

Information Disclosures under Basel III Capital Requirement As of 30 June 2014

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. In addition, TISCO Bank 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 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.

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Table 1 TISCO Bank's Capital Structure

Unit : Million Baht

Items	30-Jun-14	31-Dec-13
1. Tier 1 Capital	21,622.15	17,619.55
1.1 CET 1	21,622.15	17,619.55
1.1.1 Paid-up share capital	9,215.68	8,191.71
1.1.2 Premium (discount) on share capital	2,543.02	1,120.74
1.1.3 Warrants	-	-
1.1.4 Statutory reserves	984.00	984.00
1.1.5 Reserve appropriated from net profit	-	-
1.1.6 Retained earnings after appropriation	9,031.41	7,943.32
1.1.7 Other components of CET1 and disclosed reserves	3.74	-
1.1.8 Any adjustments of CET 1	-	-
1.1.9 Deductions from CET 1 *	155.70	620.22
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 **	-	-
2. Tier 2 Capital	7,272.71	8,126.78
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	6,643.00	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	629.71	608.08
2.5 Deductions from Tier 2 ***	-	-
3. Total Regulatory Capital	28,894.86	25,746.33

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

** 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).

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Capital adequacy of the Bank is still in strong position and adequate to support business expansion into the future. In June 2014, the regulatory capital adequacy ratio (BIS ratio) based on IRB approach stood at 15.42% remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I capital adequacy ratio stood at 11.54%, 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-14	31-Dec-13
Performing	3,409.69	3,821.49
1. Claims on Financial Institutions and Public Sector Entities treated as Claims on Financial Institutions and Securities Company	149.45	156.88
2. Claims on Corporate and Public Sector Entities treated as Claims on Corporate	1,756.27	2,146.93
3. Claims on Retail	1,464.57	1,477.12
4. Claims on Residential Property	39.40	40.57
5. Other Assets	-	-
Non-performing	20.49	17.53
Total Minimum Capital Requirements for Credit Risk - SA	3,430.18	3,839.03

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

Unit : Million Baht

Credit Risk - IRB	30-Jun-14	31-Dec-13
Non-Default	10,137.35	10,435.61
1. Corporate Lending	3,464.65	3,006.96
2. Hire Purchase	6,408.11	7,175.77
3. Equity Exposure	37.15	37.23
4. Other Assets	227.44	215.64
Default	836.07	675.64
Total Minimum Capital Requirements for Credit Risk - IRB	10,973.42	11,111.25

Table 4 Minimum Capital Requirements for Equity Exposures under IRB Approach

Unit : Million Baht

Minimum Capital Requirements for Equity Exposures under IRB	30-Jun-14	31-Dec-13
Equity Exposure with an Exemption from IRB Calculation	37.15	37.23
Total Minimum Capital Requirements for Equity Exposures under IRB Approach	37.15	37.23

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Table 5 Minimum Capital Requirements for Operational Risk

Unit : Million Baht

Minimum Capital Requirements for Operational Risk	30-Jun-14	31-Dec-13
Standardized Approach	1,521.91	1,423.16
Total Minimum Capital Requirements for Operational Risk	1,521.91	1,423.16

Table 6 TISCO Bank's Capital Adequacy Ratio

Unit : %

Ratio	30-Jun-14	31-Dec-13
1. Total Capital Adequacy Ratio	15.42%	13.37%
2. Total Tier I Capital Adequacy Ratio	11.54%	9.15%
3. CET 1 Capital Adequacy Ratio	11.54%	9.15%



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Composition of capital disclosure requirements

