

Capital Requirement

At the end of 2008, the Basel II capital accord has been officially enforced. It has better and efficient Risk Management than the previous accord, Basel I. The New Bank's capital will be defined as the risk-sensitive capital which is consistent with the complexity of underlying risk of each bank. Furthermore, Basel II will cover the additional important risks incurred from Financial Institutions' operations, namely Operational Risk, into Risk Assets' evaluation.

To complement the above capital requirement, Bank of Thailand aims to encourage market discipline by developing a set of disclosure requirements which will allow market participants to easily assess to the information concerning the capital adequacy and risk exposure for the purpose of transparency. The key information is as follows:

Capital Adequacy

I. Capital Adequacy Ratio

According to the Basel II's Requirement, Bank's Capital Adequacy Ratio at 30 June 2009 and 31 December 2008 are following:

Capital Adequacy Ratio	Separate financial statement			
	30 June 2009		31 December 2008	
	The Bank	Requirement	The Bank	Requirement
Tier 1 capital to risk assets	24.00	4.25	23.40	4.25
Total capital to risk assets	24.00	8.50	23.40	8.50

II. Minimum Capital Requirements

According to the Basel II's Requirement, Bank must maintain the minimum capital for Credit Risk , Market Risk and Operational Risk as follows:

1. Capital Requirement for Credit Risk

According to the Standardized Approach, the Credit Risk's Minimum Capital Requirements are classified into each claims type as follows:

	(Unit : Thousand Baht)	
	Separate financial statement	
	30 June 2009	31 December 2008
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	-	366
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	89,298	264,486
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	3,414,895	3,341,332
Claims in the Regulatory Retails Portfolio	10,554	12,295
Residential Mortgage Loans	5,745	7,007
Other Assets	262,226	284,355
Non-Performing Loans	243,689	189,346
Minimum Capital Requirement for Credit Risk	4,026,407	4,099,187

2. Capital Requirement for Market Risk

According to the Standardized Approach, the Market Risk's Minimum Capital Requirements for Bank's trading book position at 30 June 2009 and 31 December 2008 are 69,245 Thousand Baht and 12,309 Thousand Baht consecutively.

3. Capital Requirement for Operational Risk

According to the Basic Indicator Approach, the Operational Risk's Minimum Capital Requirements at 30 June 2009 and 31 December 2008 are 209,749 Thousand Baht and 185,074 Thousand Baht consecutively.

Capital Structure

The Capital Structure at 30 June 2009 and 31 December 2008 are following:

	(Unit : Baht)	
	Separate financial statement	
	30 June 2009	31 December 2008
Tier 1 capital		
Paid-up share capital	15,904,529	15,904,529
Investments in instruments already counted as other financial institution's capital funds	(446,116)	(527,344)
Deficit	(3,300,044)	(3,535,007)
Total Tier 1 capital	<u>12,158,369</u>	<u>11,842,178</u>
Tier 2 capital		
Reserve for assets classified as "Pass"	253,432	243,886
Revaluation surplus (deficit) on investment in available-for-sale securities	605	-
Investments in instruments already counted as other financial institution's capital funds	(254,037)	(243,886)
Total Tier 2 capital	<u>-</u>	<u>-</u>
Total Capital funds before deduction	<u>12,158,369</u>	<u>11,842,178</u>
Capital funds deduction :-		
Revaluation surplus (deficit) on investment in available-for-sale securities	-	(12,505)
Total capital funds	<u><u>12,158,369</u></u>	<u><u>11,829,673</u></u>