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Basel III Pillar III Disclosures

As at December 31, 2013

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Basel III Pillar III Disclosures

As at December 31, 2013

1. Introduction

The Bank of Thailand has developed the new supervisory guideline on capital fund for the commercial banks to be in compliance with global regulatory framework on BASEL III determined by Basel Committee on Banking Supervision (BCBS). The objective is to improve the quality of the bank's capital so as to be able to support the loss which may incur in the normal and crisis situations. The new supervisory guideline on capital fund - Basel III - is effective in phases starting from 1 January, 2013 onwards.

In addition, the improved disclosure of information on capital maintenance has been issued by the Bank of Thailand. The purpose of this disclosure is to promote the market discipline and in compliance with international disclosure guideline. In ensuring the benefits from assessments of the disclosed information with different risk aspects of the financial institution by external stakeholders and market participants, the information covers both qualitative and quantitative aspects for the Bank (Solo Basis) and the Financial Business Group (Full Consolidation). This, in turn, will help encourage the financial institution to continually improve their risk management practices and processes.

2. Scope of application

The Bank has disclosed these information under Basel III Pillar III on a solo basis and full consolidation basis in accordance to BOT's Notification No. SorNorSor. 4/2556 Re: Information Disclosure as Regards to Capital Maintenance for Commercial Banks and No. SorNorSor. 5/2556 Re: Information Disclosure as Regards to Capital Maintenance for the Financial Business Group.

3. The list name and business type of companies in financial business group under Full Consolidation level

The companies under financial business group totaled 19 companies are as following:

Companies	Business Type
1. Ayudhya Development Leasing Company Limited	Leasing and hire-purchase
2. Ayudhya Capital Auto Lease Public Company Limited	Auto financing
3. CFG Services Company Limited	Sale and lease-back via hire purchase and secured loan contracts by vehicle ownership registration
4. Ayudhya Capital Services Company Limited	Credit cards and personal loans
5. General Card Services Limited	Credit cards and personal loans
6. Krungsriayudhya Card Company Limited	Credit cards and personal loans

Companies	Business Type
7. Siam Realty and Services Company Limited	Car rental and personnel services
8. Total Services Solutions Public Company Limited	Collection services
9. Krungsri Asset Management Company Limited.	Asset management
10. Krungsri Ayudhya AMC Limited	Manage non-performing assets and non-performing loans (NPA and NPL) through debt restructuring and/or purchasing their collateral. Also undertakes NPA maintenance to ensure they are in good condition and ready for sale.
11. Krungsri Securities Public Company Limited	Securities
12. Sri Ayudhya Capital Public Company Limited	Holding company
13. Sri Ayudhya General Insurance Public Company Limited	Non life Insurance
14. Krungsri Factoring Company Limited	Factoring
15. Krungsri Life Assurance Broker Limited	Life insurance broker
16. Krungsri General Insurance Broker Limited	Non life insurance broker
17. Tesco Card Services Limited	Credit cards and personal loans
18. Tesco Life Assurance Broker Limited	Life insurance broker
19. Tesco General Insurance Broker Limited	Non life insurance broker

4. Capital information

4.1 Capital structure

Tier 1 Capital are composed of the followings:-

Common Equity Tier 1

- Issued and fully paid up share capital and net premium
- Legal reserve
- Retained earnings after appropriation, already approved by annual general shareholders and/or Board of Directors meetings
- Accumulated other comprehensive income
 - Surplus on revaluation of land and building or units in condominium
 - Surplus (deficit) on revaluation of investment in equity securities available for sale
- Deferred tax asset (deducted item)
- Goodwill (deducted item)

Additional Tier 1

- Components, which eligible for additional tier 1 of the financial business group, of subsidiaries only portion held by non-controlling interest and third parties.

Tier 2 Capital are composed of the followings:-

- Reserve for assets classified as normal
- Long-term subordinated debentures
- Components, which eligible for tier 2 of the financial business group, of subsidiaries only portion held by non-controlling interest and third parties.

Table 1 Capital structure

Unit: Million Baht

Item	CONSOLIDATED		THE BANK	
	December 31, 2013	June 30, 2013	December 31, 2013	June 30, 2013
1. Tier 1 capital (1.1+1.2)	103,353	100,488	84,725	92,649
1.1 Common Equity Tier1 (CET1)	102,157	99,433	84,725	92,649
1.1.1 Issued and paid up share capital	60,741	60,741	60,741	60,741
1.1.2 Premium on share capital	13,802	13,802	13,802	13,802
1.1.3 Legal reserve	2,043	1,642	2,043	1,642
1.1.4 Net profit after appropriation by resolution of the general meeting of shareholders or by the regulations of the banks registered in the country.	34,299	29,954	12,011	10,657
1.1.5 Other components of equity				
1.1.5.1 Accumulated other comprehensive income.	6,443	7,204	6,515	7,331
1.1.6 Items to be deducted from CET1				
1.1.6.1 Items to be deducted from CET1	(15,171)	(13,910)	(10,387)	(1,524)
1.2 Additional tier 1	1,196	1,055	-	-
1.2.1 Components, which eligible for additional tier 1 of the financial business group, of subsidiaries only portion held by non-controlling interest and third parties.	1,196	1,055	-	-
2. Tier 2 capital	42,352	41,513	37,600	38,464
2.1 Subordinated Debentures	31,359	31,359	31,359	31,359
2.2 General Provision	10,915	10,086	6,241	7,105
2.3 Components, which eligible for tier 2 of the financial business group, of subsidiaries only portion held by non-controlling interest and third parties.	78	68	-	-
3. Total regulatory capital (1+2)	145,705	142,001	122,325	131,113

4.2 Capital adequacy

The Bank has adopted the following Basel Approach for capital calculation

- Standardized Approach “SA” for credit risk.
- Standardized Approach “SA” for market risk
- Standardized Approach “SA-OR” for operational risk

Recognizing the importance of capital and its adequacy, Krungsri maintains, as a policy, a minimum capital adequacy ratio above the minimum official requirement, which is currently required at 8.5% for credit risk, market risk, and operational risk by the Bank of Thailand.

In addition, the Bank closely and regularly monitors and assesses both internal and external factors and developments that could have an impact on the capital level - be it economic or operating environment. The 3-year strategic business plan, which is conducted annually, is also taken into consideration when we assess and forecast both capital adequacy and requirement.

In compliance with Basel Pillar II guideline, the Bank also has in place an Internal Capital Adequacy Assessment Process (ICAAP), which calls for a regular assessment of capital adequacy under the stress testing scenarios. If the result of the stress test indicates a possibility of that the capital falling below the prescribed level, the Bank’s management must immediately prepare an action plan to ensure that capital for the Bank and the financial business group is adequate at all times.

Table 2 Minimum capital requirements classified by types of risk

Unit: Million Baht

Minimum capital requirements for all risk	CONSOLIDATED		THE BANK	
	December 31, 2013	June 30, 2013	December 31, 2013	June 30, 2013
Performing assets	73,054	67,558	64,806	59,750
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	109	112	109	112
2. Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	979	1,432	903	1,339
3. Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate	31,741	27,564	43,732	38,482
4. Claims on retail portfolios	31,341	30,018	10,779	10,307
5. Residential mortgage exposures	4,404	3,896	4,404	3,896
6. Other assets	4,480	4,536	4,879	5,614
Non-performing assets	1,166	1,026	795	720
Minimum capital requirement for credit risk	74,220	68,584	65,601	60,470
1. Interest rate risk	200	202	200	202
2. Equity price risk	-	6	-	6
3. Foreign exchange rate risk	195	50	206	43
4. Commodity price risk	-	-	-	-
Minimum capital requirement for market risk	395	258	406	251
Minimum capital requirement for operational risk	8,920	8,437	4,831	4,761
Total minimum capital requirement	83,535	77,279	70,838	65,482

Table 3 Total risk-weighted capital ratio, Tier 1 risk-weighted capital ratio and Common Equity Tier 1 risk weighted capital ratio

Unit: %

Ratio	Minimum BOT requirement	CONSOLIDATED		THE BANK	
		December 31, 2013	June 30, 2013	December 31, 2013	June 30, 2013
1. Total capital to risk-weighted assets	8.5	14.83	15.62	14.68	17.02
2. Tier 1 capital to risk-weighted assets	6.0	10.52	11.05	10.17	12.03
3. Common Equity Tier 1 to risk-weighted assets	4.5	10.39	10.94	10.17	12.03

5. Risk exposure and assessment

Risk Management Principles

The Bank's risk management covers 3 major risks, namely credit risk, market risk, and operational risk. The Bank has in place separate policies to manage these risks, since each has different characteristics. However, there are common risk management practices, for example, ceiling limits, control mechanism, risk assessment and risk monitoring procedure, and reporting procedure. These common risk management practices are for the relevant parties to promptly manage and/or handle with the risk. The Bank also invests in risk assessment tools for each risk and good data governance in order to enhance the efficiency and effectiveness of risk control, risk measurement, and risk monitoring.

In addition to credit risk, market risk, and operational risk, the Bank has put in place an Internal Capital Adequacy Assessment Process (ICAAP) under the Pillar 2 guideline. The ICAAP covers the additional risks – credit concentration risk, interest rate risk in the banking book, liquidity risk, strategic risk, reputation risk, and etc. The Bank ensures that appropriate procedures are in place to minimize each of these risks, and regularly conducts a stress test to assess the impact of a severe event on the Bank's capital.

