

Capital Requirement Disclosures

Basel II Pillar III

For the half year ended 30 June 2011

Scope of Information Disclosure

According to the Bank of Thailand's guideline in the supervision of capital for commercial banks based on Basel II therefore the bank have to disclose information in the level of the financial group and the Bank only. The disclosure was comparing data as of June 30, 2011 and as of December 31, 2010. The financial group is required to maintain the minimum capital requirement corresponding to more complicated risk assessment methods reflecting the risks and embrace other relevant aspects of the financial group's encountered risks by disclosing both quantitative and qualitative data.

Besides the regulation mentioned above, the Bank of Thailand further requires the financial group to disclose other key relevant information regarding the capital to be easily accessible and to engender the transparency of the financial group's risks and capital information as follows.

Capital structure

The Financial Group and the Bank's capital as of June 30, 2011 and as of December 31, 2010 are composed of the followings.

(Unit: Thousand Baht)

The Financial Group		
	30 June 2011	31 December 2010
<u>Tier-1 Capital</u>		
Paid-up share capital	15,904,529	15,904,529
Deductions from Tier 1 at 50% and Tier 2 at 50%	(442,927)	(462,750)
Deficit	(2,393,389)	(2,605,550)
Total	13,068,213	12,836,229
<u>Tier-2 Capital</u>		
Reserve for assets classified as "Pass"	458,289	396,778
Revaluation surplus on investments in available-for-sale securities	10,287	9,334
Deductions from Tier 1 at 50% and Tier 2 at 50%	(442,928)	(406,112)
Total	25,648	-
Total Capital Funds of the Financial Group	13,093,861	12,836,229

The Bank		
	30 June 2011	31 December 2010
Tier-1 Capital		
Paid-up share capital	15,904,529	15,904,529
Deductions from Tier 1 at 50% and Tier 2 at 50%	(293,040)	(289,283)
Deficit	(2,530,969)	(2,687,632)
Total	13,080,520	12,927,614
Tier-2 Capital		
Reserve for assets classified as “Pass”	453,971	378,869
Revaluation surplus on investments in available-for-sale securities	10,287	9,334
Deductions from Tier 1 at 50% and Tier 2 at 50%	(293,040)	(289,283)
Total	171,218	98,920
Total Capital Funds of the Bank	13,251,738	13,026,534

Capital Adequacy

According to the Bank of Thailand’s guideline in supervision of capital requiring commercial banks maintain the capital in proportion to the credit, market and operational risk weighted assets of at least 8.5%, the financial group has established the policy to maintain the regulatory capital in compliance with the methodologies and conditions as specified by the Bank of Thailand. To assess the capital adequacy for different types of risk, the financial group utilizes the approaches corresponding to complexity of transactions and size of the financial group as follows.

- Credit Risk Standardized Approach
- Market Risk Standardized Approach
- Operational Risk Basic Indicator Approach

Besides, the financial group has the capital adequacy assessment so as to comply with the Bank of Thailand’s guideline in supervision of capital for the financial group.

The minimum capital requirement

According to the Basel II guideline in supervision of capital, the financial group and the Bank have to maintain the capital corresponding to each type of risk as follows.

1. Credit risk capital requirement

Based on the Standardized Approach, the minimum capital requirements classified by type of assets with the data as of June 30, 2011 and as of December 31, 2010 were as follows.

(Unit: Thousand Baht)

The Financial Group		
Minimum Credit Risk Capital Requirement	<u>30 June 2011</u>	<u>31 December 2010</u>
Performing Loans		
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	517	177
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	139,995	214,338
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	2,977,863	2,966,073
Claims in the Regulatory Retails Portfolio	1,636,680	1,101,547
Residential Mortgage Loans	2,723	2,691
Other assets	199,813	227,786
Non-performing Loans	213,866	293,308
Total Credit Risk Capital Requirement	5,171,457	4,805,920

(Unit: Thousand Baht)

The Bank		
Minimum Credit Risk Capital Requirement	<u>30 June 2011</u>	<u>31 December 2010</u>
Performing Loans		
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	517	177
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	139,146	213,242
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	4,796,323	4,158,157
Claims in the Regulatory Retails Portfolio	6,862	5,015
Residential Mortgage Loans	2,723	2,691
Other assets	462,974	446,067
Non-performing Loans	194,745	281,084
Total Credit Risk Capital Requirement	5,603,290	5,106,433

2. Market Risk Capital Requirement

For the Trading Book, the financial group and the Bank use the Standardized Approach for capital calculation. The market risk capital requirement for the Financial Group and the Bank as of June 30, 2011 amounted to 30,656 thousand baht and as of December 31, 2010 amounted to 35,421 thousand baht, respectively.

3. Operational Risk Capital Requirement

The Financial group and the Bank use the Basic Indicator Approach for capital requirement calculation. The capital required for operational risk of the financial group and the bank as of June 30, 2011 and as of December 31, 2010 as follows.

Capital Requirement	(Unit : Thousand Baht)			
	30 June 2011		31 December 2010	
	The Financial Group	The Bank	The Financial Group	The Bank
Operational Risk Capital Requirement	340,732	255,155	306,878	246,246

4. Capital Adequacy Ratio

Based on the Basel II guideline on capital calculation for all three types of risk, the financial group and the Bank maintained the Capital Adequacy Ratio as follows.

Capital Adequacy Ratio	(Unit: Percent)			
	30 June 2011		31 December 2010	
	The Financial Group	The Bank	The Financial Group	The Bank
Tier 1 capital to risk assets	20.04	18.88	20.19	20.40
Total capital to risk assets	20.11	19.13	20.19	20.55