

## Information Disclosures under Basel III Capital Requirement As of 30 June 2018

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### 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.

**Table 1 TISCO Bank's Capital Structure**

|   | Unit : Million Baht |                  |
|---|---------------------|------------------|
| Items   | 30-Jun-18           | 31-Dec-17        |
| <b>1. Tier 1 Capital</b>  | <b>27,975.76</b>    | <b>27,263.62</b> |
| <b>1.1 CET 1</b>  | <b>27,975.76</b>    | <b>27,263.61</b> |
| 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   | 15,959.97           | 15,036.97        |
| 1.1.7 Other comprehensive income  | 209.27              | 218.86           |
| 1.1.8 Any adjustments of CET 1  | -                   | -                |
| 1.1.9 Deductions from CET 1   | 936.17              | 734.92           |
| 1.1.9.1 Deductions from CET 1 Capital *   | 936.17              | 734.92           |
| 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 | -                   | -                |
| <b>1.2 Additional Tier 1</b>  | <b>0.00</b>         | <b>0.00</b>      |
| 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                              | -                   | -                |
| 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 | -                   | -                |
| <b>2. Tier 2 Capital</b>  | <b>7,935.29</b>     | <b>8,027.90</b>  |
| 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   | 6,680.00            | 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   | 614.42              | 679.19           |
| 2.5 Surplus of provisions   | 640.87              | 668.71           |
| 2.6 Deductions from Tier 2 ***  | -                   | -                |
| <b>3. Total Regulatory Capital</b>  | <b>35,911.05</b>    | <b>35,291.51</b> |

\* 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 2018, the regulatory capital adequacy ratio (BIS ratio) based on IRB approach stood at 23.03% remaining higher than the 10.375% required by the Bank of Thailand. While Total Tier-I capital adequacy ratio stood at 17.94%, which remained higher than the minimum requirement at 7.875%.

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

Unit : Million Baht

| Credit Risk - SA  | 30-Jun-18       | 31-Dec-17       |
|---|-----------------|-----------------|
| <b>Performing</b>   | <b>1,932.61</b> | <b>2,485.19</b> |
| 1. Claims on Financial Institutions and Public Sector Entities treated as Claims on Financial Institutions and Securities Company | 56.24           | 126.14          |
| 2. Claims on Corporate and Public Sector Entities treated as Claims on Corporate  | 252.66          | 330.40          |
| 3. Claims on Retail   | 822.60          | 1,160.34        |
| 4. Claims on Residential Property   | 801.10          | 868.32          |
| 5. Other Assets   | -               | -               |
| <b>Non-performing</b>   | <b>150.71</b>   | <b>119.68</b>   |
| <b>Total Minimum Capital Requirements for Credit Risk - SA</b>  | <b>2,083.32</b> | <b>2,604.87</b> |

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

Unit : Million Baht

| Credit Risk - IRB   | 30 Jun 18       | 31 Dec 17       |
|---|-----------------|-----------------|
| <b>Non-Default</b>  | <b>8,842.50</b> | <b>9,224.12</b> |
| 1. Corporate Lending  | 2,474.13        | 2,931.62        |
| 2. Retail   | 6,160.85        | 6,070.02        |
| 3. Equity Exposure  | 32.31           | 35.70           |
| 4. Other Assets   | 175.21          | 186.77          |
| <b>Default</b>  | <b>268.74</b>   | <b>284.95</b>   |
| <b>Total Minimum Capital Requirements for Credit Risk - IRB</b> | <b>9,111.24</b> | <b>9,509.07</b> |

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

Unit : Million Baht

| Minimum Capital Requirements for Equity Exposures under IRB                       | 30-Jun-18    | 31-Dec-17    |
|---|--------------|--------------|
| Equity Exposure with an Exemption from IRB Calculation                            | 32.31        | 35.70        |
| <b>Total Minimum Capital Requirements for Equity Exposures under IRB Approach</b> | <b>32.31</b> | <b>35.70</b> |

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

| Unit : Million Baht                                       |           |           |
|---|-----------|-----------|
| Minimum Capital Requirements for Market Risk              | 30 Jun 18 | 31 Dec 17 |
| Standardized Approach                                     | -         | -         |
| Internal Model Approach                                   | -         | -         |
| <b>Total Minimum Capital Requirements for Market Risk</b> | -         | -         |

\* Transaction amount in trading book of TISCO Bank was lower than the minimum amount required by the Bank of Thailand.

