



**BNP PARIBAS**  
CORPORATE & INVESTMENT BANKING

# **Basel II – Pillar 3 Disclosures**

**31 December 2009**



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## 1. Capital Structure

The Capital of BNP Paribas Bangkok Branch (the Branch) is made of assets maintained in accordance with the Section 32 of the Financial Institutions Businesses Act B.E. 2551 minus deductible items as prescribed in the notification No. FPG. 89/2008 Re: Components of Capital of Branches of Foreign Commercial Banks.

The Branch maintains assets in accordance with Section 32 of the Financial Institutions Business Act B.E. 2551. They are made of Bonds issued by the Bank of Thailand and the Ministry of Finance or guaranteed by the Ministry of Finance and debt instruments issued by state organizations or state enterprises established under specific laws.

The minimum level of assets required to be maintained as capital is the lower amount between the assets maintained under Section 32 and the result of the following:

3.1. Aggregated amounts of money brought in by the head office or any other branches abroad, the reserves and the net profits transferred to the head office account but still maintained in Thailand, minus net losses not yet compensated by the head office, or

3.2. Aggregated amounts of money brought in by the head office or any other branches abroad, the reserves and the net profits transferred to the head office account but still maintained in Thailand, minus net losses not yet compensated by the head office and net balances of inter office accounts when the Branch is a creditor of the head office or any other branches, parent or subsidiary companies.

Under no circumstances, the Branch can have assets under Section 32 lower than THB 2,000 millions as prescribed in the license for operating branches of foreign commercial bank in Thailand.

Table 1 : Capital Structure of Foreign Bank Branches

Unit : THB '000

Capital Structure	31-Dec-09	30-Jun-09
1. Assets required to be maintained under Section 32	5,973,073	5,986,226
2. Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts (2.1+2.2)	21,319,925	7,221,429
2.1 Capital for maintenance of assets under Section 32	5,514,261	5,727,983
2.2 Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches located in other countries, the parent company and subsidiaries of the head office	15,805,663	1,493,447
3. Total regulatory capital (3.1-3.2)	5,514,261	5,727,983
3.1 Total regulatory capital before deductions (The lowest amount among item 1 item 2 and item 2.1)	5,514,261	5,727,983
3.2 Deductions	-	-



## 2. Capital adequacy

The Branch is required to comply with the Bank of Thailand's regulations and especially with the following notifications:

1. No. SorNorSor. 89/2008 Components of Capital of Branches of Foreign Commercial Banks
2. No. Sor Nor Sor 90/ 2551 Re: Regulations for Credit Risk Asset Calculations for Commercial Banks Using the Standardised Approach
3. No. SorNorSor. 92/2551 Re: Regulation on the Calculation of Credit Equivalent Amount for OTC Derivatives
4. No. SorNorSor. 93/2551 Re: Regulation on Failed Trades and Non-Delivery versus Payment (Non-DvP) Transactions for Commercial Banks
5. No. SorNorSor. 94/2008 RE: Guideline on Supervision of Market Risk and Capital Requirement for Market Risk of Financial Institutions
6. No. SorNorSor. 95/2551Re: Regulation on Minimum Capital Requirement for Operational Risk

For local regulatory reporting, the Capital Adequacy Ratio as at 31 December 2009 has been calculated using the Standardised approach for credit and operational risk. The capital adequacy ratio must at all time be above 7.5%. The ratio is computed locally on a monthly basis to satisfy the Bank of Thailand requirements. The capital adequacy of the Branch covers the needs of activities under normal and stressed conditions. The capital is in line with the strategy, the business plans and the risk management.

The overall risk management process and organization is detailed in the registration document and the financial report - BNP Paribas, Pillar 3 disclosure. Please refer to BNP Paribas Paris website Note 4.a. to the Financial Statements page 133

<http://mediacms.bnpparibas.com/file/82/4/doc-reference-2009-en.8824.pdf>



Table 2 Minimum capital requirement for credit risk classified by type of assets under the SA