Roles and duties of internal auditors in auditing risk management process

Internal auditors of the Bank have the duty to audit and assess the adequacy and effectiveness of the Bank's risk management process to ensure that it is adequately and appropriately commensurate with the complexity of the Bank's transactions. The audit of risk management process is undertaken to provide reasonable assurance that the Bank's operations, which shall be within the Bank's acceptable risk level, will meet established objectives and targets.

The scope of work of the internal audit encompasses all activities of the Bank undertaken by its entities in Thailand, overseas branches and companies under its financial business group (full consolidation). Internal audit of risk management activities, among others, include the following:

- Roles and responsibilities of risk management function;
- Process in determination of risk tolerance levels;
- Operational processes of functions within the Bank and compliance with relevant risk management policies;
- Risk management process which includes risk identification, risk measurement and assessment, risk management, risk monitoring and reporting.

The audit of risk management process covers credit risk, market risk, liquidity risk and operational risk. The Bank's internal auditors also review the Internal Capital Adequacy Assessment Process (ICAAP).

6. Credit risk

6.1 General information of credit risk exposure

Credit Risk Management

Credit risk is the risk that the Bank's counterparty will not be able to fulfill its obligation with the Bank, resulting in a loss to the Bank's income and capital.

Credit risk management principle and guideline, credit analysis, and credit approval process, are detailed in the Bank's Credit Risk Management Policy and other relevant policies. The supervision of the requirements is conducted by an independent Risk Unit. The Risk Management Group is responsible for establishing credit risk management policy, credit risk analysis, portfolio risk measurement, reporting of portfolio status and the management of non-performing loan while the Credit Audit Department under Audit Group is responsible for reviewing of credits and contingent liabilities.

Credit Risk Management Structure

The Bank maintains an organizational structure that encourages good corporate governance and allows proper checks and balances between the Risk Management Group

and the Business Units. An effective information management system is also put in place to enhance risk control, risk measurement, and risk monitoring.

The committees involved with the management of credit risk are:

- The Board of Directors has authority to approve credit applications greater than Baht 3,000 million as well as credit applications from the Bank's subsidiaries, and associated and related companies. The Board of Directors is also responsible for the appointments of the Credit Committee, the Risk Management Committee, and the Collateral Valuation Committee.
- The Credit Committee is comprised of high-level executives from the Risk Management Group and other relevant functions. The Credit Committee is authorized to approve credit applications of up to Baht 3,000 million.
- The Risk Management Committee has the following responsibilities :
 - 1) Identify and formulate the Bank's integrated risk management policies.
 - 2) Oversee, control, and review the Bank's business practices to ensure that they are in compliance with the integrated risk management and the good corporate governance principles.
- The Collateral Valuation Committee is in charge of the following activities:
 - 1) Establishing and reviewing policies/procedures regarding the valuation of collateral received in support of loan applications, the valuation of foreclosed or auctioned properties, and the appraisal reviews.
 - 2) Oversee and control the Bank's internal property appraisers to ensure integrity and compliance with the procedures set forth by the Bank and the Bank of Thailand.

Control, Measurement, Monitoring and Review of Credit Risk

- **Credit Risk Control**

In addition to ensuring integrity and independence of the credit risk management unit from the business functions, the Bank also maintains credit risk controls in the following areas:

- 1) Credit limit and credit analysis

Credit limit is set by analyzing the customer's operating performance, financial status, credit needs, debt-servicing ability, and the risk level.

2) Credit approval process

The Bank segments customers into three groups, namely, corporate, SME, and retail customers, in order to effectively manage the different risk characteristics while providing financial products and services appropriate to the specific needs of each customer group. The credit approval process for each customer group is summarized as followed:

- *Corporate and SME credit approval*

The approval is on the basis of the customer's need, the risk level, the debt-servicing ability, available collateral, economic and industry trends. Credit approval is made by the appropriate committee or the authorized persons.

- *Retail credit approval*

The approval is based on the customer's characteristics, past repayment record, credit limit relative to income, collateral, and repayment ability. For the personal and mortgage loans, credit scoring is also used as part of the approval process

● Credit Risk Measurement

The Bank measures the risk levels of the corporate and SME customers through internal rating tools, which use information from the customer's financial statements, comparative market information, and other customer's qualitative information, as factors in determining rating. The internal rating is used when considered credit application, and is required to be reviewed at least once a year.

The Bank currently has two internal risk rating tools, one for corporate customers, which has been used since 2001, and the other for SME customers, which has been used since 2006. Both rating tools divide risk into 12 grades, each with different risk level.

In 2011, the bank has implemented the statistical-based probability of default model which is currently running in parallel with the existing rating scale. The model is currently being validated and will be implemented in full within 2014. The Loss Given Default (LGD) and Exposure at Default (EAD) models are in advanced stages of development and will also be implemented in 2014 to ensure the optimum risk-reward equation is maintained.

- **Credit Risk Monitoring and Review**

Post-credit approval, the Bank maintains a procedure to regularly monitor and review customers and the credit portfolio risks as followed:

- 1) **Annual credit risk review**

In general, customer's credit risk is reviewed once a year. The review must cover the customer's current performance, credit quality, financial standing, and etc.

- 2) **Credit portfolio status report**

The Bank's Board of Directors and senior management are regularly updated on the portfolio composition and portfolio credit quality. The report is used as a tool to manage the overall risk level. Credit portfolio report includes: a portfolio composition classified by types of industry, levels of risk, geographical areas, as well as identification of major corporations. Other reports prepared include debt classification, provisioning allowances, capital adequacy ratio, and etc.

- 3) **Stress testing**

Stress testing is performed in order to gauge an extreme but plausible event that may arise and affect the Bank's and financial business group's capital, the credit portfolio, or the specific customers. When the stress test result indicates material impact on the Bank's capital, strategy and action plan are developed in order to prevent or lessen the potential adverse impact.

The Bank also provides credit risk management guidelines to its companies in financial business group in line with those adopted by the Bank.

Non-Performing Loan (NPL) Management

The Bank's non-performing loans are managed by a dedicated team of specialists with experience and expertise in dealing with impaired loans in order to improve asset quality and minimize financial losses.

Definition of default and impairment of assets

1. **Definition of default**

Default means the debtor is not able to pay the debt within the time specified in the contracts, contractual maturities or the conditions agreed with the Bank.

2. **Definition of impairment of assets**

The carrying amounts of the Bank and subsidiaries' assets are reviewed at each financial statement date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated by using discounted cash flows.

Guidelines/statistical methods used to calculate general provision and specific provision

Allowance for doubtful accounts is determined through methods in accordance with the Bank of Thailand's regulations. The Bank and its subsidiaries categorize their loan portfolio into six categories and determine allowance for doubtful accounts subject to different levels of provisioning. Allowance for doubtful accounts for loans classified as normal and special mention are calculated based on the minimum percentage in accordance with the BOT's guidelines by using the value of collateral for calculation of reserve. For loans classified as substandard, doubtful and doubtful of loss, the allowance rate is 100 percent of the difference between the outstanding loan value and the present value of expected cash flow from proceeds of the collateralized assets. The Bank has also assessed and considered the additional reserve in according to the new Bank of Thailand's provisions (Loan Impairment).

Subsidiaries involved in hire-purchase businesses, with qualified portfolios under the BOT regulations, calculate allowance for doubtful accounts by using the collective approach which classifies a group of loans having similar credit risk characteristics based on the historical loss experience of each loan category.

Subsidiaries involved in the securities business provide an allowance for doubtful debts based on a review of the debtor's ability to make repayment, taking into consideration recovery risk and the value of the collateral. Such debt classifications and provisions are made in accordance with the guidelines of the Securities and Exchange Commission.

For the calculation of capital to risk weighted assets of the Banks and Financial Business Group by SA approach, reserves has been set aside for assets on the statement of financial position and off-statement of financial position items as follows:

- **Specific Provision**
Refers to reserve set aside for specific asset in the statement of financial position and off-statement of financial position, including the decline of the market price adjustment of debt and equity securities held to for trading and available for sale and impairment but excluding reserve for assets classified as normal counted to Tier 2.
- **General Provision**
Refers to the reserve for assets classified as normal but exclude reserve for assets classified as normal counted in specific provision.

Table 4 Outstanding significant balance of assets on statement of financial position and significant off statement of financial position items before credit risk mitigation

Unit: Million Baht

Items	CONSOLIDATED		THE BANK	
	December 31,		December 31,	
	2013	2012	2013	2012
1. On-statement of financial position assets	1,068,401	955,250	960,341	867,113
1.1 Net loans ^{1/}	976,633	861,786	870,966	775,510
1.2 Net investments in debt securities ^{2/}	67,182	70,174	67,187	69,720
1.3 Deposits (including accrued interests)	19,706	19,876	17,308	18,469
1.4 Derivative Assets	4,880	3,414	4,880	3,414
2. Off-statement of financial position items ^{3/}	458,523	504,707	458,653	504,839
2.1 Aval of bills, guarantee and letter of credits	10,650	9,110	10,650	9,110
2.2 OTC derivatives ^{4/}	326,810	385,814	326,810	385,814
2.3 Undrawn committed lines	121,063	109,783	121,193	109,915

^{1/} Including accrued interest receivable and net of deferred revenues, allowances for doubtful accounts and revaluation allowances for debt restructuring and include interbank and money market item.

