

Information Disclosures under Basel III Capital Requirement As of 30 June 2020

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 14/2562 on the regulatory capital disclosure requirement for commercial banks (2nd edition). In addition, TISCO Bank adopts a materiality concept which is in consistent with accounting concept.

Key Prudential Metrics

Table 1 Key prudential metrics

Items	30-Jun-20	31-Dec-19
Capital (Unit : Million Baht)		
1 Common Equity Tier I (CET1)	29,766.02	29,244.59
1A Fully Loaded ECL CET1 ^{1/}	29,766.02	
2 Tier I Capital	29,766.02	29,244.59
2A Fully Loaded ECL Tier 1	29,766.02	
3 Total Capital	37,063.89	37,221.64
3A Fully Loaded ECL Total Capital	37,063.89	
Risk-Weighted Assets (Unit : Million Baht)		
4 Total Risk-Weighted Assets (RWA)	168,754.01	168,758.75
Total Capital Adequacy Ratio (%)		
5 CET1 Ratio	17.64	17.33
5A Fully Loaded ECL CET1 Ratio	17.64	
6 Tier 1 Ratio	17.64	17.33
6A Fully Loaded ECL Tier 1 Ratio	17.64	
7 Total Capital Ratio	21.96	22.06
7A Fully Loaded ECL Total Capital Ratio	21.96	
Capital Add-on Ratio (%)		
8 Conservation Buffer Ratio	2.50	2.50
9 Countercyclical Buffer Ratio	-	-
10 Higher Loss Absorbency	-	-
11 Total Capital Add-on Ratio	2.50	2.50
12 Remaining CET1 Ratio after Minimum Total Capital Ratio Requirement ^{2/}	10.64	10.33
Liquidity Coverage Ratio (LCR) (%)		
13 High-Quality Liquid Assets (Total HQLA) (Unit : Million Baht)	54,587.61	47,597.78
14 Total Net Cash Outflows (Unit : Million Baht)	34,882.69	34,496.18
15 LCR (%)	156%	139%

^{1/} Expected Credit Loss (ECL) under The Thai Financial Reporting Standard No. 9 (IFRS 9) adoption

^{2/} Remaining CET1 ratio after minimum total capital ratio requirement is not necessarily equal to the difference between CET1 ratio in item 5 and the minimum CET1 ratio requirement at 4.5% since CET 1 ratio might already be included in the minimum Tier 1 ratio requirement at 6% and/or the minimum total capital ratio requirement at 8.5%.

As of 1 January 2020, the amount of allowance for expected credit loss (ECL) as determined in accordance with TFRS 9: Financial Instruments was lower than the amount of allowance for doubtful accounts as of 31 December 2019 as determined in accordance with the former accounting policy by 2,113 million Baht, which will be released in quarterly basis within 2 years under straight-line method in line with the Bank of Thailand's guideline.

Moreover, the Bank of Thailand required commercial banks to reserve an adequate stock of unencumbered high-quality liquid assets to cope with liquidity needs under liquidity stress scenario (Liquidity Coverage Ratio: LCR). The objective of the LCR is to enhance the short-term resilience of the liquidity risk profile of bank under short-term severe liquidity stress scenario. In the second quarter of 2020, TISCO Bank's average LCR, calculated from LCR at the end of April, May and June, equaled 156 percent. The Bank LCR remained well above the BOT minimum requirements of 100 percent. LCR consists of 2 components which are

1. High Quality Liquid Asset (HQLA) is defined as the assets that have low risk, low volatility, unencumbered, and can be easily and immediately converted into cash during a time of stress scenario at little or no loss of value. Nevertheless, the value of HQLA is still adjusted by haircuts for each asset level and subject to the caps on proportion of level 2 assets within Total HQLA. The average total HQLA in the second quarter of 2020 equaled 54,588 million Baht (99.6 percent of HQLA primarily consisted of level 1 asset, which were cash and bond issued by Thai governments) calculated from HQLA at the end of April, May and June.

2. The Net Cash Outflows is defined as the total expected cash outflows minus total expected cash inflows in the specified stress scenario for the subsequent 30 calendar days. The average net cash outflows in the second quarter of 2020 equaled 34,883 million Baht which calculated by multiplying the outstanding balances of liabilities and off-balance sheet commitments by the run-off rates given by BOT at the end of April, May and June. While the expected cash inflows mainly came from repayment of good quality loan multiplying by inflow rates under the mean given from BOT.

