
2.5 Deductions from Tier 2 ***	-
3. Total Regulatory Capital	24,711.67

* e.g. Net losses, goodwill, intangible assets, and deferred tax assets

** Investment in financial instruments which can be counted as Tier 1 Capital of commercial bank

*** Investment in financial instruments which can be counted as Tier 2 Capital of commercial bank

Capital Adequacy under Basel III Capital Accord

Based on minimum capital requirement under Basel III effective since the beginning of 2013, since December 31, 2009, the Bank has officially adopted the Internal Rating Based Approach (IRB) and Standardised Approach (SA-OR) for regulatory capital calculation of credit risk and operational risk respectively. The IRB approach is considered the more sophisticated calculation given that it can truly reflect the bank risk profiles as well as assets quality with more prudent than the calculation from the Standardised

Approach (SA) which is less comprehensive risk weights subject to quality of assets. The risk parameters relied on determining the capital requirement consists of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

Capital adequacy of the Bank is still in strong position and adequate to support business expansion into the future. In June 2013, the regulatory capital adequacy ratio (BIS ratio) based on IRB approach stood at 13.32% remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I capital adequacy ratio stood at 8.95%, Tier-I capital adequacy ratio also remained higher than the minimum requirement at 6%.

Table 2 Minimum Capital Requirements for Credit Risk by Asset Classes under SA Approach

Unit : Million Baht

Credit Risk - SA	30-Jun-13	31-Dec-12
Performing	3,636.81	3,062.46
1. Claims on Financial Institutions and Public Sector Entities treated as Claims on Financial Institutions and Securities Company	107.61	89.28
2. Claims on Corporate and Public Sector Entities treated as Claims on Corporate	2,191.93	1,846.50
3. Claims on Retail	1,296.28	1,085.76
4. Claims on Residential Property	41.00	40.92
5. Other Assets	-	-
Non-performing	12.84	13.44
Total Minimum Capital Requirements for Credit Risk - SA	3,649.65	3,075.90

Table 3 Minimum Capital Requirements for Credit Risk by Asset Classes under IRB Approach

Unit : Million Baht

Credit Risk - IRB	30-Jun-13	31-Dec-12
Non-Default	10,258.63	9,339.26
1. Corporate Lending	2,986.91	2,802.32
2. Hire Purchase	6,975.56	6,204.09
3. Equity Exposure	40.78	40.81
4. Other Assets	255.39	292.05
Default	530.28	401.77
Total Minimum Capital Requirements for Credit Risk - IRB	10,788.91	9,741.03

Table 4 Minimum Capital Requirements for Equity Exposures under IRB Approach

Unit : Million Baht

Minimum Capital Requirements for Equity Exposures under IRB	30-Jun-13	31-Dec-12
Equity Exposure with an Exemption from IRB Calculation	40.78	40.81
Total Minimum Capital Requirements for Equity Exposures under IRB Approach	40.78	40.81

Table 5 Minimum Capital Requirements for Operational Risk

Unit : Million Baht

Minimum Capital Requirements for Operational Risk	30-Jun-13	31-Dec-12
Standardized Approach	1,332.96	1,235.22
Total Minimum Capital Requirements for Operational Risk	1,332.96	1,235.22

Table 6 TISCO Bank's Capital Adequacy Ratio

Unit : %

Ratio	30-Jun-13	31-Dec-12
1. Total Capital Adequacy Ratio	13.32%	12.79%
2. Total Tier I Capital Adequacy Ratio	8.95%	8.51%
3. CET 1 Capital Adequacy Ratio	8.95%	

Composition of capital disclosure requirements

Attachment 1

Main features of regulatory capital instruments issued

Subject		Description					
1	Issuer	TISCO Bank Public Company Limited					
2	Unique identifier	TISCO192A	TISCO195A	TISCO205A	TISCO20DA	TISCO223A	TISCO22DA
	<i>BOT's Treatment</i>						
3	Instrument type (CET 1 / Tier 1 / Tier 2)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
4	Qualified as per the Basel III regulation	Not qualified	Not qualified	Not qualified	Not qualified	Qualified	Not qualified
5	If not, specify unqualified feature as per the Basel III regulation	Step up feature, but exempt as per the BOT's notification	Step up feature, but exempt as per the BOT's notification	No loss absorption at the point of non-viability, but exempt as per the BOT's notification	No loss absorption at the point of non-viability, but exempt as per the BOT's notification	-	No loss absorption at the point of non-viability, but exempt as per the BOT's notification
6	Recognised as capital partially or in full	partially recognised	partially recognised	partially recognised	partially recognised	Fully recognised	partially recognised
7	Eligible at solo/ group / group & solo	Group & Solo	Group & Solo	Group & Solo	Group & Solo	Group & Solo	Group & Solo
8	Amount recognised in regulatory capital (Unit: million baht)	1,800 MM baht	1,800 MM baht	900 MM baht	900 MM baht	1,000 MM baht	1,118.70 MM baht
9	Par value of instrument (Unit: baht)	1,000 baht	1,000 baht	1,000 baht	1,000 baht	1,000 baht	1,000 baht
10	Accounting classification	Financial liabilities stated at amortised cost	Financial liabilities stated at amortised cost	Financial liabilities stated at amortised cost	Financial liabilities stated at amortised cost	Financial liabilities stated at amortised cost	Financial liabilities stated at amortised cost
11	Original date of issuance	February 17, 2009	May 25, 2009	May 17, 2010	December 13, 2010	March 9, 2012	December 19, 2012
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	February 17, 2019	May 25, 2019	May 17, 2020	December 13, 2020	March 9, 2022	December 19, 2022
14	Issuer call subject to prior supervisory approval	Issuer call option with BOT's prior approval	Issuer call option with BOT's prior approval	Issuer call option with BOT's prior approval	Issuer call option with BOT's prior approval	Issuer call option with BOT's prior approval	Issuer call option with BOT's prior approval

Transitional period

Unit: MM baht

Capital fund, items to include, adjust and deduct for the accounting period ended June 30, 2013			Net balance of items to be gradually included or deducted in the future as per Basel III
Tier 1 Capital :			
<u>Common Equity Tier 1 capital (CET1)</u>			
1.1	Transaction countable as CET 1	17,100.77	
1.2	<u>Adjust</u> regulatory adjustments to CET 1	0.00	
1.3	<u>Deduct</u> regulatory deductions to CET 1	493.94	
Net CET 1 Capital		16,606.84	
<u>Additional Tier 1 capital</u>			
1.4	Transaction countable as Additional Tier 1	0.00	
1.5	<u>Deduct</u> regulatory deductions to Additional Tier 1	0.00	
Net Additional Tier 1 Capital		0.00	
Total Tier 1 Capital (CET1+ Additional Tier 1)		16,606.84	
Tier 2 Capital :			
1.6	Transaction countable as Tier 2	8,104.83	-6,518.70
1.7	<u>Deduct</u> regulatory deductions to Tier 2	0.00	
Total Tier 2 Capital		8,104.83	
Total Capital (Tier 1 + Tier 2)		24,711.67	