ธนาคารกรุงศรีอยุธยา
BANK OF AYUDHYA

Basel II Pillar III Disclosures

30 June 2010

Introduction

Bank of Ayudhya Public Company Limited has disclosed the Capital Adequacy in accordance with the Bank of Thailand's Notification No. SorNorSor. 25/2552 regarding the Disclosure of Capital Adequacy for Commercial Bank dated December 14, 2009, as to promote market discipline by disclosing of capital adequacy and risk information. These information shall be used by third parties or market participants to assess overall risk exposures for the Bank.

Scope of the Application

As required by the Bank of Thailand, the Bank shall disclose the information for the Bank only (Solo Basis) within 4 months after the end of closing period. The initial information disclosure for the Bank only has been made for data as of December 31, 2009. For the information as of June 30, 2010, the Bank will disclose both qualitative and quantitative information relevant to Capital Funds and Market Risk only.

Capital Structure

Tier-1 Capital comprised of :-

1. Paid up share capital : 6,074,143,747 ordinary shares of Baht 10 each and fully paid
2. Net premium (discount)
3. Statutory reserve
4. Cumulative profit (loss) after appropriation from Annual Shareholders' Meeting
5. Deferred Tax Asset

Tier-2 Capital comprised of :-

1. 70% of land revaluation
2. 50% of building revaluation
3. Reserve for assets classified as normal (not over 1.25% of total risk asset)
4. 45% of investment revaluation surplus (net) in securities available for sale
5. Subordinated Debenture

Subordinated Debenture is treated as tier-2 capital for the amount received but not less than 50% tier-1 capital of the Bank and the mentioned subordinated debenture have to be deducted from the tier-2 capital in the rate of 20% per annum by starting from the first date of last 5 years before the maturity date.

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 rates of 4% per annum for the years 1 - 5, 4.75% per annum for the years 6 – 10, payable quarterly on the 5 of February, May, August and November of each year. The Bank has the right to redeem debenture before the maturity date subject to the approval of the Bank of Thailand.

On June 23, 2010, the Bank issued subordinated debenture #1/2010 in the amount of Baht 20,000 million with a maturity in June 23, 2020 at the fixed rates of 4.35% per annum for the years 1-3, 4.75% per annum for the years 4-6 and 5.50% per annum for the years 7-10, payable quarterly on the 23 of March, June, September and December of each year. The Bank has the right to redeem debenture #1/2010 before the maturity date subject to the approval of the Bank of Thailand. The Bank may redeem the debentures prior to the fifth anniversary of the issue date, if the bank is notified by Bank of Thailand that the debentures shall not be treated as tier-2 capital or the debentures shall be treated as tier-2 capital less than 50% of tier-1 capital of the Bank.

Table 1 Capital funds

Unit: Million Baht

Item	June 30, 2010	December 31, 2009
1. Tier 1 capital	79,173	76,473
1.1 Issued and paid up share capital	60,741	60,741
1.2 Premium on share capital	13,802	13,802
1.3 Statutory reserve	711	583
1.4 Net profit after appropriations	6,708	4,139
1.5 Less Deferred tax assets	(2,789)	(2,792)
2. Tier 2 capital	37,479	17,272
3. Total regulatory capital (3.1 – 3.2)	116,652	93,745
3.1 Total regulatory capital before deductions (1 + 2)	116,652	93,745
3.2 Deductions from Total regulatory capital	-	-

Capital Adequacy

Bank's Performance and Economic Situation directly impacted on the Bank's Capital Funds. To ensure that the Bank has provided the capital adequacy which reflects its financial stability, the Bank has put in place the process of capital adequacy assessment to support the current and future risk profile of the Bank. The Bank monitors the capital adequacy by applying the capital adequacy ratio under Basel II as measurement tool which is defined at a higher level required by the Bank of Thailand.

If the ratio fluctuates to an unacceptable level, the management will implement measures and plans to ensure that the capital adequacy level is maintained appropriately.

The Bank monitors both internal and external economic situation that may impact on the capital funds of the Bank. In addition, the Bank performs regularly Stress Testing in order to estimate the unexpected exposures including appraising the capability and providing the action plan to support the mentioned situation to ensure that the Bank always provides the capital adequacy in the appropriate level.

For the estimation of the capital adequacy in the future, after completion of the 3-year annually strategy business plans, The Bank will estimate the capital adequacy from the mentioned guidance in order to provide the capital funds management to be in line with the future strategy business plan.

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

Unit: Million Baht

Minimum capital requirement for credit risk classified by type of assets under the SA	June 30, 2010	December 31, 2009
Performing assets	50,085	50,311
1. Claims on sovereigns and central banks, Multilateral Development Banks (MDBs) and Public Sector Entities (PSEs) that are treated as claims on sovereigns	6	9
2. Claims on banks, Public Sector Entities (PSEs) that are treated as claims on banks and securities companies	1,030	1,127
3. Claims on Corporate and Public Sector Entities (PSEs) that are treated as claims on corporate	32,029	32,550
4. Claims on retail portfolios	8,505	8,139
5. Residential mortgage exposures	2,359	2,143
6. Other assets	6,156	6,343
Non-performing assets	2,225	2,508
Total minimum capital requirement for credit risk under the SA approach	52,310	52,819

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

Unit: Million Baht

Minimum capital requirement for market risk	June 30, 2010	December 31, 2009
Calculation by the Standardized Approach	338	236
Total minimum capital requirement for market risk	338	236

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

Unit: Million Baht

Minimum capital requirement for operational risk	June 30, 2010	December 31, 2009
Calculation by the Standardized Approach	3,401	3,239
Total minimum capital requirement for operational risk	3,401	3,239

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

Unit: %

Ratio	June 30, 2010	December 31, 2009
Total capital to risk-weighted assets	17.69	14.15
Tier 1 capital to risk-weighted assets	12.01	11.55

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

Unit: Million Baht

Minimum capital requirements for market risk under the Standardized Approach	June 30, 2010	December 31, 2009
Interest rate risk	174	89
Equity position risk	37	69
Foreign exchange rate risk	127	78
Commodity risk	-	-
Total minimum capital requirements	338	236