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 Bank of Thailand'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 2 TISCO Bank's Capital Structure

Unit : Million Baht		
Items	30-Jun-20	31-Dec-19
1. Tier 1 Capital	29,766.02	29,244.59
1.1 CET 1	29,766.02	29,244.59
1.1.1 Paid-up share capital	9,215.68	9,215.68
1.1.2 Premium (discount) on share capital	2,543.02	2,543.02
1.1.3 Warrants	-	-
1.1.4 Statutory reserves	984.00	984.00
1.1.5 Reserve appropriated from the net profit	-	-
1.1.6 Cumulative profit after appropriation	17,278.54	17,277.46
1.1.7 Other comprehensive income	314.16	304.90
1.1.8 Any adjustments of CET 1	-	-
1.1.9 Deductions from CET 1	569.39	1,080.46
1.1.9.1 Deductions from CET 1 Capital *	569.39	1,080.46
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	0.00
1.2.1 Non-cumulative perpetual preferred stock and non-cumulative perpetual preferred stock warrants	0.00	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	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	7,297.88	7,977.04
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	6,370.00	6,680.00
2.3 Surplus (shortfall) from the issue of the instruments 2.1-2.2 where the bank receives funds	-	-
2.4 General provision	326.94	547.10
2.5 Surplus of provisions	600.94	749.95
2.6 Deductions from Tier 2 ****	-	-
3. Total Regulatory Capital	37,063.89	37,221.64

* 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

Standardized 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 Standardized 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. As of June 2020, the regulatory capital adequacy ratio (BIS ratio) based on IRB approach stood at 21.96% remaining higher than the 11.0% required by the Bank of Thailand. While Total Tier-I capital adequacy ratio stood at 17.64%, which remained higher than the minimum requirement at 8.5%.

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

Unit : Million Baht

Credit Risk - SA	30-Jun-20	31-Dec-19
Performing	1,408.68	1,433.44
1. Claims on Financial Institutions and Public Sector Entities treated as Claims on Financial Institutions and Securities Company	8.98	5.09
2. Claims on Corporate and Public Sector Entities treated as Claims on Corporate	267.20	167.94
3. Claims on Retail	576.76	654.59
4. Claims on Residential Property	555.74	605.81
5. Other Assets	-	-
Non-performing	107.44	106.25
Total Minimum Capital Requirements for Credit Risk - SA	1,516.12	1,539.69

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

Unit : Million Baht

Credit Risk - IRB	30-Jun-20	31 Dec 19
Non-Default	10,348.58	10,452.00
1. Corporate Lending	3,535.16	3,673.54
2. Retail	6,560.26	6,577.10
3. Equity Exposure	64.44	17.80
4. Other Assets	188.71	183.57
Default	309.56	190.02
Total Minimum Capital Requirements for Credit Risk - IRB	10,658.14	10,642.02

Table 5 Minimum Capital Requirements for Equity Exposures under IRB Approach

Unit : Million Baht

Minimum Capital Requirements for Equity Exposures under IRB	30-Jun-20	31-Dec-19
Equity Exposure with an Exemption from IRB Calculation	64.44	17.80
Total Minimum Capital Requirements for Equity Exposures under IRB Approach	64.44	17.80

Table 6 Minimum Capital Requirements for Market Risk (Standardized Approach / Internal Model Approach)

Unit : Million Baht

Minimum Capital Requirements for Market Risk	30-Jun-20	31 Dec 19
Standardized Approach	-	-
Internal Model Approach	-	-
Total Minimum Capital Requirements for Market Risk	-	-

* 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 7 Minimum Capital Requirements for Operational Risk

Unit : Million Baht

Minimum Capital Requirements for Operational Risk	30-Jun-20	31 Dec 19
Standardized Approach	2,169.83	2,162.78
Total Minimum Capital Requirements for Operational Risk	2,169.83	2,162.78

Table 8 TISCO Bank's Capital Adequacy Ratio

Ratio	30-Jun-20		31-Dec-19	
	TISCO's Capital Ratio	Regulatory Minimum Requirement	TISCO's Capital Ratio	Regulatory Minimum Requirement
1. Total Capital Adequacy Ratio	21.96%	11.00%	22.06%	11.00%
2. Total Tier I Capital Adequacy Ratio	17.64%	8.50%	17.33%	8.50%
3. CET 1 Capital Adequacy Ratio	17.64%	7.00%	17.33%	7.00%

Market Risk

An effective market risk management has been established by adopting the risk management policy approved by the Risk Management Committee of parent company, supported by Enterprise risk management function in order to ensure appropriate application of the policy in all functions.

In accordance with the market risk capital requirement based on the Bank of Thailand's rules and regulations, since the trading book position of TISCO Bank is still below the minimum thresholds, the Bank is not required to maintain its capital to support the market risk. However, internal market risk assessments including all positions related to price and interest rate change has been performed to ensure the effective market risk management still in place.