Attachment 1

Main features of regulatory capital instruments

Subject		Description					
1	Issuer	TISCO Bank Public Company Limited					
2	Unique identifier	TISCO205A	TISCO20DA	TISCO223A	TISCO22DA	TISCO241A	TISCO242A
	<i>BOT's regulatory 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 capital under Basel III	Not qualified	Not qualified	Qualified	Not qualified	Qualified	Qualified
5	If not, specify unqualified feature as per the Basel III regulation	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	Fully recognised	partially recognised	Fully recognised	Fully 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)	1,000 MM baht	1,000 MM baht	1,000 MM baht	1,243 MM baht	1,600 MM baht	800 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	May 17, 2010	December 13, 2010	March 9, 2012	December 19, 2012	January 29, 2014	February 19, 2014
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	May 17, 2020	December 13, 2020	March 9, 2022	December 19, 2022	January 29, 2024	February 19, 2024
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
15	Optional call date, contingent call dates and redemption amount	(1) Prior to the 5th year after the issuing date, if the issuer is informed by the BOT that this debenture is not or is no longer classified as instrument eligible for inclusion in Tier 2 capital, or is eligible for inclusion in Tier 2 capital but is lower than 50% of Tier 1 capital, or (2) On the 5th anniversary of the issuance of the debenture or on any coupon date after the 5th year of issuance, or (3) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits, or (4) The issuer is able to finance equal or greater quantity of capital instead of the debentures, or the issuer possesses Tier 1 capital larger than the minimum determined by the BOT after redemption, or (5) Any cases or conditions to be specified by the BOT in the future.	(1) On the 5th anniversary from the issue date, or at any coupon dates after the 5th year of issuance, or (2) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits, or (3) The issuer is able to finance equal or greater quantity of capital instead of the debentures, or the issuer possesses Tier 1 capital larger than the minimum determined by the BOT after redemption, or (4) Any cases or conditions to be specified	(1) On the 5th anniversary from the issue date, or at any coupon dates after the 5th year of issuance, or (2) The issuer is able to demonstrate that interests paid by this debenture can no longer be deducted as expenditure of the issuer for tax benefits, or (3) The issuer is able to finance equal or greater quantity of capital instead of the debentures, or the issuer possesses Tier 1 capital larger than the minimum determined by the BOT after redemption, or (4) Any cases or conditions to be specified	(1) On the 5th anniversary from the issue date or on any coupon dates after the 5th year of issuance if the issuer is able to finance equal or greater quantity of capital instead of the debentures, or the issuer possesses Tier 1 capital larger than the minimum determined by the BOT after redemption, or (2) The issuer is able to demonstrate that interests paid by this instrument can no longer be deducted as expenditure of the issuer for tax benefits, or (3) Any cases or conditions to be specified by the BOT in the future.	(1) On the 5th anniversary from the issue date or on any coupon dates after the 5th year of issuance if the issuer is able to finance equal or greater quantity of capital instead of the instruments, or the issuer possesses Tier 1 capital larger than the minimum determined by the BOT after redemption, or (2) The issuer is able to demonstrate that interests paid by this instrument can no longer be deducted as expenditure of the issuer for tax benefits, or (3) Any cases or conditions to be specified by the BOT in the future.	(1) On the 5th anniversary from the issue date or on any coupon dates after the 5th year of issuance if the issuer is able to finance equal or greater quantity of capital instead of the instruments, or the issuer possesses Tier 1 capital larger than the minimum determined by the BOT after redemption, or (2) The issuer is able to demonstrate that interests paid by this instrument can no longer be deducted as expenditure of the issuer for tax benefits, or (3) Any cases or conditions to be specified by the BOT in the future.



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Subject		Description					
16	Subsequent call dates, if applicable						
	<i>Coupons / Other returns</i>						
17	Fixed or floating dividend / coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Fixed at 5%	Fixed at 4.8%	Fixed at 4.85%	Fixed at 4.6%	Fixed at 6.0%	Fixed at 6.0%
19	Existence of a 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
21	Existence of step up or other incentive to redeem	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
23	Convertible or 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	No write-down feature	No write-down feature	No write-down feature	No write-down feature	Write-down feature	Write-down feature
30	If write-down, write-down trigger(s)	-	-	-	-	In case of non-viability and regulatory authorities deciding to provide financial aids to the issuer, these debt securities may be written off in proportion not exceed the lowering of par value of common share and preferred share after the lowering of such shares is made.	In case of non-viability and regulatory authorities deciding to provide financial aids to the issuer, these debt securities may be written off in proportion not exceed the lowering of par value of common share and preferred share after the lowering of such shares is made.
31	If write-down, full or partial	-	-	-	-	Full or partial write-down	Full or partial write-down
32	If write-down, permanent or temporary	-	-	-	-	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



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Attachment 2

Basel III during Transitional period

Unit: MM baht

Capital funds as of December 31, 2013			Remaining amount subject to transitional adjustment under Basel III	
Tier 1 Capital :				
<u>Common Equity Tier 1 capital (CET1)</u>				
1.1	Transaction countable as CET 1	21,777.85	14.97	
1.2	<u>Adjust</u> regulatory adjustments to CET 1	0.00	0	
1.3	<u>Deduct</u> regulatory deductions to CET 1	155.70	144.98	
Net CET 1 Capital			21,622.15	
<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)			21,622.15	
Tier 2 Capital :				
1.6	Transaction countable as Tier 2	7,272.71	-3,243.00	
1.7	<u>Deduct</u> regulatory deductions to Tier 2	0.00		
Total Tier 2 Capital			7,272.71	
Total Capital (Tier 1 + Tier 2)			28,894.86	

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, the total amount of capital instruments that are not qualified under Basel III was 3,243.00 million baht as of June 30, 2014.