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Basel III Pillar III Disclosures

As at June 30, 2014

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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 17 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. Krungsri Factoring Company Limited	Factoring
13. Krungsri Life Assurance Broker Limited	Life insurance broker
14. Krungsri General Insurance Broker Limited	Non life insurance broker
15. Tesco Card Services Limited	Credit cards and personal loans
16. Tesco Life Assurance Broker Limited	Life insurance broker
17. Tesco General Insurance Broker Limited	Non life insurance broker

During the period, the Bank has gotten the consensus from the BOT to remove Sri Ayudhya Capital Public Company Limited and Sri Ayudha General Insurance Public Company Limited from the Bank's Financial Business Group.

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 available for sale investment in equity and debt securities

- Deferred tax asset (deducted item)
- Goodwill (deducted item)
- Intangible asset (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	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
1. Tier 1 capital (1.1+1.2)	105,331	103,353	89,458	84,725
1.1 Common Equity Tier1 (CET1)	104,801	102,157	89,458	84,725
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	2,043	2,043	2,043
1.1.4 Net profit after appropriation by resolution of the annual general meeting of shareholders or by the regulations of the banks registered in the country.	36,987	34,299	13,839	12,011
1.1.5 Other components of equity				
1.1.5.1 Accumulated other comprehensive income.	7,139	6,443	7,185	6,515
1.1.6 Items to be deducted from CET1				
1.1.6.1 Items to be deducted from CET1	(15,911)	(15,171)	(8,152)	(10,387)
1.2 Additional tier 1	530	1,196	-	-
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.	530	1,196	-	-
2. Tier 2 capital	38,666	42,352	33,455	37,600
2.1 Subordinated Debentures	27,875	31,359	27,875	31,359
2.2 General Provision	10,788	10,915	5,580	6,241
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.	3	78	-	-
3. Total regulatory capital (1+2)	143,997	145,705	122,913	122,325

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	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Performing assets	72,109	73,054	66,573	64,806
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	146	109	146	109
2. Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	1,340	979	1,212	903
3. Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate	30,240	31,741	40,734	43,732
4. Claims on retail portfolios	31,561	31,341	13,038	10,779
5. Residential mortgage exposures	4,922	4,404	4,922	4,404
6. Other assets	3,900	4,480	6,521	4,879
Non-performing assets	1,253	1,166	859	795
Minimum capital requirement for credit risk	73,362	74,220	67,432	65,601
1. Interest rate risk	305	200	305	200
2. Equity price risk	-	-	-	-
3. Foreign exchange rate risk	141	195	154	206
4. Commodity price risk	-	-	-	-
Minimum capital requirement for market risk	446	395	459	406
Minimum capital requirement for operational risk	9,331	8,920	5,473	4,831
Total minimum capital requirement	83,139	83,535	73,364	70,838

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	
		June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
1. Total capital to risk-weighted assets	8.5	14.72	14.83	14.24	14.68
2. Tier 1 capital to risk-weighted assets	6.0	10.77	10.52	10.36	10.17
3. Common Equity Tier 1 to risk-weighted assets	4.5	10.71	10.39	10.36	10.17

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
	<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 16,000 Million	THB 11,875 Million
9	Par value of instrument	THB 1,000.-	THB 1,000.-
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	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

Topic		Unique identifier BAY206A	Unique identifier BAY22NA
		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.	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.
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

Topic		Unique identifier BAY206A	Unique identifier BAY22NA
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: Reconciliation of regulatory capital components

Unit: Million Baht

Capital related items as at June 30, 2014	Amount as disclosed in public financial statements – Financial Position ^{1/}	Amount as disclosed in the statement of financial position under the consolidated supervision ^{2/}	References
Asset			
1. CASH	26,091	26,091	
2. INTERBANK AND MONEY MARKET ITEMS - NET	99,086	99,850	
3. CLAIMS ON SECURITY	16,060	16,060	
4. DERIVATIVES ASSETS	1,770	1,770	
5. INVESTMENTS - NET	76,059	76,059	
6. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - NET	529	2	
7. TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLE - NET			
7.1 LOANS TO CUSTOMERS	990,811	993,396	
7.2 ACCRUED INTEREST RECEIVABLES	2,587	2,786	
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES	993,398	996,182	
7.3 LESS:DEFERRED REVENUE	(44,789)	(44,789)	
7.4 LESS:ALLOWANCE FOR DOUBTFUL ACCOUNTS	(38,688)	(39,858)	
General Provision		(15,053)	M
Specific Provision		(24,805)	
7.5 LESS:REVALUATION ALLOWANCE FOR DEBT RESTRUCTURING	(1,623)	(1,784)	
TOTAL LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLE - NET	908,298	909,751	
8. CUSTOMER'S LIABILITIES UNDER ACCEPTANCE	774	774	
9. PROPERTIES FOR SALE, NET	6,444	6,444	
10. PREMISES AND EQUIPMENT, NET	19,665	19,700	
11. GOODWILL AND OTHER INTANGIBLE ASSETS, NET	14,441	14,446	
GOODWILL		9,927	G
INTANGIBLE ASSETS		4,519	H
12. DEFERRED TAX ASSETS	7,154	7,515	J
13. OTHER ASSETS, NET	18,215	18,794	
TOTAL ASSET	1,194,586	1,197,256	

