krungsri
กรุงศรี

"Make Life Simple
เรื่องเงิน เรื่องง่าย"

Basel III Pillar III Disclosures

As at June 30, 2013

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1. Introduction

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

As a result of the above new supervisory guideline on capital, the improved disclosure of information on capital maintenance has been issued by the Bank of Thailand in order to be in line with international disclosure guideline. The purpose of this disclosure is to promote the market discipline. The disclosed information covers both qualitative and quantitative information for the Bank (Solo Basis) and the Financial Business Group (Full Consolidation) in order to be beneficial for the external stakeholders and market participants to assess the disclosed information with different risk aspects of the financial institution. 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. Capital Information

3.1 Capital Structure

Tier 1 Capital are composed of the followings:-

<u>Common Equity Tier 1</u>

- Issued and fully paid up share capital and net premium
- Legal reserve
- Retained earnings after appropriation, already approved by annual general shareholders and Board of Directors meetings
- Accumulated other comprehensive income
    - Surplus on revaluation of land and building or units in condominium
    - Surplus 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

- 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	Basel III	
	June 30, 2013	
	CONSOLIDATED	THE BANK
1. Tier 1 capital (1.1+1.2)	**100,488**	**92,649**
1.1 Common Equity Tier1 (CET1)	**92,433**	**92,649**
1.1.1 Issued and paid up share capital	60,741	60,741
1.1.2 Premium on share capital	13,802	13,802
1.1.3 Legal reserve	1,642	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.	29,954	10,657
1.1.5 Other components of equity		
1.1.5.1 Accumulated other comprehensive income.	7,204	7,331
1.1.6 Items to be deducted from CET1		
1.1.6.1 Items to be deducted from CET1	(13,910)	(1,524)
1.2 Addition tier 1	**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.	1,055	-
2. Tier 2 capital	**41,513**	**38,464**
2.1 Subordinated Debentures	31,359	31,359
2.2 General Provision	10,086	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.	68	-
3. Total regulatory capital	**142,001**	**131,113**

Unit: Million Baht

Item	Basel II	
	December 31, 2012	
	CONSOLIDATED	THE BANK
1. Tier 1 capital	84,578	81,754
1.1 Issued and paid up share capital	60,741	60,741
1.2 Premium on share capital	13,802	13,802
1.3 Legal reserve	1,642	1,642
1.4 Retained earnings after appropriations	24,426	9,260
1.5 Minority interest	985	-
1.6 Deduction items	(17,018)	(3,691)
1.6.1 Goodwill	(9,947)	(1,054)
1.6.2 Deferred tax assets	(6,262)	(2,637)
1.6.3 Investment as deducted item : 50% from tier 1 capital and 50% from tier 2 capital	(809)	-
2. Tier 2 capital	49,067	44,799
2.1 Tier 2 capital fund before deducted items	49,876	44,799
2.2 Deduction item : 50% from tier 1 capital and 50% from tier 2 capital	(809)	-
3. Total regulatory capital	133,645	126,553
3.1 Total regulatory capital before deducted items	133,645	126,553
3.2 Deduction items from total regulatory capital	-	-

3.2 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 far 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	
	Basel III	Basel II	Basel III	Basel II
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Performing assets	67,558	64,260	59,750	57,766
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	112	78	112	78
2. Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	1,432	797	1,339	777
3. Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate	27,564	27,318	38,482	37,654
4. Claims on retail portfolios	30,018	28,022	10,307	10,056
5. Residential mortgage exposures	3,896	3,527	3,896	3,527
6. Other assets	4,536	4,518	5,614	5,674
Non-performing assets	1,026	1,095	720	816
Minimum capital requirement for credit risk	68,584	65,355	60,470	58,582
1. Interest rate risk	202	199	202	199
2. Equity price risk	6	-	6	-
3. Foreign exchange rate risk	50	184	43	194
4. Commodity price risk	-	-	-	-
Minimum capital requirement for market risk	258	383	251	393
Minimum capital requirement for operational risk	8,437	7,850	4,761	4,521
Total minimum capital requirement	77,279	73,588	65,482	63,496

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

Unit: %

Ratio	CONSOLIDATED		THE BANK	
	Basel III	Basel II	Basel III	Basel II
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
1. Total capital to risk-weighted assets	15.62	15.44	17.02	16.94
2. Tier 1 capital to risk-weighted assets	11.05	9.77	12.03	10.94
3. Common Equity Tier 1 to risk weighted assets	10.94	-	12.03	-

Table 4: 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
	Governing BOT's regulation of the instrument		
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.-
10	Accounting classification	Liabilities measured at amortised cost	Liabilities measured at amortised 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

	Topic	Unique identifier BAY206A	Unique identifier BAY22NA
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 (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.	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
16	Subsequent call dates, if applicable	On any interest payment date after the 5th (fifth) anniversary of the date of issuance of the Debentures	On any interest payment date after the 5th (fifth) anniversary of the date of issuance of the Debentures
	Coupons / dividends		
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
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 5: Disclosure of capital under Basel III during transitional period

Unit: Million Baht

	Value of capital, eligible items, adjustment items and deduction items as at 30 June 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	1,642		1,642	
4	Retained earnings after appropriation	29,954		10,657	
5	Other comprehensive income				
	5.1 Changes in capital surplus from appraisal of lands, buildings or units in condominium	6,773		6,746	
	5.2 Profits from valuation of available for sales equity instruments	431	-	585	-
6	Total common Equity Tier 1 capital before regulatory adjustments and deductions	113,343		94,173	
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	(9,947)		(1,054)	
9	Deferred tax assets	(3,963)		(470)	
10	Total regulatory deduction to Common equity Tier 1	(13,910)		(1,524)	
11	Total Common Equity Tier 1 capital (CET1)	99,433		92,649	
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	1,055	-	-	-
13	**Total Additional Tier 1 capital before regulatory deductions**	**1,055**		**-**	
Additional Tier 1 capital: regulatory deductions					
14	Total regulatory deductions to additional tier 1 capital	-		-	
15	Total Additional Tier 1 capital (AT1)	1,055		-	
16	Total Tier 1 capital (T1 = CET1 + AT1)	100,488		92,649	

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

Unit: Million Baht

Value of capital, eligible items, adjustment items and deduction items as at 30 June 2013		Consolidated		The Bank	
		Capital value	Transitional adjustment amount*	Capital value	Transitional adjustment amount*
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	10,086		7,105	
19	Components, which eligible for tier 2 of the financial business group, of subsidiaries only portion held by non-controlling interest and third parties	68	-	-	-
20	Tier 2 capital before regulatory deductions	41,513		38,464	
Tier 2 capital: regulatory deductions					
21	Total regulatory deductions to Tier 2 capital	-		-	
22	Total Tier 2 capital (T2)	41,513		38,464	
23	Total capital (TC = T1 + T2)	142,001		131,113	

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