^{2/} Including investment in account receivable but excluding accrued interest receivables and net of revaluation and impairment allowances.

^{3/} Before multiplying by CCF.

^{4/} Including derivative in equity securities.

Table 5 Outstanding balance of assets on statement of financial position and off statement of financial position items before credit risk mitigation classified by country or geographic area of debtors

Unit : Million Baht

Country or geographic area of debtor	CONSOLIDATED								
	December 31, 2013								
	On-statement of financial position assets					Off-statement of financial position items ^{3/}			
	Total	Net loan ^{1/}	Net investment in debt securities ^{2/}	Deposit include accrued interests	Derivative Asset	Total	Aval of bills, Guarantee, and letter of credits	OTC derivatives	Undrawn committed lines
1.Thailand	1,042,882	962,522	65,917	10,873	3,570	330,761	10,263	202,191	118,307
2.Asia Pacific (exclude Thailand)	15,697	12,751	915	1,793	238	40,448	327	37,531	2,590
3.North America and Latin America	8,181	1,282	-	6,176	723	51,235	-	51,173	62
4.Africa and Middle East	-	-	-	-	-	-	-	-	-
5.Europe	1,641	78	350	864	349	36,079	60	35,915	104
Total	1,068,401	976,633	67,182	19,706	4,880	458,523	10,650	326,810	121,063

Unit : Million Baht

Country or geographic area of debtor	CONSOLIDATED								
	December 31, 2012								
	On-statement of financial position assets					Off-statement of financial position items ^{3/}			
	Total	Net loan ^{1/}	Net investment in debt securities ^{2/}	Deposit include accrued interests	Derivative Asset	Total	Aval of bills, Guarantee, and letter of credits	OTC derivatives	Undrawn committed lines
1.Thailand	935,041	852,465	67,274	13,544	1,758	351,168	8,698	237,015	105,455
2.Asia Pacific (exclude Thailand)	14,005	8,902	2,132	2,397	574	54,231	329	49,718	4,184
3.North America and Latin America	4,247	391	-	3,464	392	63,082	-	63,032	50
4.Africa and Middle East	-	-	-	-	-	-	-	-	-
5.Europe	1,957	28	768	471	690	36,226	83	36,049	94
Total	955,250	861,786	70,174	19,876	3,414	504,707	9,110	385,814	109,783

^{1/} Including accrued interests and net of deferred revenues, allowances for doubtful accounts and revaluation allowances for debt restructuring and include interbank and money market item

^{2/} Including investment in account receivable but, excluding accrued interest receivables and net of revaluation and impairment allowances.

^{3/} Before multiplying by CCF.

THE BANK									
December 31, 2013									
Country or geographic area of debtor	On-statement of financial position assets					Off-statement of financial position items ^{3/}			
	Total	Net loan ^{1/}	Net investment in debt securities ^{2/}	Deposit include accrued interests	Derivative Asset	Total	Aval of bills, Guarantee, and letter of credits	OTC derivatives	Undrawn committed lines
1.Thailand	934,822	856,855	65,922	8,475	3,570	330,891	10,263	202,191	118,437
2.Asia Pacific (exclude Thailand)	15,697	12,751	915	1,793	238	40,448	327	37,531	2,590
3.North America and Latin America	8,181	1,282	-	6,176	723	51,235	-	51,173	62
4.Africa and Middle East	-	-	-	-	-	-	-	-	-
5.Europe	1,641	78	350	864	349	36,079	60	35,915	104
Total	960,341	870,966	67,187	17,308	4,880	458,653	10,650	326,810	121,193

Unit : Million Baht

THE BANK									
December 31, 2012									
Country or geographic area of debtor	On-statement of financial position assets					Off-statement of financial position items ^{3/}			
	Total	Net loan ^{1/}	Net investment in debt securities ^{2/}	Deposit include accrued interests	Derivative Asset	Total	Aval of bills, Guarantee, and letter of credits	OTC derivatives	Undrawn committed lines
1.Thailand	846,904	766,189	66,820	12,137	1,758	351,300	8,698	237,015	105,587
2.Asia Pacific (exclude Thailand)	14,005	8,902	2,132	2,397	574	54,231	329	49,718	4,184
3.North America and Latin America	4,247	391	-	3,464	392	63,082	-	63,032	50
4.Africa and Middle East	-	-	-	-	-	-	-	-	-
5.Europe	1,957	28	768	471	690	36,226	83	36,049	94
Total	867,113	775,510	69,720	18,469	3,414	504,839	9,110	385,814	109,915

^{1/} Including accrued interest receivables and net of deferred revenues, allowances for doubtful accounts and revaluation allowances for debt restructuring and include interbank and money market item

^{2/} Including investment in account receivable but, excluding accrued interest receivables and net of revaluation and impairment allowances.

^{3/} Before multiplying by CCF.

Table 6 Outstanding balance of assets on statement of financial position and off statement of financial position items before credit risk mitigation classified by remaining term to maturity

Unit : Million Baht

Item	CONSOLIDATED					
	December 31, 2013			December 31, 2012		
	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total
1. On-statement of financial position assets	263,706	804,695	1,068,401	310,992	644,258	955,250
1.1 Net loans ^{1/}	217,664	758,969	976,633	258,020	603,766	861,786
1.2 Net investments in debt securities ^{2/}	22,539	44,643	67,182	30,736	39,438	70,174
1.3 Deposits (including accrued interests)	19,164	542	19,706	19,243	633	19,876
1.4 Derivative Asset	4,339	541	4,880	2,993	421	3,414
2. Off-statement of financial position items ^{3/}	301,755	156,768	458,523	340,076	164,631	504,707
2.1 Aval of bills, guarantee and letter of credits	10,203	447	10,650	8,835	275	9,110
2.2 OTC derivatives	291,135	35,675	326,810	329,556	56,258	385,814
2.3 Undrawn committed lines	417	120,646	121,063	1,685	108,098	109,783

^{1/} Including accrued interest receivables and net of deferred revenues, allowances for doubtful accounts and revaluation allowances for debt restructuring

^{2/} Including investment in account receivable but, excluding accrued interest receivables and net of revaluation and impairment allowances.

^{3/} Before multiplying by CCF

THE BANK						
Item	December 31, 2013			December 31, 2012		
	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total
1. On-statement of financial position assets	444,948	515,393	960,341	398,706	468,407	867,113
1.1 Net loans ^{1/}	400,758	470,208	870,966	346,962	428,548	775,510
1.2 Net investments in debt securities ^{2/}	22,543	44,644	67,187	30,282	39,438	69,720
1.3 Deposits (including accrued interests)	17,308	-	17,308	18,469	-	18,469
1.4 Derivative Asset	4,339	541	4,880	2,993	421	3,414
2. Off-statement of financial position items ^{3/}	301,755	156,898	458,653	340,075	164,764	504,839
2.1 Aval of bills, guarantee and letter of credits	10,203	447	10,650	8,835	275	9,110
2.2 OTC derivatives	291,135	35,675	326,810	329,556	56,258	385,814
2.3 Undrawn committed lines	417	120,776	121,193	1,684	108,231	109,915

^{1/} Including accrued interest receivables and net of deferred revenues, allowances for doubtful accounts and revaluation allowances for debt restructuring

^{2/} Including investment in account receivable but, excluding accrued interest receivables and net of revaluation and impairment allowances.

^{3/} Before multiplying by CCF

Table 7 Loans and accrued interest receivables and investments in debt securities before credit risk mitigation classified by country or geographic area of debtors and by asset classification specified by the Bank of Thailand's regulation

Unit : Million Baht

Country or geographic area of debtor	CONSOLIDATED						
	December 31, 2013						
	Loans and accrued interest receivables ^{1/}						Investment in debt securities ^{2/}
	Normal	Special mentioned	Sub-standard	Doubtful	Doubtful loss	Total	Doubtful loss
1. Thailand	939,455	36,088	9,503	11,014	6,801	1,002,861	118
2. Asia Pacific (excluding Thailand)	12,878	-	-	-	-	12,878	-
3. North America and Latin America	1,294	-	-	-	-	1,294	-
4. Africa and Middle East	-	-	-	-	-	-	-
5. Europe	79	-	-	-	-	79	-
Total	953,706	36,088	9,503	11,014	6,801	1,017,112	118

Unit : Million Baht

Country or geographic area of debtor	CONSOLIDATED						
	December 31, 2012						
	Loans and accrued interest receivables ^{1/}						Investment in debt securities ^{2/}
	Normal	Special mentioned	Sub-standard	Doubtful	Doubtful loss	Total	Doubtful loss
1. Thailand	838,186	24,540	7,191	5,207	9,042	884,166	397
2. Asia Pacific (excluding Thailand)	8,990	-	-	-	-	8,990	-
3. North America and Latin America	345	50	-	-	-	395	-
4. Africa and Middle East	-	-	-	-	-	-	-
5. Europe	14	14	-	-	-	28	-
Total	847,535	24,604	7,191	5,207	9,042	893,579	397

^{1/} Including loans and accrued interest receivables of interbank and money market item.