Unit: Million Baht

Capital related items as at June 30, 2014	Amount as disclosed in public financial statements – Financial Position ^{1/}	Amount as disclosed in the statement of financial position under the consolidated supervision ^{2/}	References
LIABILITIES			
14. DEPOSITS	783,779	783,046	
15. INTERBANK AND MONEY MARKET ITEMS - NET	56,288	56,830	
16. LIABILITIES PAYABLE ON DEMAND	3,233	3,233	
17. LIABILITIES TO DELIVER SECURITY	16,060	16,060	
18. DERIVATIVES LIABILITIES	1,398	1,398	
19. DEBT ISSUED AND BORROWINGS	166,585	166,585	
Sub-debt that are qualified as capital		27,875	L
Sub-debt that are non-qualified as capital		6,969	
Other issued debt and borrowings		131,741	
20. BANK'S LIABILITIES UNDER ACCEPTANCES	774	774	
21. PROVISIONS	4,843	4,850	
22. DEFERRED TAX LIABILITIES	2,807	2,785	
Deferred tax liabilities of intangible assets		438	I
Deferred tax liabilities of other items		2,347	K
23. OTHER LIABILITIES	31,892	34,210	
TOTAL LIABILITIES	1,067,659	1,069,771	
SHAREHOLDERS' EQUITY			
24.1 ISSUED AND PAID-UP SHARE CAPITAL (COMMON SHARE)	60,741	60,741	A
24.2 PREMIUM OR DISCOUNT ON COMMON SHARE	13,802	13,802	B
24.3 OTHER RESERVES			
24.3.1 Appraisal surplus	6,515	6,515	E
24.3.2 Revaluation surplus (deficit) on investments	899	812	
Investment in equity securities		577	F
Investment in debt securities			
Qualified as capital		47	F
Non-qualified as capital		188	

Unit: Million Baht

Capital related items as at June 30, 2014	Amount as disclosed in public financial statements – Financial Position ^{1/}	Amount as disclosed in the statement of financial position under the consolidated supervision ^{2/}	References
SHAREHOLDERS' EQUITY			
24.4 RETAINED EARNINGS			
24.4.1 APPROPRIATED - LEGAL RESERVE	2,043	2,043	C
24.4.2 UNAPPROPRIATED	42,571	42,687	
Net profit which already approved		36,987	D
Net profit await for approval		5,700	
24.5 NON-CONTROLLING INTEREST	356	885	
Qualified as capital		533	N
Non-qualified as capital		352	
TOTAL SHAREHOLDERS' EQUITY	126,927	127,485	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,194,586	1,197,256	

Note

^{1/} This represents Consolidated statement of financial position publically disclosed in SEC website

^{2/} This represents Consolidated statement of financial position prepared under BOT's regulation that all entities listed out in content 3 :
The companies under financial business group under Full Consolidation, are included in this consolidated statement of financial position.

Disclosure of reconciliation of regulatory capital components

Unit: Million Baht

Items		Component of regulatory capital reported by financial business group	References base on statement of financial position under the consolidated supervision
Total Tier 1 Capital (T1) = (CET1+AT1)		105,331	
Common Equity Tier 1 (CET1)		104,801	
1	Issued and paid up share capital (Common share)	60,741	A
2	Premium common stocks	13,802	B
3	Legal Reserve	2,043	C
4	Retained earnings after appropriation	36,987	D
5	Other comprehensive income		
	5.1 Changes in capital surplus from appraisal of lands, buildings or units in condominium	6,515	E
	5.2 Revaluation surplus (deficit) of equity and debt securities for sales	624	F
6	Regulatory deduction		
	6.1 Goodwill	(9,927)	G
	6.2 Other Intangible Asset	(816)	H-I ^{1/}
	6.3 Deferred tax assets	(5,168)	J-K ^{2/}
Additional Tier 1 Capital (AT1)		530	
7	Non-controlling interest of consolidated subsidiaries to Additional tier 1	530	N ^{5/}
Tier 2 Capital (T2)		38,666	
8	Proceeds from issuing subordinated debt securities	27,875	L ^{3/}
9	General provision	10,788	M ^{4/}
10	Non-controlling interest of consolidated subsidiaries to Tier 2 capital	3	N ^{5/}
Total Regulatory Capital (TC = T1+T2)		143,997	