Main features of regulatory capital instruments

Subject		Description						
1	Issuer	TISCO Bank Public Company Limited						
2	Unique identifier	TISCO25DA	TISCO268A	TISCO272A	TISCO27NA	TISCO292A	TISCO292B	TISCO 306A
<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	Tier 2
4	Qualified as per the Basel III regulation	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified	Qualified
5	If not, specify unqualified feature as per the Basel III regulation	-	-	-	-	-	-	-
6	Recognised as capital partially or in full	Fully recognised	Fully recognised	Fully recognised	Fully recognised	Fully recognised	Fully recognised	Fully recognised
7	Eligible at solo/ group / group & solo	Group & Solo	Group & Solo	Group & Solo	Group & Solo	Group & Solo	Group & Solo	Group & Solo
8	Amount recognised in regulatory capital (Unit: million baht)	1,000 MM baht	680 MM baht	1,000 MM baht	600 MM baht	1,200 MM baht	1,200 MM baht	690 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	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	Financial liabilities stated at amortised cost
11	Original date of issuance	December 17, 2015	August 10, 2016	February 23, 2017	November 15, 2017	February 1, 2019	February 22, 2019	June 10, 2020
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	December 17, 2025	August 10, 2026	February 23, 2027	November 15, 2027	February 1, 2029	February 22, 2029	June 10, 2030
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	Issuer call option with BOT's prior approval
15	Optional call date, contingent call dates and redemption amount	(1) On the 5th anniversary from the issue date or at any coupon dates after the 5th year of issuance; or (2) Any change in tax law which affect tax benefits of the issuer; or (3) Any change in regulatory capital requirement that occurs on or after the issue date which disqualifies these debentures to be included in the Tier 2 capital of the issuer; or (4) Any other conditions which the Bank of Thailand may prescribe						
16	Subsequent call dates, if applicable							

Subject		Description						
Unique identifier		TISCO25DA	TISCO268A	TISCO272A	TISCO27NA	TISCO292A	TISCO292B	TISCO 306A
<i>Coupons / Other returns</i>								
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Fixed at 4.25%	Fixed at 3.875%	Fixed at 4.0%	Fixed at 3.70%	Fixed at 4.0%	Fixed at 4.0%	Fixed at 3.15%
19	Existence of a dividend stopper	No dividend stopper	No dividend stopper	No dividend stopper	No dividend stopper	No dividend stopper	No dividend stopper	No dividend stopper
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No step up interest payment	No step up interest payment	No step up interest payment	No step up interest payment	No step up interest payment	No step up interest payment	No step up interest payment
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	-	-	-	-	-	-	-
25	If convertible, fully or partially	-	-	-	-	-	-	-
26	If convertible, conversion rate	-	-	-	-	-	-	-
27	If convertible, specify instrument type convertible into	-	-	-	-	-	-	-
28	If convertible, specify issuer of instrument it converts into	-	-	-	-	-	-	-
29	Write-down feature	Write-down feature	Write-down feature	Write-down feature	Write-down feature	Write-down feature	Write-down feature	Write-down feature
30	If write-down, write-down trigger(s)	In case of non-viability and/or regulatory authorities deciding to provide financial aids to the issuer, these debentures may be required to be written off (fully or partially).						
31	If write-down, full or partial	Full or partial write-down	Full or partial write-down	Full or partial write-down	Full or partial write-down	Full or partial write-down	Full or partial write-down	Full or partial write-down
32	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
33	if temporary write-down, description of write-up mechanism	-	-	-	-	-	-	-
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Hybrid debt capital instrument / Preferred stock / Common stock	Hybrid debt capital instrument / Preferred stock / Common stock	Hybrid debt capital instrument / Preferred stock / Common stock	Hybrid debt capital instrument / Preferred stock / Common stock	Hybrid debt capital instrument / Preferred stock / Common stock	Hybrid debt capital instrument / Preferred stock / Common stock	Hybrid debt capital instrument / Preferred stock / Common stock

Basel III during Transitional period

Unit: MM baht

Capital fund, items to include, adjust and deduct for the accounting period ended June 30, 2020		Net balance of items to be gradually 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	30,335.40	-
1.2 <u>Adjust</u> regulatory adjustments to CET 1	-	-
1.3 <u>Deduct</u> regulatory deductions to CET 1	569.39	-
Net CET 1 Capital	29,766.02	
<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	-	-
Net Additional Tier 1 Capital	0.00	
Total Tier 1 Capital (CET1+ Additional Tier 1)	29,766.02	
Tier 2 Capital :		
1.6 Transaction countable as Tier 2	7,297.88	-
1.7 <u>Deduct</u> regulatory deductions to Tier 2	-	-
Total Tier 2 Capital	7,297.88	
Total Capital (Tier 1 + Tier 2)	37,063.89	

Capital instruments which are not qualified under Basel III requirement will be phased out at the rate of 10% each year since 2013, and will no longer be included as capital from 2022 onward. For TISCO Bank, there was no capital instrument unqualified under Basel III at the end of June 2020.