^{2/} Including investment in account receivable

Country or geographic area of debtor	THE BANK						
	December 31, 2013						
	Loans and accrued interest receivables ^{1/}						Investment in debt securities ^{2/}
	Normal	Special mentioned	Sub- standard	Doubtful	Doubtful loss	Total	Doubtful loss
1. Thailand	845,184	17,338	4,134	7,415	3,421	877,492	50
2. Asia Pacific (excluding Thailand)	12,878	-	-	-	-	12,878	-
3. North America and Latin America	1,294	-	-	-	-	1,294	-
4. Africa and Middle East	-	-	-	-	-	-	-
5. Europe	79	-	-	-	-	79	-
Total	859,435	17,338	4,134	7,415	3,421	891,743	50

Unit : Million Baht

Country or geographic area of debtor	THE BANK						
	December 31, 2012						
	Loans and accrued interest receivables ^{1/}						Investment in debt securities ^{2/}
	Normal	Special mentioned	Sub- standard	Doubtful	Doubtful loss	Total	Doubtful loss
1. Thailand	759,328	11,815	4,718	3,890	5,870	785,621	50
2. Asia Pacific (excluding Thailand)	8,990	-	-	-	-	8,990	-
3. North America and Latin America	345	50	-	-	-	395	-
4. Africa and Middle East	-	-	-	-	-	-	-
5. Europe	14	14	-	-	-	28	-
Total	768,677	11,879	4,718	3,890	5,870	795,034	50

^{1/} Including loans and accrued interest receivables of interbank and money market item.

^{2/} Including investment in account receivable

Table 8 Provision (general provisions and specific provisions) and bad debt charge - offs for loans and accrued interest receivables and investments in debt securities classified by country or geographic area

Unit: Million Baht

Country or geographic area of debtor	CONSOLIDATED			
	December 31, 2013			
	Loans and accrued interest receivables ^{1/}			Investment in debt securities ^{2/}
	General Provision	Specific Provision	Charge-off between the year	Specific Provision
1. Thailand	15,658	24,681	11,554	313
2. Asia Pacific (excluding Thailand)		127	-	10
3. North America and Latin America		12	-	-
4. Africa and Middle East		-	-	-
5. Europe		1	-	4
Total	15,658	24,821	11,554	327

Unit: Million Baht

Country or geographic area of debtor	CONSOLIDATED			
	December 31, 2012			
	Loans and accrued interest receivables ^{1/}			Investment in debt securities ^{2/}
	General Provision	Specific Provision	Charge-off between the year	Specific Provision
1. Thailand	12,732	18,970	12,059	469
2. Asia Pacific (excluding Thailand)		88	-	-
3. North America and Latin America		3	-	-
4. Africa and Middle East		-	-	-
5. Europe		-	-	-
Total	12,732	19,061	12,059	469

^{1/} Include provisions and charge-offs for loans and accrued interest receivables of interbank and money market item

^{2/} Including investment in account receivable

Unit: Million Baht

THE BANK				
December 31, 2013				
Country or geographic area of debtor	Loans and accrued interest receivables ^{1/}			Investment in debt securities ^{2/}
	General Provision	Specific Provision	Charge-off between the year	Specific Provision
1. Thailand	6,241	14,396	2,742	246
2. Asia Pacific (excluding Thailand)		127	-	10
3. North America and Latin America		12	-	-
4. Africa and Middle East		-	-	-
5. Europe		1	-	4
Total	6,241	14,536	2,742	260

Unit: Million Baht

THE BANK				
December 31, 2012				
Country or geographic area of debtor	Loans and accrued interest receivables ^{1/}			Investment in debt securities ^{2/}
	General Provision	Specific Provision	Charge-off between the year	Specific Provision
1. Thailand	5,629	13,804	4,366	122
2. Asia Pacific (excluding Thailand)		88	-	-
3. North America and Latin America		3	-	-
4. Africa and Middle East		-	-	-
5. Europe		-	-	-
Total	5,629	13,895	4,366	122

^{1/} Include provisions and charge-offs for loans and accrued interest receivables of interbank and money market item

^{2/} Including investment in account receivable

Table 9 Loans and accrued interest receivables* before credit risk mitigation classified by type of business and by asset classification specified by the Bank of Thailand

Unit : Million Baht

Type of business	CONSOLIDATED					
	December 31, 2013					
	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total
1. Agriculture and Mining	7,474	159	27	946	343	8,949
2. Manufacturing and Commerce	223,558	5,871	1,249	1,314	1,943	233,935
3. Real estate and Construction	67,324	3,638	644	2,194	542	74,342
4. Public Utilities and Services	77,636	4,766	811	2,804	899	86,916
5. Housing	115,813	1,807	846	893	1,212	120,571
6. Others	461,901	19,847	5,926	2,863	1,862	492,399
Total	953,706	36,088	9,503	11,014	6,801	1,017,112

Unit : Million Baht

Type of business	CONSOLIDATED					
	December 31, 2012					
	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total
1. Agriculture and Mining	6,834	187	42	102	249	7,414
2. Manufacturing and Commerce	199,280	2,979	1,979	1,064	5,001	210,303
3. Real estate and Construction	45,834	1,463	181	387	748	48,613
4. Public Utilities and Services	98,152	5,328	1,236	1,100	1,093	106,909
5. Housing	100,072	1,587	979	956	1,109	104,703
6. Others	397,363	13,060	2,774	1,598	842	415,637
Total	847,535	24,604	7,191	5,207	9,042	893,579

* Including loans and accrued interest receivables of interbank and money market item.

Unit : Million Baht

Type of business	THE BANK					
	December 31, 2013					
	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total
1. Agriculture and Mining	7,453	159	27	62	126	7,827
2. Manufacturing and Commerce	222,100	5,854	1,061	910	1,079	231,004
3. Real estate and Construction	66,717	3,601	644	2,190	359	73,511
4. Public Utilities and Services	77,632	4,766	809	2,786	653	86,646
5. Housing	115,813	1,808	846	893	1,001	120,361
6. Others	369,720	1,150	747	574	203	372,394
Total	859,435	17,338	4,134	7,415	3,421	891,743

Unit : Million Baht

Type of business	THE BANK					
	December 31, 2012					
	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total
1. Agriculture and Mining	5,904	187	30	102	140	6,363
2. Manufacturing and Commerce	198,739	2,751	1,946	950	3,589	207,975
3. Real estate and Construction	45,046	1,417	177	348	315	47,303
4. Public Utilities and Services	97,873	5,277	1,188	1,009	820	106,167
5. Housing	100,835	1,587	979	956	833	105,190
6. Others	320,280	660	398	525	173	322,036
Total	768,677	11,879	4,718	3,890	5,870	795,034

* Including loans and accrued interest receivables of interbank and money market item.

Table 10 Provisions (general provisions and specific provisions) and bad debt charge-offs for loans and accrued interest receivables* classified by type of business

Unit: Million Baht

Type of business	CONSOLIDATED					
	December 31, 2013			December 31, 2012		
	General provision	Specific provision	Bad debt charge-off between the year	General provision	Specific provision	Bad debt charge-off between the year
1. Agriculture and Mining	15,658	127	751	12,732	101	19
2. Manufacturing and Commerce		4,130	407		5,012	939
3. Real estate and Construction		1,560	37		433	1,626
4. Public Utilities and Services		3,499	492		4,181	2,370
5. Housing		1,097	348		1,136	276
6. Others		14,408	9,519		8,198	6,829
Total	15,658	24,821	11,554	12,732	19,061	12,059

Unit: Million Baht

Type of business	THE BANK					
	December 31, 2013			December 31, 2012		
	General provision	Specific provision	Bad debt charge-off between the year	General provision	Specific provision	Bad debt charge-off between the year
1. Agriculture and Mining	6,241	127	751	5,629	101	19
2. Manufacturing and Commerce		4,130	408		5,012	939
3. Real estate and Construction		1,560	37		433	1,626
4. Public Utilities and Services		3,181	132		3,678	973
5. Housing		1,097	348		1,136	276
6. Others		4,441	1,066		3,535	533
Total	6,241	14,536	2,742	5,629	13,895	4,366

* Including loans and accrued interest receivables of interbank and money market item

Table 11 Reconciliation of changes in provisions (general provisions and specific provisions) for loans including accrued interest receivables*

Unit: Million Baht

Item	CONSOLIDATED					
	December 31, 2013			December 31, 2012		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Provisions at the beginning of the years	12,732	19,061	31,793	12,747	19,053	31,800
Bad debt charge-offs during the years	-	(11,554)	(11,554)	-	(12,059)	(12,059)
Increases or decreases of provisions during the years	2,923	17,314	20,237	(14)	12,067	12,053
Provisions for losses from foreign exchange	3	-	3	(1)	-	(1)
Provisions at the end of the years	15,658	24,821	40,479	12,732	19,061	31,793

Unit: Million Baht

Item	THE BANK					
	December 31, 2013			December 31, 2012		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Provisions at the beginning of the years	5,629	13,895	19,524	6,102	13,238	19,340
Bad debt charge-offs during the years	-	(2,742)	(2,742)	-	(4,366)	(4,366)
Increases or decreases of provisions during the years	609	3,383	3,992	(472)	5,023	4,551
Provisions for losses from foreign exchange	3	-	3	(1)	-	(1)
Provisions at the end of the years	6,241	14,536	20,777	5,629	13,895	19,524

* Including loans and accrued interest receivables of interbank and money market item

Table 12 Outstanding balance of assets on statement of financial position and off statement of financial position items* for credit risk under the Standardized Approach classified by type of assets