^{1/} Intangible assets e.g. software licenses, phase-out at 20% p.a. during a transitional period of 2014 – 2018, the deduction amount is THB 816 million [20% x (4,519-438)]

^{2/} Deferred tax assets net with deferred tax liabilities amount of THB 5,168 million (7,515-2,347)

^{3/} Non-fully Basel III compliant Tier II capital instruments will be phase out at 10% p.a. starting from 1 Jan-2013 therefore sub-debt qualified to be Tier II capital amount is THB 27,875 million (80% of total sub-debt = 80% x 34,844)

^{4/} The maximum general provision can be counted as tier II capital = 1.25% of credit risk RWA, therefore general provision can be counted only THB 10,788 million (1.25% x 863,082)

^{5/} Non-controlling interest qualified as capital is calculated basing on BOT's requirement

Table 6: Disclosure of capital under Basel III during transitional period

Unit: Million Baht

Value of capital, eligible items, adjustment items and deduction items		CONSOLIDATED			
		June 30, 2014		December 31, 2013	
		Capital value	Transitional adjustment amount*	Capital value	Transitional adjustment amount*
Total Tier 1 Capital (T1) = (CET1+AT1)		105,331	(3,181)	103,353	-
Common Equity Tier 1 capital (CET1)		104,801	(3,077)	102,517	-
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	36,987		34,299	
5	Other comprehensive income				
	5.1 Changes in capital surplus from appraisal of lands, buildings or units in condominium	6,515		6,673	
	5.2 Revaluation surplus (deficit) on investment in equities securities	577		(230)	
	5.3 Revaluation surplus (deficit) on investment in debt securities	47	188	-	-
6	Regulatory deduction				
	6.1 Goodwill	(9,927)		(9,927)	
	6.2 Deferred tax assets	(5,168)		(5,244)	
	6.3 Intangible Asset	(816)	(3,265)	-	-
Additional Tier 1 Capital (AT1)		530	(104)	1,196	-
7	Non-controlling interest of consolidated subsidiaries to Additional tier 1	530	(104)	1,196	
Tier 2 Capital (T2)		38,666	(27,864)	42,352	(31,359)
8	Proceeds from issuing subordinated debt securities	27,875	(27,875)	31,359	(31,359)
9	General provision	10,788		10,915	
10	Non-controlling interest of consolidated subsidiaries to Tier 2 capital	3	11	78	
Total Regulatory Capital (TC = T1 + T2)		143,997	(31,045)	145,705	(31,359)

* 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		THE BANK			
		June 30, 2014		December 31, 2013	
		Capital value	Transitional adjustment amount*	Capital value	Transitional adjustment amount*
Total Tier 1 Capital (T1) = (CET1+AT1)		89,458	(1,373)	84,725	-
Common Equity Tier 1 capital (CET1)		89,458	(1,373)	84,725	-
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	13,839		12,011	
5	Other comprehensive income				
	5.1 Changes in capital surplus from appraisal of lands, buildings or units in condominium	6,488		6,646	
	5.2 Revaluation surplus (deficit) on investment in equities securities	650		(131)	
	5.3 Revaluation surplus (deficit) on investment in debt securities	47	188	-	-
6	Regulatory deduction				
	6.1 Goodwill	(7,762)		(9,927)	
	6.2 Deferred tax assets	-		(460)	
	6.3 Intangible Asset	(390)	(1,561)	-	-
Additional Tier 1 Capital (AT1)		-	-	-	-
7	Non-controlling interest of consolidated subsidiaries to Additional tier 1	-	-	-	-
Tier 2 Capital (T2)		33,455	(27,875)	37,600	(31,359)
8	Proceeds from issuing subordinated debt securities	27,875	(27,875)	31,359	(31,359)
9	General provision	5,580		6,241	
10	Non-controlling interest of consolidated subsidiaries to Tier 2 capital	-		-	
Total Regulatory Capital (TC = T1 + T2)		122,913	(29,248)	122,325	(31,359)

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