



ธนาคารกรุงศรีอยุธยา
BANK OF AYUDHYA

Basel II Pillar III Disclosures

30 June 2009

1. Capital Structure

Bank's capital consist of

Tier 1 Capital

- Paid up share capital : 6,074,143,747 ordinary shares of baht 10 each and fully paid
- Net premium (discount)
- Statutory reserve
- Cumulative profit (loss) after appropriation

Tier 2 Capital

- Land and Building Revaluation
- Long-term subordinate debt instrument :-

On November 5,2003, the Bank issued subordinated debenture #5 in the amount of Baht 12,000 million with a maturity in November 5, 2013 at the fixed rate of 4% per annum for the years 1-5 and 4.75% per annum for the years 6-10, payable quarterly on the fifth of February, May, August and November of each year. The Bank has the right to redeem debenture#5 before the maturity date subject to the approval of the Bank of Thailand.

Long-term subordinate debt is treated as tier 2 for amount received but not over than 50% of tier 1 capital and is decreased 20% per year for the last 5 years.

- Reserve for assets classified as normal

Deductions from Total regulatory capital

- Investment revaluation surplus (net) in securities available for sale

Table 1 Capital funds

Unit : Baht

Item	June 30, 2009
1. Tier 1 capital	79,252,346,756
1.1 Issued and paid up share capital	60,741,437,470
1.2 Premium on share capital	13,802,215,854
1.3 Statutory reserve	582,500,000
1.4 Net profit after appropriations	4,126,193,432
2. Tier 2 capital	18,961,352,894
2.1 Assets revaluation surplus	3,259,922,874
2.2 Subordinated unsecured floating rate notes	9,600,000,000
2.3 Reserve for assets classified as normal	6,101,430,020
3. Total regulatory capital (3.1 – 3.2)	97,930,313,657
3.1 Total regulatory capital before deductions (1 + 2)	98,213,699,650
3.2 Deductions from Total regulatory capital	(283,385,993)

2. Capital Adequacy

Financial performance and economic situation directly affect the Bank's capital. Since having adequate capital reflects financial stability of the Bank, BAY has been doing capital adequacy assessment in order to prepare for current and future business risks. The Bank maintains Basel II capital adequacy ratio at a level higher than that required by the Bank of Thailand. If the ratio moves to an unacceptable level, the Bank will implement measures and plans to ensure appropriate capital adequacy level.

The Bank monitors economic situation as well as internal and external factors that may impact the Bank's capital. The Bank also performs stress testing regularly to assess the capacity to handle different scenarios, and prepare contingency plan to ensure that the Bank maintains adequate capital at all times.

As for the future capital adequacy, since the Bank prepares 3 years business strategy plan annually, this business strategy plan is used as the basis for the Bank's capital planning.

Table 2 Minimum capital requirements for credit risk classified by types of assets under the SA approach

Unit : Baht

Minimum capital requirement for credit risk classified by type of assets under the SA	June 30, 2009
Performing assets	46,423,582,367
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	6,378,750
2. Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	1,228,193,796
3. Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate	29,935,657,772
4. Claims on retail portfolios	7,686,150,503
5. Residential mortgage exposures	1,981,415,804
6. Other assets	5,585,785,742
Non-performing assets	2,789,284,796
Total minimum capital requirement for credit risk under the SA	49,212,867,163

Table 3 Minimum capital requirement for market risk for positions in the trading book (SA)

Unit : Baht

Minimum capital requirement for market risk	June 30, 2009
Calculation by the Standardized Approach	80,220,647
Total minimum capital requirement for market risk	80,220,647

Table 4 Minimum capital requirement for operational risk under (SA)

Unit : Baht

Minimum capital requirement for operational risk	June 30, 2009
Calculation by the Standardized Approach	3,048,315,520
Total minimum capital requirement for operational risk	3,048,315,520

Table 5 Total risk-weighted capital ratio and Tier 1 risk-weighted capital ratio

Unit : %

Ratio	June 30, 2009
Total capital to risk-weighted assets	15.90
Tier 1 capital to risk-weighted assets	12.87

3. Market risk

Market Risk Information: Standardised Approach

The materiality of the trading book

The Bank trading book exposure is significantly substantial under BOT criteria considering:

1. The average of the trading positions for all currencies in THB equivalent for the last 6 months is 3,000 mil THB or more, or
2. The average of the ratio (trading positions for all currencies in THB equivalent to the sum of total assets, total liabilities and financial derivatives for all currencies in THB equivalent) for the last 6 months is 5% or more.

The Market Risk Internal Controls

The Bank BOD approved the Market Risk: Trading Book Policy to manage and control all trading activities. The policy will be revised to accommodate the bank's business growth and complexity and when market condition has changed. The policy will address BOT guidelines and cover the followings:

- Roles and Responsibilities of the BOD, committees and senior managements
- Market risk evaluation and controlling framework
- Market risk controlling procedure and the segregation of duty
- Market risk internal reporting framework
- Internal audit for market risk and remedial action

Market Risk Capital Charge using Standardised Approach

Considering the materiality of the trading exposure, the Bank computes the capital charge for market risk using standardised approach. The capital charge will depend on the trading position and the BOT assigned risk weight for all risk factors: interest rate risk, equity price risk, and fx risk.

The Bank computes the market risk capital charge by:

1. Capital charge for interest rate risk from interest sensitive products in the trading book.
2. Capital charge for equity price risk from equity securities in the trading book.
3. Capital charge for fx risk from all fx positions.

Table 6 Minimum capital requirements for each type of market risk under the SA approach

Unit : Baht

Minimum capital requirements for market risk under the Standardized Approach	June 30, 2009
Interest rate risk	31,534,749
Equity position risk	13,336,493
Foreign exchange rate risk	35,349,405
Commodity risk	-
Total minimum capital requirements	80,220,647