Unit: Million Baht

Type of assets	CONSOLIDATED					
	December 31, 2013			December 31, 2012		
	On- statement of financial position asset	Off- statement of financial position items**	Total	On- statement of financial position asset	Off- statement of financial position items**	Total
1. Performing assets	1,140,456	145,639	1,286,095	1,034,183	127,547	1,161,730
1.1 Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	70,824	16,093	86,917	83,366	1,269	84,635
1.2 Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	20,142	42,641	62,783	14,601	51,603	66,204
1.3 Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate	347,702	57,462	405,164	304,349	45,693	350,042
1.4 Claims on retail portfolios	485,443	29,040	514,483	429,047	28,573	457,620
1.5 Residential mortgage exposures	110,252	403	110,655	92,344	409	92,753
1.6. Other assets	106,093	-	106,093	110,476	-	110,476
2. Non-performing assets	11,547	83	11,630	10,563	104	10,667
3. First-to-default credit derivative and Securitization	-	-	-	-	-	-
Total	1,152,003	145,722	1,297,725	1,044,746	127,651	1,172,397

* After multiplying by CCF and net of specific provision

** Include repo-style transaction and reverse repo

THE BANK						
Type of assets	December 31, 2013			December 31, 2012		
	On- statement of financial position asset	Off- statement of financial position items**	Total	On- statement of financial position asset	Off- statement of financial position items**	Total
1. Performing assets	1,024,034	146,062	1,170,096	939,024	127,972	1,066,996
1.1 Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	70,824	16,093	86,917	83,365	1,269	84,634
1.2 Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	18,291	42,666	60,957	15,090	51,605	66,695
1.3 Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate	557,018	57,860	614,878	491,818	46,117	537,935
1.4 Claims on retail portfolios	163,493	29,040	192,533	147,852	28,573	176,425
1.5 Residential mortgage exposures	110,252	403	110,655	92,345	408	92,753
1.6. Other assets	104,156	-	104,156	108,554	-	108,554
2. Non-performing assets	7,835	83	7,918	8,128	105	8,233
3. First-to-default credit derivative and Securitization	-	-	-	-	-	-
Total	1,031,869	146,145	1,178,014	947,152	128,077	1,075,229

* After multiplying by CCF and net of specific provision

** Include repo-style transaction and reverse repo

6.2 Credit risk exposures by the Standardized Approach

The Bank calculates its capital to credit risk weighted asset under the Standardized Approach. The Bank uses ratings assigned from the following 5 external credit agency rating – ECAI i.e. Standard & Poor's, Moody's, Fitch International, Fitch (Thailand) and TRIS Rating, and the information from the OECD Country Risk Classification, in identifying the risk weight of each customer.

6.3 Credit risk mitigation by the Standardized Approach

1. The Bank manages and revalues collateral in accordance with the Bank of Thailand's guidelines.
2. The main credit risk mitigation is financial collateral, namely cash, equity instrument, and debt instrument that comply with the Bank of Thailand's guidelines.
3. The main eligible guarantors and credit derivative providers are government, state enterprises, and high-quality corporate, all of whom have characteristics that comply with the Bank of Thailand's guidelines.
4. Currently, the Bank does not apply the netting for both on and off statement of financial positions as credit risk mitigation.

Table 13 Outstanding balance of assets on statement of financial position and off statement of financial position items^{1/} after credit risk mitigation for each type of assets classified by risk weight under the Standardized Approach

Unit: Million Baht

Type of Asset	CONSOLIDATED																		
	December 31, 2013																		
	Rated outstanding					Unrated outstanding													
Risk weight %	0	20	50	100	150	0	20	35	50	75	100	150	250	625	937.5	100/8.5%			
Performing assets																			
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	108,330	1	273	-	763														
2. Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	-	14,593	9,585	3,745	44														
3. Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate	93	5,847	23,411	44,051	-						316,497	-	-	-	-	-			
4. Claims on retail portfolios										488,939	2,017								
5. Residential mortgage exposures								78,258		31,811	565								
6. Other assets						100,095	5,596				51,581								
RW(%)			50	100	150	0			50	75	100	150							
Non-performing assets ^{2/}						110			1,588		3,957	5,975							
Assets specified by the BOT as items to be deducted from capital fund	15,171																		

^{1/} After multiplying by CCF

^{2/} For the part with no credit risk mitigation whose risk weights depend on the ratio of provisions to total exposures.

Unit: Million Baht

CONSOLIDATED												
Type of Asset	December 31, 2012											
	Rated outstanding					Unrated outstanding						
Risk weight %	0	20	50	100	150	0	20	35	50	75	100	150
Performing assets												
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	115,387	323	365		443							
2. Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies		10,964	7,006	3,626	40							
3. Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate		4,262	27,307	35,909							269,849	746
4. Claims on retail portfolios										436,737	2,118	
5. Residential mortgage exposures								70,443		21,841	462	
6. Other assets						98,736	2,508				52,658	
RW(%)			50	100	150	0			50	75	100	150
Non-performing assets ^{2/}						54			1,166		3,754	5,693
Assets specified by the BOT as items to be deducted from capital fund	17,828											

^{1/} After multiplying by CCF

^{2/} For the part with no CRM whose risk weights depend on the ratio of provisions to total exposures.

THE BANK																
Type of Asset	December 31, 2013															
	Rated outstanding					Unrated outstanding										
Risk weight %	0	20	50	100	150	0	20	35	50	75	100	150	250	625	937.5	100/8.5%
Performing assets																
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	108,330	-	273	-	763											
2. Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	-	13,774	8,422	3,586	44											
3. Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate	-	5,659	162,503	12,469	-						419,640					
4. Claims on retail portfolios										169,016	54					
5. Residential mortgage exposures								78,258		31,811	565					
6. Other assets						93,085	5,554				56,289					
RW (%)			50	100	150	0			50	75	100	150				
Non-performing assets ^{2/}						110			1,179		2,357	4,272				
Assets specified by the BOT as items to be deducted from capital fund	10,387															

^{1/} After multiplying by CCF

^{2/} For the part with no CRM whose risk weights depend on the ratio of provisions to total exposures.

THE BANK												
Type of Asset	December 31, 2012											
	Rated outstanding					Unrated outstanding						
Risk weight %	0	20	50	100	150	0	20	35	50	75	100	150
Performing assets												
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	115,387	322	365		443							
2. Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies		11,237	7,341	3,164	40							
3. Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate		4,263	161,384	35,909	746						324,416	
4. Claims on retail portfolios										157,675	54	
5. Residential mortgage exposures								70,444		21,841	461	
6. Other assets						82,755	2,497				66,252	
RW (%)			50	100	150				50	75	100	150
Non-performing assets ^{2/}						54			1,082		3,180	3,917
Assets specified by the BOT as items to be deducted from capital fund	3,691											

^{1/} After multiplying by CCF

^{2/} For the part with no CRM whose risk weights depend on the ratio of provisions to total exposures.

Table 14 Outstanding balance of asset with collateral* under Standardized Approach classified by type of assets and collateral

Unit: Million Baht

Type of asset	CONSOLIDATED				THE BANK			
	December 31, 2013		December 31, 2012		December 31, 2013		December 31, 2012	
	Eligible financial collateral ^{1/}	Guarantee and credit derivative	Eligible financial collateral ^{1/}	Guarantee and credit derivative	Eligible financial collateral ^{1/}	Guarantee and credit derivative	Eligible financial collateral ^{1/}	Guarantee and credit derivative
Performing assets	100,708	2,723	89,186	8,841	88,520	14,186	88,363	8,841
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	23,570	-	17,885	-	23,570	-	17,885	-
2. Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	41,045	-	45,269	4,128	32,877	8,169	45,269	4,128
3. Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate	14,174	1,094	10,761	1,211	12,629	1,978	10,007	1,211
4. Claims on retail portfolios	21,898	1,629	15,264	3,502	19,423	4,039	15,195	3,502
5. Residential mortgage exposures	21	-	7	-	21	-	7	-
6. Other assets	-	-	-	-	-	-	-	-
Non-performing assets	125	-	54	-	124	-	54	-
Total	100,833	2,723	89,240	8,841	88,644	14,186	88,417	8,841

* Values after netting of on-statement of financial positions and off-statement of financial positions

^{1/} The collateral which BOT allows to mitigate risk (eligible financial collateral), the financial business group use Comprehensive method, presented amount have already adjusted the haircut

7. Market risk

Market risk refers to the adverse impact on income and capital funds caused by price changes in the trading and banking books with regard to interest rates, exchange rates, equity instruments, and commodities.

As market risk factors are external factors beyond the Bank's control, the Bank recognizes the importance of effective market risk management. The Bank has therefore decided to place greater importance on monitoring market risk exposure as well as timely respond to a changing business environment. We have continuously reviewed our policies and enhanced methodologies & measurement tools and processes to manage market risk as well as maintain adequate capital relative to our risk exposure. Furthermore, we have determined the proper internal controls for market risk management process, and independently and regularly review the risk management systems, and are in compliance with Bank of Thailand policies and guidelines.

Principles

The Bank monitors and controls market risk under a specified risk appetite. It also reviews risk limits to ensure that it is commensurate with the scope, volume and complexity of the transactions and the changing businesses and market conditions. In addition, Bank has continued to develop the Internal Capital Adequacy Assessment Process (ICAAP). We conduct regular stress tests based on potential stressed macro-economic scenarios to predict capital adequacy under such conditions. This is used as a key input in forecasting future capital requirements in order to achieve sustainable growth and returns for shareholders.