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

| Unit : Million Baht  |                 |                 |
|--|-----------------|-----------------|
| Minimum Capital Requirements for Operational Risk              | 30 Jun 18       | 31 Dec 17       |
| Standardized Approach  | 2,062.43        | 1,977.90        |
| <b>Total Minimum Capital Requirements for Operational Risk</b> | <b>2,062.43</b> | <b>1,977.90</b> |

**Table 7 TISCO Bank's Capital Adequacy Ratio**

| Ratio                                  | 30-Jun-18             |                                | 31-Dec-17             |                                |
|--|-----------------------|--------------------------------|-----------------------|--------------------------------|
|  | TISCO's Capital Ratio | Regulatory Minimum Requirement | TISCO's Capital Ratio | Regulatory Minimum Requirement |
| <b>1. Total Capital Adequacy Ratio</b> | <b>23.03%</b>         | <b>10.375%</b>                 | <b>21.29%</b>         | <b>9.75%</b>                   |
| 2. Total Tier I Capital Adequacy Ratio | 17.94%                | 7.875%                         | 16.45%                | 7.25%                          |
| 3. CET 1 Capital Adequacy Ratio        | 17.94%                | 6.375%                         | 16.45%                | 5.75%                          |

## 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.



# TISCO BANK PUBLIC COMPANY LIMITED

## 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   | TISCO241A   | TISCO242A                                      | TISCO256A  | TISCO25DA                                      | TISCO268A                                      | TISCO272A                                      | TISCO27NA                                      |
| <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)        | 1,600 MM baht   | 800 MM baht                                    | 1,000 MM baht  | 1,000 MM baht                                  | 680 MM baht                                    | 1,000 MM baht                                  | 600 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   | January 29, 2014  | February 19, 2014                              | June 5, 2015   | December 17, 2015                              | August 10, 2016                                | February 23, 2017                              | November 15, 2017                              |
| 12                     | Perpetual or dated  | Dated   | Dated  | Dated  | Dated  | Dated  | Dated  | Dated  |
| 13                     | Original maturity date  | January 29, 2024  | February 19, 2024                              | June 5, 2025   | December 17, 2025                              | August 10, 2026                                | February 23, 2027                              | November 15, 2027                              |
| 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 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<br>(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<br>(3) 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<br>(2) Any change in tax law which affect tax benefits of the issuer; or<br>(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<br>(4) Any other conditions which the Bank of Thailand may prescribe |  |  |  |  |
| 16                     | Subsequent call dates, if applicable                                |   |  |  |  |  |  |  |



|    | Coupons / Other returns   |   |   |   |   |   |   |   |
|----|---|---|---|---|---|---|---|---|
| 17 | Fixed or floating dividend / coupon   | Fixed   | Fixed   | Fixed   | Fixed   | Fixed   | Fixed   | Fixed   |
| 18 | Coupon rate and any related index   | Fixed at 6.0%   | Fixed at 6.0%   | Fixed at 4.5%   | Fixed at 4.25%  | Fixed at 3.875%   | Fixed at 4.0%   | Fixed at 3.70%  |
| 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 | Noncumulative 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 regulatory authorities deciding to provide financial aids to the issuer, these debentures may be written off in proportion not exceed the lowering of par value of common share and preferred share after the lowering of such |   | 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, 2018 |                  | Net balance of items to be gradually included or deducted in the future as per Basel III |
|---|------------------|--|
| <b>Tier 1 Capital :</b>   |                  |  |
| <u>Common Equity Tier 1 capital (CET1)</u>  |                  |  |
| 1.1 Transaction countable as CET 1  | 28,911.94        | -  |
| 1.2 <u>Adjust</u> regulatory adjustments to CET 1   | -                | -  |
| 1.3 <u>Deduct</u> regulatory deductions to CET 1  | 936.17           | -  |
| Net CET 1 Capital   | 27,975.76        |  |
| <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             |  |
| <b>Total Tier 1 Capital (CET1+ Additional Tier 1)</b>   | <b>27,975.76</b> |  |
| <b>Tier 2 Capital :</b>   |                  |  |
| 1.6 Transaction countable as Tier 2   | 7,935.29         | -  |
| 1.7 <u>Deduct</u> regulatory deductions to Tier 2   | -                | -  |
| <b>Total Tier 2 Capital</b>   | <b>7,935.29</b>  |  |
| <b>Total Capital (Tier 1 + Tier 2)</b>  | <b>35,911.05</b> |  |

Capital instruments which are not qualified under Basel III requirement shall 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 2018.