

## **Information Disclosures under Basel II Capital Requirement As of 30 June 2013**

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### **Scope of Information Disclosure**

TISCO Financial Group Public Company Limited (TISCO) discloses information under Basel II capital requirement based on the full consolidated position and in accordance with the Bank of Thailand's notification SorNorSor 6/2553 on consolidated supervision. In addition, TISCO Group adopts a materiality concept which is in consistent with accounting concept.

### **Capital Structure**

According to the Bank of Thailand's regulation, the regulatory capital for commercial banks registered in Thailand consists of Tier 1 and Tier 2 capital, whereby Tier 1 capital includes paid-up capital, proceeds from the issuance of non-cumulative preferred stocks and hybrid Tier 1, statutory reserve as well as cumulative profit after appropriation, while Tier 2 capital includes proceeds from issuance of cumulative preferred stocks and subordinated debentures as well as regulatory reserve following the Bank of Thailand's regulation.

For TISCO, 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 issuance.

**Table 1 TISCO Financial Group's Capital Structure**

Unit : Million Baht

Items	30-Jun-13	31-Dec-12
<b>1. Tier 1 Capital</b>	<b>17,319.84</b>	<b>14,526.12</b>
1.1 Paid-up Share Capital	8,006.55	7,279.12
1.2 Premium on Share Capital	1,697.67	679.27
1.3 Statutory Reserve	405.20	297.90
1.4 Cumulative Profit after Appropriation	7,725.82	6,774.01
1.5 Minority Interest	53.57	51.66
1.6 Deductions	568.99	555.84
1.6.1 Deductions from Tier 1 Capital*	227.24	189.73
1.6.2 Deduction Item by 50% from Tier 1 and Tier 2 Capital	341.75	366.11
<b>2. Tier 2 Capital</b>	<b>8,534.68</b>	<b>7,189.89</b>
2.1 Tier 2 Capital before Deductions	8,876.43	7,556.00
2.2 Deduction Item by 50% from Tier 1 and Tier 2 Capital	341.75	366.11
<b>3. Total Regulatory Capital</b>		
3.1 Total Capital before Deductions	25,854.52	21,716.01
3.2 Deduction from Total Regulatory Capital	24.84	-
<b>Total Regulatory Capital</b>	<b>25,829.68</b>	<b>21,716.01</b>

\*e.g. Net Losses, Goodwill, and Deferred Tax Asset

### Capital Adequacy under Basel II Capital Accord

Based on minimum capital requirement under Basel II, TISCO has officially adopted Standardised Approach (SA-OR) for regulatory capital calculation of credit risk and operational risk respectively, since June 30, 2010. Since December 31, 2012, TISCO Group has adopted the Internal Rating Based Approach (IRB) for regulatory capital calculation of credit risk. The IRB approach is considered more sophisticated calculation given that it can truly reflect TISCO Group 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 TISCO is still in strong position and adequate to support business expansion into the future. At the end of June 2013, the regulatory capital adequacy ratio (BIS ratio) based on IRB approach, after the adjustment of capital floor, stood at 12.56%, remaining higher than 8.50% required by the Bank of Thailand, while Tier-I capital adequacy ratio before the adjustment of capital floor stood at 8.80%, which remained higher than the minimum requirement at 4.25%.

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

<b>Credit Risk - SA</b>	<b>30-Jun-13</b>	<b>31-Dec-12</b>
<b>Performing</b>	<b>3,923.44</b>	<b>3,315.33</b>
1. Claims on Financial Institutions and Public Sector Entities treated as Claims on Financial Institutions and Securities Company	112.25	94.83
2. Claims on Corporate and Public Sector Entities treated as Claims on Corporate	2,149.54	1,798.20
3. Claims on Retail	1,620.65	1,381.38
4. Claims on Residential Property	41.00	40.92
5. Other Assets	-	-
<b>Non-performing</b>	<b>40.46</b>	<b>28.98</b>
<b>Total Minimum Capital Requirements for Credit Risk - SA</b>	<b>3,963.89</b>	<b>3,344.31</b>

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

Unit : Million Baht

<b>Credit Risk - IRB</b>	<b>30-Jun-13</b>	<b>31-Dec-12</b>
<b>Non-Default</b>	<b>10,500.36</b>	<b>9,637.35</b>
1. Corporate Lending	2,986.91	2,802.32
2. Hire Purchase	6,975.56	6,204.09
3. Equity Exposure	177.88	228.66
4. Other Assets	360.01	402.29
<b>Default</b>	<b>530.28</b>	<b>401.77</b>
<b>Total Minimum Capital Requirements for Credit Risk - IRB</b>	<b>11,030.64</b>	<b>10,039.12</b>

**Table 4 Minimum Capital Requirements for Equity Exposures under IRB Approach**

Unit : Million Baht

<b>Minimum Capital Requirements for Equity Exposures under IRB</b>	<b>30-Jun-13</b>	<b>31-Dec-12</b>
Equity Exposure with an Exemption from IRB Calculation	177.88	228.66
<b>Total Minimum Capital Requirements for Operational Risk</b>	<b>177.88</b>	<b>228.66</b>

**Table 5 Minimum Capital Requirements for Market Risk (Standardized Approach / Internal Model Approach)**

Unit : Million Baht

<b>Minimum Capital Requirements for Market Risk</b>	<b>30-Jun-13</b>	<b>31-Dec-12</b>
Standardized Approach	<b>41.06</b>	<b>55.95</b>
Internal Model Approach	-	-
<b>Total Minimum Capital Requirements for Market Risk</b>	<b>41.06</b>	<b>55.95</b>

\* Since the transaction amount in trading book of TISCO Group was lower than the minimum thresholds required by the Bank of Thailand, the market risk capital was maintained only for the element that cover price risk of commodities related products.

**Table 6 Minimum Capital Requirements for Operational Risk**

Unit : Million Baht

<b>Minimum Capital Requirements for Operational Risk</b>	<b>30-Jun-13</b>	<b>31-Dec-12</b>
Standardized Approach	1,689.67	1,544.08
<b>Total Minimum Capital Requirements for Operational Risk</b>	<b>1,689.67</b>	<b>1,544.08</b>

**Table 7 TISCO Financial Group's Capital Adequacy Ratio**

Unit : %

<b>Ratio</b>	<b>30-Jun-13</b>	<b>31-Dec-12</b>
1. Total Capital Adequacy Ratio	12.56% *	11.91% *
2. Tier 1 Capital Adequacy Ratio	8.80%	8.24%

\* With Capital Floor