Organization and structure

The Board has delegated risk management to the Risk Management Committee (RMC) which has the authority to manage and control market risk in a manner consistent with policy. The Assets and Liabilities Management Committee (ALCO) establishes guidelines for appropriate management of assets, liabilities, and off statement of financial position items. The organizational structure clearly segregates the duties and responsibilities of the units responsible for transaction, execution, operations, and risk management to avoid conflicts of interest.

In 2013, the Bank maintained its focus on proper market risk management, in response to changing economic circumstances domestically and abroad, as well as high volatility in the exchange rate and SET Index and interest rate direction in the money market correspondingly to the Bank of Thailand's policy rate. RMC has decided to place greater importance on monitoring the market risk exposure closely and also established a reporting process to cope with any negative signals on the movement of market risk factors to ensure the effectiveness and timely implementation of the Bank's market risk management.

Market Risk Management Structure

The Market Risk Management Department provides risk management strategic option and reports the risk exposures to RMC for managing and controlling market risk in a manner consistent with policy. Treasury Group executes transactions and manages positions under the risk limits approved by the Board of Directors. The Assets and Liabilities Management Department under the Finance Group to provide ALCO with sufficient analyses of the Bank's and competitors statement of financial position management as well as risk strategic options in order to achieve higher efficiency in market risk management of the Bank.

Measurement system

In 2013, the Bank's aggregate market risk was well within acceptable levels. The assessment, control, and monitoring of market risk can be divided into two parts: transactions in the trading book and transactions in the banking book, as follows:

1. Risks from transactions in the trading book

The Bank uses Value-at-Risk and conduct back-testing to assess the reliability of the models, furthermore, also conduct stress testing to assess risk under crisis situations.

2. Risks from transactions in the banking book

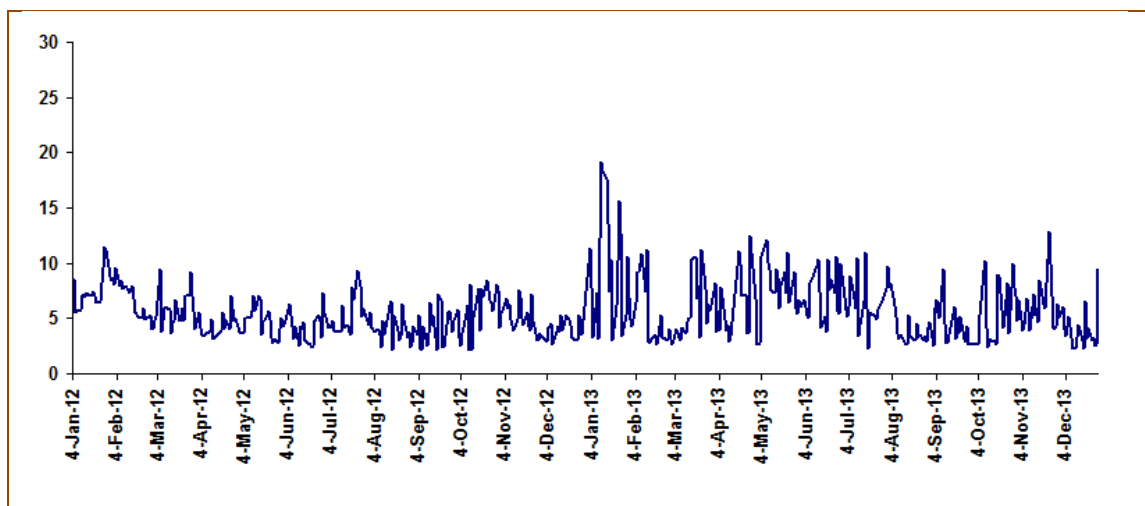
The Bank also manages risk arising from mismatch between the interest rate structure and on- and off-statement of financial position positions. We assess the probable impact on net interest income (earning perspective) from assets, liabilities, and off-statement of financial position items that are sensitive to interest rates movement. We also conduct re-pricing gap analysis in terms of static simulation and dynamic simulation according to the projected interest rate trend. In addition, we analyze interest rate risk that reflects the sensitivity of the economic value of shareholder equity (economic value perspective).

Managing Market Risk in Trading Book

The assessment, control, and monitoring of market risk in the trading book; the Bank uses Value-at-Risk and conduct back-testing to assess the reliability of the models. The Bank also conducts stress testing to assess risk under crisis situations.

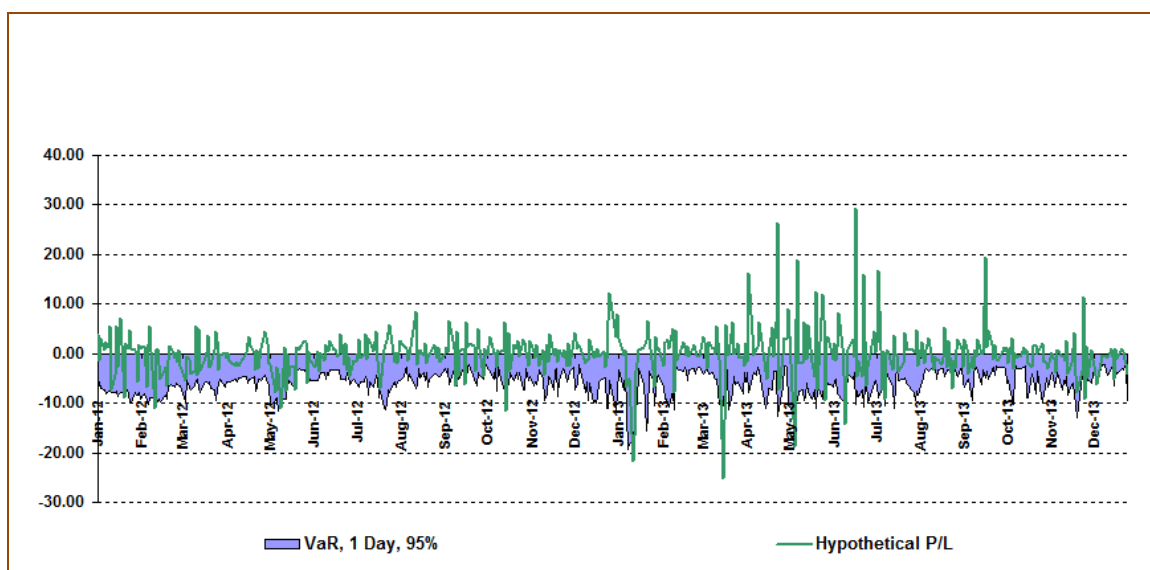
The Bank's Total Daily Value-at-Risk (VaR) Movement: 2013 and 2012

Unit : Million Baht



The Bank's Total Daily Value-at-Risk (VaR) Back Testing: 2013 and 2012

Unit : Million Baht



Capital Requirements

The Bank conducts risk assessments and maintains capital funds at Bank and financial business group levels based on a standardized approach dictated by Bank of Thailand guidelines.

8. Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, technology problems, human factors, or external events including legal risk but excluding strategic and reputation risk. Operational risk is an integral and unavoidable part of the Bank's business as it is inherent in our endeavors to provide services to customer and to generate returns for shareholders. With delivering simplicity, we remain commit to effectively manage and mitigate major operational risks with proactive approach as well as continue to embed on operational risk awareness culture throughout the Bank and its subsidiaries.

Operational risk management structure, roles and responsibilities

The Bank recognizes that operational risk is a significant concern and provides sufficient resources to manage the risk within acceptable levels through the promotion of sound operational risk management governance and frameworks. Each employee is responsible for managing operational risk.

Operational risk is managed under the Group Operational Risk Management Policies, approved by the Board of Directors. The policies stipulate the minimum requirements of a framework that is implemented throughout the organizational structure along three lines of defense to ensure independent oversight of operational risk management throughout the Group. All business units as primary operational risk owners and risk takers have prime responsibility for day-to-day identifying and managing of operational risk inherent in their products, activities, processes and systems according to the policies.

The Risk Management Committee, assigned by the Board of Directors, is responsible for formulating strategies, and oversight the adequacy of the risk and control processes. The Committee has a monthly meeting to review and make the recommendation on operational risk profile. The Operational Risk Management Department, an independent function reporting to the Chief Risk Officer, is responsible for designing, maintaining and developing the operational risk framework and measurement system. This is to ensure that operational risk is well mitigated and properly managed. In addition, the Internal Audit function provides an independent and reasonable assurance that operational risk management and internal controls in business units are functioning properly and sufficiently.

Operational risk management process, methodology and tool

The Bank and its subsidiaries continue to embed the operational risk management encompasses, on an ongoing basis, the process of identifying possible operational risks, measuring and monitoring those risk exposures, ensuring that an effective mitigation programs are in place. The Risk and Control Self-Assessment (RCSA) program is reviewed regularly based on historical loss data and changes in business environment. Under anti-corruption policy and program of the Bank, bribery risks have been taken into

consideration when conducting assessment in order to set in place measures and resources needed to mitigate the risks.

The process to regularly monitor operational risk exposures has been implemented, Key Risk Indicators (KRI) are collected and tracked for Bank-wide and at the business unit level to provide early warning signals of deterioration in the Group's internal control system. If risk levels exceed the acceptable threshold, action is taken.

