



## "Make Life Simple เรื่องเงิน เรื่องง่าย"

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Basel II Pillar III Disclosures

As of June 30, 2012

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### 1. Introduction

The purpose of this report is to disclose the information in regards to capital maintenance on Basel II Pillar III of the Solo Basis and Full Consolidation Basis that required by the Bank of Thailand. This report is prepared in compliance with the guidance on information disclosure with regards to capital reserve to promote market discipline. The quantitative and qualitative information disclosed items relating to capital supervisory and adequacy namely capital level, risk level, and risk assessment process for the Bank and Financial Business Group. It is deemed beneficial for the external parties and market participants to assess the information disclosed as well as different aspects of risks of the financial institution, which in turn will help to encourage the financial institution to continually improve their risk management practice and process.

### 2. Scope of application

The Bank has disclosed these information under Basel II Pillar III on a solo basis and full consolidation basis in accordance to BOT's Notification No. SorNorSor. 25/2552 Re: Information Disclosure as Regards to Capital Maintenance for Commercial Banks and No. SorNorSor. 6/2553 Re: Consolidated Supervision.

### 3. Capital Information

#### 3.1 Capital Structure

##### Tier 1 Capital are composed of the followings:-

- 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 meeting
- Deferred tax asset (deducted item)
- Goodwill (deducted item)
- Minority interest
- Investment as deducted item : 50% from tier 1 capital and 50% from tier 2 capital (deducted item)

Tier 2 Capital are composed of the followings:-

- 70% of surplus on land revaluation
- 50% of surplus on building revaluation
- Reserve for assets classified as normal (not over 1.25% of total risk weighted asset)
- 45% of surplus on revaluation of investment in available for sale equity securities
- Investment as deducted item : 50% from tier 1 capital and 50% from tier 2 capital (deducted item)
- Long-term subordinated debt

Long-term subordinate debt can be counted as Tier 2 for the paid amount but not over than 50% of Tier1 and reducing of 20% each year for the last 5 years.

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

Table 1 Capital structure

Unit: Million Baht

Item	CONSOLIDATED		THE BANK	
	June 30	December 31	June 30	December 31
	2012	2011	2012	2011
<b>1. Tier 1 capital</b>	<b>79,828</b>	<b>79,451</b>	<b>81,373</b>	<b>80,843</b>
1.1 Issued and paid up share capital	60,741	60,741	60,741	60,741
1.2 Premium on share capital	13,802	13,802	13,802	13,802
1.3 Legal reserve	1,317	1,014	1,317	1,014
1.4 Retained earnings after appropriations	20,220	17,839	9,059	7,641
1.5 Minority interest	863	854	-	-
1.6 Deducted items	(17,115)	(14,799)	(3,546)	(2,355)
1.6.1 Goodwill	(9,981)	(7,521)	(878)	-
1.6.2 Deferred tax assets	(6,348)	(5,782)	(2,668)	(2,355)
1.6.3 Investment as deducted item : 50% from tier 1 capital and 50% from tier 2 capital	(786)	(1,496)	-	-
<b>2. Tier 2 capital</b>	<b>33,522</b>	<b>32,303</b>	<b>31,749</b>	<b>30,279</b>
2.1 Tier 2 capital fund before deducted items	34,308	33,799	31,749	30,279
2.2 Deducted item : 50% from tier 1 capital and 50% from tier 2 capital	(786)	(1,496)	-	-
<b>3. Total regulatory capital</b>	<b>113,350</b>	<b>111,754</b>	<b>113,122</b>	<b>111,122</b>
3.1 Total regulatory capital before deducted items	113,350	111,754	113,122	111,122
3.2 Deducted items from total regulatory capital	-	-	-	-

### 3.2 Capital Adequacy

The Bank has adopted the Basel Standardized Approach for the calculation of capital comprising of credit risk, market risk, and operational risk.

Recognizing the importance of capital and its adequacy, Krungsri maintains, as a policy, a minimum capital adequacy ratio higher than 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 incorporated when we assess and forecast the capital level and requirement. In compliance with Basel II Pillar II guideline, the Bank also has in place an Internal Capital Adequacy Assessment Process (ICAAP), which calls for a regular conduct of stress test. 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	December 31	June 30	December 31
	2012	2011	2012	2011
<b>Performing assets</b>	<b>59,482</b>	<b>56,510</b>	<b>54,119</b>	<b>52,133</b>
1. Claims on sovereigns and central banks, multilateral development banks (MDBs) and public sector entities (PSEs) that are treated as claims on sovereigns	78	71	78	71
2. Claims on banks, public sector entities (PSEs) that are treated as claims on banks and securities companies	885	766	936	762
3. Claims on corporate and public sector entities (PSEs) that are treated as claims on corporate	26,587	25,954	34,772	33,637
4. Claims on retail portfolios	24,574	22,766	9,498	8,932
5. Residential mortgage exposures	3,362	3,177	3,362	3,177
6. Other assets	3,996	3,776	5,473	5,554
<b>Non-performing assets</b>	<b>1,683</b>	<b>2,010</b>	<b>1,227</b>	<b>1,377</b>
<b>Minimum capital requirement for credit risk</b>	<b>61,165</b>	<b>58,520</b>	<b>55,346</b>	<b>53,510</b>
1. Interest rate risk	245	278	245	277
2. Equity price risk	-	-	-	-
3. Foreign exchange rate risk	109	60	93	41
4. Commodity price risk	-	-	-	-
<b>Minimum capital requirement for market risk</b>	<b>354</b>	<b>338</b>	<b>338</b>	<b>318</b>
<b>Minimum capital requirement for operational risk</b>	<b>7,373</b>	<b>6,771</b>	<b>4,408</b>	<b>4,171</b>
<b>Total minimum capital requirement</b>	<b>68,892</b>	<b>65,629</b>	<b>60,092</b>	<b>57,999</b>

Table 3 Total risk-weighted capital ratio and Tier 1 risk-weighted capital ratio

Unit: %

Ratio	CONSOLIDATED		THE BANK	
	June 30	December 31	June 30	December 31
	2012	2011	2012	2011
1. Total capital to risk-weighted assets	13.99	14.47	16.00	16.29
2. Tier 1 capital to risk-weighted assets	9.85	10.29	11.51	11.85

