

Information Disclosures under Basel II Capital Requirement As of 30 June 2012

Scope of Information Disclosure

TISCO Bank discloses information under Basel II capital requirement based on the bank position only and in accordance with the Bank of Thailand's notification SorNorSor 25/2552 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 Tier 1, Tier 2 capital and adjustment from reserve, 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 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 both Tier 1 and Tier 2 capital.

Table 1 TISCO Bank's Capital Structure

Unit : Million Baht

Items	30-Jun-12	31-Dec-11
1. Tier 1 Capital	13,075.11	12,258.96
1.1 Paid-up Share Capital	7,281.52	7,281.52
1.2 Premium on Share Capital	130.45	130.45
1.3 Statutory Reserve	846.10	714.60
1.4 Cumulative Profit after Appropriation	5,439.58	4,684.26
1.5 Deductions from Tier 1 Capital*	622.54	551.88
1.5.1 Deductions from Tier 1 Capital*	41.65	104.33
1.5.2 Deduction Item by 50% from Tier 1 and Tier 2 Capital	580.89	447.55
2. Tier 2 Capital	6,861.47	6,225.10
2.1 Tier 2 Capital before Deductions	7,442.36	6,672.65
2.2 Deduction Item by 50% from Tier 1 and Tier 2 Capital	580.89	447.55
3. Total Regulatory Capital	19,936.58	18,484.06

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

Capital Adequacy under Basel II Capital Accord

Based on minimum capital requirement under Basel II effective since the end of 2008, 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 2012, the regulatory capital adequacy ratio (BIS ratio) based on IRB approach after an adjustment of capital floor stood at 14.34% remaining higher than the 8.50% required by the Bank of Thailand. While Tier-I capital adequacy ratio before an adjustment of capital floor stood at 9.40%, Tier-I capital adequacy ratio also remained higher than the minimum requirement at 4.25%.

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

Unit : Million Baht

Credit Risk - SA	30-Jun-12	31-Dec-11
Performing		
1. Claims on Financial Institutions and Public Sector Entities treated as Claims on Financial Institutions and Securities Company	77.92	165.53
2. Claims on Corporate and Public Sector Entities treated as Claims on Corporate	3,945.33	3,347.45
3. Claims on Retail	889.68	751.78
4. Claims on Residential Property	37.52	37.55
5. Other Assets	-	-
Non-performing	22.32	24.34
Total Minimum Capital Requirements for Credit Risk - SA	4,972.76	4,326.65

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

Unit : Million Baht

Credit Risk - IRB	30-Jun-12	31-Dec-11
Banking Book		
- Non-defaulted Assets	5,383.61	4,861.95
Claims on Retail	5,135.50	4,635.74
Retail Loan for Individual Clients	4,863.86	4,371.65
Retail Loan for Business Purpose	271.64	264.09
Claims on Equity	44.79	44.85
Other Assets	203.32	181.36
- Defaulted Assets	327.42	298.10
Total Minimum Capital Requirements for Credit Risk - IRB	5,711.04	5,160.05

Table 4 Minimum Capital Requirements for Claims on Equity under IRB Approach

Unit : Million Baht

Minimum Capital Requirements for Claims on Equity under IRB Approach	30-Jun-12	31-Dec-11
1. Claims on Equity exempted from IRB Capital Calculation	44.79	44.85
Total Minimum Capital Requirments for Claims on Equity under IRB Approach	44.79	44.85

Table 5 Minimum Capital Requirements for Operational Risk

Unit : Million Baht

Minimum Capital Requirements for Operational Risk	30-Jun-12	31-Dec-11
1. Standardized Approach	1,135.11	1,060.48
Total Minimum Capital Requirements for Operational Risk	1,135.11	1,060.48

Table 6 TISCO Bank's Capital Adequacy Ratio

Unit : %

Ratio	30-Jun-12	31-Dec-11
1. Total Capital Adequacy Ratio	14.34%	14.90%
2. Tier 1 Capital Adequacy Ratio	9.40%	9.88%