The tracking and reporting of Operational Risk Losses Data is also a key component of the Group's operational risk management framework. We centralize the loss database in a system. Losses beyond a certain threshold including near-misses and non-financial impact event are systematically collected by the business units and reported to Operational Risk Management Department. Investigation and recovery process are actively performed to minimize losses and improve broken controls. Referral of the escalation of individual events to senior management is determined by the seriousness of the event.

An on-going process to manage and monitor potential operational risks that might stem from Outsourcing and Insourcing arrangements is in place. The continuity of business operations, service provision to customers, and a suitable customer protection system are also our main accountability when considering of outsourcing and insourcing.

The Bank implements the operational risk system for recording and linking RCSA, KRI and Operational Risk Loss Data where appropriate. The system enables a comprehensive view, analysis and reporting of the Group's operational risk profile.

The Bank embed the new product/process/system risk assessment program to ensure that all new products—or significant changes to existing process/systems—are subject to comprehensive risk evaluation and are approved by specialists prior to launch.

The Group recognizes the important of Business Continuity Management to ensure that throughout the Group, when disruption occurs, the key products and services to customers can be carried out or recovered within the reasonable period. Key risks and threats are periodically assessed and reviewed by senior management with a business continuity perspective, including political crises, pandemics, technology disruptions, flooding and other environmental impacts. To ensure the readiness in responding to the disruption, Business Continuity Plans and alternate sites are reviewed, maintained and tested regularly.

Risk reporting process is in-place within the Group. All units and subsidiaries are accountable to report their operational risks such as RCSA, KRI and loss data to the Operational Risk Management Department for analysis. The group's operational risk profile and performance report are then prepared and

delivered to the Risk Management Committee and Board of Directors regularly, to early detect changes of key operational risks within the Group and enable to drive appropriate decision making.

In addition, with our new incoming strategic partner, the Bank strongly believes that the operational risk management will be strengthened with global standard of BTMU/MUFG.

Approach for operational risk capital

The Bank adopts 'standardized approach' to maintain Basel III minimum capital requirement against operational risk of the Bank and the Bank's Financial Business Group. The internal audit function takes an important role to ensure that capital calculation and operational risk management framework are qualified and aligned with the Bank of Thailand requirements.

9. Equity exposures in the banking book

9.1 General information for equity position risk in the banking book

Equity price risk in the banking book

The Bank monitors and report the equity price risk in the banking book and ensure that the level of capital fund is appropriate and sufficient to absorb losses arising from positions in the banking book.

Management of equity price risk in the banking book

The Bank's Board of Directors determines the total limit which shall be regularly reviewed at least once a year. Additionally, the Asset and Liability Management Committee is responsible for establishing policies and strategies as well as managing risks in relation to investment in order to ensure that the investments are effectively and appropriately undertaken and in alignment with economic situation and competition in the financial business. The Treasury Group is responsible for executing transactions under the risk limits approved by the Bank's Board of Directors as well as assessing the value of positions at least once a month. Furthermore, the Capital Market Investment Department also monitors and reports the equity positions to the Asset and Liability Management Committee on a monthly basis.

9.2 The different of risk management policy for equity securities:

9.2.1 Equity investment for the purpose of capital gain

As the purpose of the investment is to earn capital gain and dividend via a medium to long term investment, equity of the Bank is then directly affected by the change in market price of a security. The Bank, therefore, places importance on market risk management and also regulates the investment to be in accordance with the

investment policy which has been regularly reviewed of at least once a year. Furthermore, an investment performance monitoring is reported to the Assets and Liabilities Management Committee on monthly basis.

9.2.2 Equity investment for other purposes

As for strategic investment, the Bank has policy to ensure that subsidiaries and associated companies in the financial business group, under consolidated supervision of the Bank of Thailand, operate their businesses under single framework and standards. This is to ensure that the Bank and the financial business group drive businesses in the same direction, and effectively manage their risks as well as prevent potential incidents that may incur from business operations and affect the confidence, soundness and stability of the Bank.

In this connection, the companies with in financial business group have responsibilities to prepare the annual business plan, and the projected annual profit and loss and submit to the Bank for consideration and approval as well as monitoring, in particular, the intra-group transactions and related risk management policies.

Moreover, the Bank also invests in the company established to support and promote the government policy, other companies to generate a return on investment and, the companies obtained from debt restructuring process, which risk management guideline requires performance monitoring to be conducted and report to the Financial Management Committee (“FMC”) on a monthly basis.

9.3 Key policies on fair value measurement in accordance with the accounting standards, assumptions and guidelines on fair value measurement, including significant changes in the guidelines

The Bank has formulated and revised the Mark-to-Market Model Policy for measurement of fair value according to the accounting standards and measurement of value of positions in alignment with the academic principle. The Bank also requires that the used Validated Rate for Revaluation must be obtained from reliable sources such as the Securities and Exchange Commission.

Table 15 Equity exposures in the banking book

Unit: Million Baht

Equity exposures	CONSOLIDATED		THE BANK	
	December 31,		December 31,	
	2013	2012	2013	2012
1. Equity exposures				
1.1 Equities listed and publicly traded in the Stock Exchange (both domestic and foreign)				
- At cost	5,373	6,258	5,741	6,672
- Market value	5,021	6,935	5,554	7,599
1.2 Other equities (both domestic and foreign)	2,334	4,433	30,533	35,861
2. Gains (losses) of sale of equities during the reporting periods	598	1,022	2,247	697
3. Net revaluation surplus from valuation AFS equity	(287)	696	(164)	953
4. Minimum capital requirements for equity exposures by SA approach	631	694	3,129	3,326

10. Interest rate risk in the banking book

The Bank assesses the probable impact on net interest income (earning perspective) from mismatches of the interest rate structure and on- and off- statement of financial positions. We also conduct re-pricing gap analysis in terms of static simulation and dynamic simulation according to the projected interest rate trend. In addition, we analyze interest rate risk which reflects the sensitivity of the economic value of shareholder equity (Economic value perspective).

In 2013, changes in interest rate were not significant impact to the Bank's capital funds, as the Bank has adjusted statement of financial position structure to be consistent with interest rate risk, and also within a specified risk appetite. In addition, the Bank has prepared a report on interest rate risk gap and assesses net interest income sensitivity over the next 12 months, based on an assumption of a 1.00-percentage change in interest rate of all types of assets, liabilities and off-statement of financial position items at their different re-pricing periods. The results of interest rate risk assessment are as follows:

Table 16: The effect of changes in interest rates* to earnings (net)

Unit: Million Baht

Currency **	Net Interest Income Impacts			
	CONSOLIDATED		THE BANK	
	December 31,		December 31,	
	2013	2012	2013	2012
Baht	(532)	(662)	(740)	(586)
USD	-	-	-	-
EURO	-	-	-	-
Others	-	-	-	-
Total effect of changes in interest rates to earnings	(532)	(662)	(740)	(586)
Percentage of estimate interest income-net for the 1 year ahead	-1.09%	-1.42%	-1.96%	-1.57%

* use the percentage changes in increase interest rates of 100 bps.

** All currency converted into THB

11. Liquidity risk management

Liquidity risk is the risk arising from failure to pay debts and contingent liabilities by the due date because of an inability to convert assets into cash. It also relates to the failure to procure sufficient funds, or find that fund procurement comes at a higher cost, thereby adversely affecting incomes and capital funds.

The Bank understands the importance of liquidity risk management as well as the need for timely responses to an ever-changing business environment, with a proactive and proper assets, liabilities and off-statement of financial position structure. We have continuously reviewed our policies and enhanced methodologies/ measurement tools as well as processes for liquidity risk management to comply with Bank of Thailand's guidelines and best practices of international standards. The Bank also reviews a Liquidity Contingency Plan and Guideline (LCP) and prepares a liquidity cushion (Contingency Funding Plans) and tests LCP on a regular basis.

Principles

The Bank has maintains liquid assets, on average, of at least 6.00 percent of deposits and borrowing, in compliance with the Bank of Thailand's regulations. The Bank emphasizes on management of excess liquidity at an acceptable level and controls liquidity risk consistent with the Bank's risk appetite and appropriate operating costs. The Bank maintains an excess liquidity cushion at a level commensurate with the economic situation to ensure that there is adequate cash for both the Bank's and the financial business

group's business operations. Liquidity management utilizes qualitative and quantitative approaches to ensure appropriate risk diversification.

Basel III Standards

Basel Committee on Banking Supervision (BCBS) has launched the new regulations of Basel III that may result in changes in commercial banks' capital and liquidity risk management and the Bank of Thailand has announced the submission of liquidity risk report dated 11 July 2013. The Bank has been studying in preparation for the changes, assessing impacts of compliance, and continuously monitoring the progress of Basel III implementation in order to ensure that compliance will not have any impact on the capital level and liquidity risk management of the Bank and the financial business group.

Organization and structure

The Board has delegated, through the Risk Management Committee (RMC) and the Asset and Liability Management Committee (ALCO), the authority to manage and control liquidity risk in a manner consistent with policy. The ALCO closely monitors the liquidity position and liquidity risk.

Liquidity Risk Management Structure

Market Risk Management Department provides risk management strategic option and reports the Bank's liquidity risk exposures to RMC for managing and controlling liquidity risk in a manner consistent with policy. The Treasury Group is responsible for monitoring and managing daily liquidity. Assets and Liabilities Management Department under the Finance Group provides ALCO with in-depth analyses of the Bank's and competitors statement of financial position management as well as Bank's liquidity risk and funding strategic options, which are major risks under ALCO's responsibilities in order to achieve greater effectiveness in liquidity risk management of the Bank.

Measurement system

The Bank realizes the importance of liquidity risk measurement tools and methodologies as well as their appropriateness to the size and complexity of transactions both on-and off-statement of financial position. The Bank employs a variety of liquidity risk management tools such as cash flow/liquidity projection and liquidity gap analysis by assets, liabilities, and contingent liabilities according to the remaining contractual maturity. In this regard, consideration is given both to normal and crisis situations, and the results are adjusted in accordance with behavioral maturity to align with the actual behavior to ensure that the liquidity risk reporting and monitoring systems are efficient.

In addition, the Bank has determined liquidity ratios and early warning signs for daily monitoring such as highest deposit and bills of exchange decrease per day, top 1 & 20 deposits and bills of exchange

concentration of customer group, in order to reduce the concentration of the Bank's funding sources, as well as its liquidity ratios.

In 2013, the Bank's aggregate liquidity risk was at rather low. The Bank has closely monitored major factors that may impact liquidity risk such as direct and indirect foreign capital inflows – outflows, the global & Thai economics conditions, and directions of the Bank of Thailand's policy rate. In addition, amid high competition in savings and investment products of financial institutions, the Bank continued to pursue our strategy of increasing new deposit products with diversify customer base to enlarge our main sources of funding and to support their strong lending growth and, to a lesser extent, the conversion of bills of exchange into deposits

12. Additional disclosure per the requirement Basel Committee on Banking Supervision (BCBS)

Table 17: Significant information of financial instrument eligible for capital fund

Topic		Unique identifier BAY206A	Unique identifier BAY22NA
1	Issuer	Bank of Ayudhya Public Company Limited	Bank of Ayudhya Public Company Limited
2	Unique identifier	TH002303U600	TH0023032B04
	<i>Governing BOT's regulation of the instrument</i>		
3	Type of financial instruments (common equity tier 1/ additional tier 1/ tier 2)	Tier 2 Capital	Tier 2 Capital
4	Feature according to Basel III rules	Not qualified under Basel III rules	Not fully qualified under Basel III rules
5	If not according to Basel III rules, please specify	Step-up	No right to postpone interest payment and No loss absorption at point of non-viability Clause
6	Transitional phase out or fully countable	Gradual reduction on capital calculation for all Lot (Aggregate cap) from Jan 1, 2013 onwards and cannot count as capital from early redemption date (June 23, 2015) onwards	Gradual reduction on capital calculation for all Lot (Aggregate cap) from Jan 1, 2013 onwards
7	Eligible at the Bank/ financial business group/ financial business group and the Bank	Financial business group Level and the Bank Level	Financial business group Level and the Bank Level
8	Amount recognized in regulatory capital (unit: Million Baht)	THB 18,000 Million	THB 13,359 Million
9	Par value of instrument	THB 1,000.-	THB 1,000.-

Topic		Unique identifier BAY206A	Unique identifier BAY22NA
10	Accounting classification	Liabilities measured at amortized cost	Liabilities measured at amortized cost
11	Original date of issuance	June 23, 2010	November 7, 2012
12	Perpetual or dated	Having maturity date	Having maturity date
13	Original maturity date	June 23, 2020	November 7, 2022
14	Issuer call subject to prior supervisory approval	Having right to early redeem if permission in writing is granted by the Bank of Thailand	Having right to early redeem if permission in writing is granted by the Bank of Thailand
15	Optional call date, contingent call dates and redemption amount	June 23, 2015 The Bank may redeem all the Debentures prior to the due date of redemption if permission in writing is granted by the Bank of Thailand. The Debentures will be redeemed according to the par value per unit together with the interest computed until the day prior to the due date, subject to conditions as follows: (a) Prior the 5th (fifth) anniversary of the date of issuance of the Debentures, if the Bank is notified by the Bank of Thailand that (1) the Debentures are no longer classified as instruments that can be counted as the Bank's second-tier capital fund, or (2) the Debentures can be counted as the Bank's second-tier capital fund less than 50 (Fifty) per cent of its first-tier capital fund; or	November 7, 2017 The debenture issuer may redeem all the debentures prior to the due date of redemption if, after the issuer submits the redemption plan and replacement plan to the Bank of Thailand, the permission in writing is granted by the Bank of Thailand. The debentures will be redeemed according to the par value per unit together with payment of the interest calculated to (and excluding) the early redemption date, subject to conditions as follows: (a) If the debenture issuer can prove that the interests on the Debentures cannot or can no longer be deducted as expenses of the debenture issuer for tax purpose; or (b) Any additional cases or conditions as may be hereafter stipulated by the Bank of Thailand.

Topic		Unique identifier BAY206A	Unique identifier BAY22NA
		(b) If the Bank can prove that the interests on the Debentures cannot or can no longer be deducted as expenses of the Bank for tax purpose; or (c) Any additional cases or conditions as may be hereafter stipulated by the Bank of Thailand.	
16	Subsequent call dates, if applicable	On any interest payment date after the 5 th (fifth) anniversary of the date of issuance of the Debentures	On any interest payment date after the 5 th (fifth) anniversary of the date of issuance of the Debentures
	<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Step-up	Fixed Rate until maturity date
18	Coupon rate and any related index	None	None
19	Existence of a dividend stopper	No dividend stopper	No dividend stopper
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	Having Incentive to redeem (step up)	No incentive to redeem
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	None	None
25	If convertible, full or partial	None	None
26	If convertible, conversion rate	None	None
27	If convertible, specify instrument type convertible into	None	None
28	If convertible, specify issuer of instrument it converts into	None	None
29	Write-down feature	No write down feature	No write down feature
30	If write-down, write-down trigger(s)	No write down feature	No write down feature
31	If write-down, full or partial	No write down feature	No write down feature
32	If write-down, permanent or temporary	No write down feature	No write down feature
33	If temporary write-down, description of how to write down	No write down feature	No write down feature

Topic		Unique identifier BAY206A	Unique identifier BAY22NA
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Superior to the holders of Additional Tier 1 securities according to Bank of Thailand's notification (if any) and preferred shareholders and/or common shareholders of the Issuer	Superior to the holders of Additional Tier 1 securities according to Bank of Thailand's notification (if any) and preferred shareholders and/or common shareholders of the Issuer

Table 18: Disclosure of capital under Basel III during transitional period

Unit: Million Baht

Value of capital, eligible items, adjustment items and deduction items as at December 31, 2013		Consolidated		The Bank	
		Capital value	Transitional adjustment amount*	Capital value	Transitional adjustment amount*
Common Equity Tier 1 capital (CET1): items which are eligible to be CET1					
1	Issued and paid up share capital (Common share)	60,741		60,741	
2	Premium on common stocks	13,802		13,802	
3	Legal Reserve	2,043		2,043	
4	Retained earnings after appropriation	34,299		12,011	
5	Other comprehensive income	6,443		6,515	
	5.1 Changes in capital surplus from appraisal of lands, buildings or units in condominium	6,673		6,646	
	5.2 Profits from valuation of available for sales equity instruments	(230)	-	(131)	-
6	Total common Equity Tier 1 capital before regulatory adjustments and deductions	117,328		95,112	
Common Equity Tier 1 capital (CET1): regulatory adjustments					
7	Total regulatory adjustments to Common equity Tier 1	-		-	
Common Equity Tier 1 capital (CET1): regulatory deductions					
8	Goodwill	(9,927)		(9,927)	
9	Deferred tax assets	(5,244)		(460)	
10	Total regulatory deduction to Common equity Tier 1	(15,171)		(10,387)	
11	Total Common Equity Tier 1 capital (CET1)	102,157		84,725	

Unit: Million Baht

Value of capital, eligible items, adjustment items and deduction items as at December 31, 2013		Consolidated		The Bank	
		Capital value	Transitional adjustment amount*	Capital value	Transitional adjustment amount*
Additional Tier 1 capital: items which are eligible to be additional Tier 1					
12	Components, which eligible for additional tier 1 of the financial business group, of subsidiaries only portion held by non-controlling interest and third parties	1,196		-	
13	Total Additional Tier 1 capital before regulatory deductions	1,196		-	
Additional Tier 1 capital: regulatory deductions					
14	Total regulatory deductions to additional tier 1 capital	-		-	
15	Total Additional Tier 1 capital (AT1)	-		-	
16	Total Tier 1 capital (T1 = CET1 + AT1)	103,353		84,725	
Tier 2 capital: items which are eligible to be Tier 2 capital					
17	Cash received from issued debt instruments that subordinated to depositors and general creditors.	31,359	(31,359)	31,359	(31,359)
18	General Provision	10,915		6,241	
19	Components, which eligible for tier 2 of the financial business group, of subsidiaries only portion held by non-controlling interest and third parties	78		-	
20	Tier 2 capital before regulatory deductions	42,352		37,600	
Tier 2 capital: regulatory deductions					
21	Total regulatory deductions to Tier 2 capital	-		-	
22	Total Tier 2 capital (T2)	42,352		37,600	
23	Total capital (TC = T1 + T2)	145,705		122,325	

* Net amount of item to be included in or deducted from capital under the Basel III during the transitional period