Unit : THB '000

Minimum capital requirement for credit risk classified by type of assets under the SA	31-Dec-09
<b>Performing claims</b>	<b>941,413</b>
1. Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	128,741
2. Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	380,078
3. Claims on corporates, non-central government public sector entities (PSEs) treated as claims on corporate	426,933
4. Claims on retail portfolios	1,343
5. Claims on housing loans	-
6. Other assets	4,317
<b>Non-performing claims</b>	<b>22,056</b>
<b>First-to-default credit derivatives and Securitisation</b>	<b>-</b>
<b>Total minimum capital requirement for credit risk under the SA</b>	<b>963,468</b>

Table 3 Minimum capital requirement for operational risk

Unit : THB '000

Minimum capital requirement for operational risk	31-Dec-09	30-Jun-09
Calculate by Standardised Approach	122,511	154,256
<b>Total minimum capital requirement for operation risk</b>	<b>122,511</b>	<b>154,256</b>

### 3. Credit risk disclosures

The Credit risk management policy is presented in the registration document and the financial report - BNP Paribas, Pillar 3 disclosure. Please refer to BNP Paribas Paris website Note 4.d to the Financial Statements page 142 <http://media-cms.bnpparibas.com/file/82/4/doc-reference-2009-en.8824.pdf>

Under the standardised approach, the Branch has decided to use the following External credit assessment institution (ECAIs) notations to risk weight its exposures;

- Sovereign Exposures : Standard and Poor's
- Corporate Exposures : TRIS Rating

The Procedures for Use of ECAI Credit Ratings are in line with Bank of Thailand's regulation No. Sor Nor Sor. 90/ 2551 Re: Regulations for Credit Risk Asset Calculations for Commercial Banks Using the Standardised Approach



## Credit risk mitigation under the Standardised Approach

To mitigate the credit risk, the Branch recognizes collateral under the comprehensive approach and applies haircuts as defined by the Bank of Thailand.

**Table 4 Exposure of significant on-balance sheet assets and off-balance sheet items**

Unit : THB '000

Item	31-Dec-09
<b>1. On-balance sheet assets (1.1 + 1.2 + 1.3)</b>	<b>33,145,703</b>
1.1 Net loans <sup>1/</sup>	12,296,212
1.2 Net Investment in debt securities <sup>2/</sup>	17,873,016
1.3 Deposits (including accrued interest receivables)	2,976,475
<b>2. Off-balance sheet items<sup>3/</sup> (2.1 + 2.2 + 2.3)</b>	<b>1,778,130,075</b>
2.1 Aval of bills, guarantees, and letter of credits	10,692,210
2.2 OTC derivatives <sup>4/</sup>	1,766,436,803
2.3 Undrawn committed line	1,001,063

<sup>1/</sup> Including accrued interest receivables and net of deferred incomes, allowances for doubtful accounts and allowances for revaluation from debt restructuring and including net loans of interbank and money market.

<sup>2/</sup> Excluding accrued interest receivables and net of allowances for revaluation of securities and allowances for impairment of securities

<sup>3/</sup> Before multiplying credit conversion factor

<sup>4/</sup> Including equity-related derivatives

**Table 5 Exposure of on-balance sheet assets and off-balance sheet items classified by country or geographic area of debtor**

31-Dec-09

Unit : THB '000

Country or geographic area of debtor	On-balance sheet assets				Off-balance sheet items <sup>3/</sup>			
	Total	Net loans <sup>1/</sup>	Net investment in debt securities <sup>2/</sup>	Deposits	Total	Aval of bills, guarantees of borrowings, and letter of credits	OTC derivatives	Undrawn committed line
1. Thailand	33,012,908	12,163,416	17,873,016	2,976,475	987,072,932	3,050,246	983,021,624	1,001,063
2. Outside Thailand	132,795	132,795	-	-	791,057,143	7,641,964	783,415,179	-
<b>Total</b>	<b>33,145,703</b>	<b>12,296,212</b>	<b>17,873,016</b>	<b>2,976,475</b>	<b>1,778,130,075</b>	<b>10,692,210</b>	<b>1,766,436,803</b>	<b>1,001,063</b>

Note:

and money market.

<sup>2/</sup> Excluding accrued interest receivables and net of allowances for revaluation of securities and allowances for impairment of securities

<sup>3/</sup> Before multiplying credit conversion factor



Table 6 Exposure of on-balance sheet assets and off balance sheet items classified by residual maturity

Unit : THB '000

Item	31-Dec-09		
	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total
<b>1. On-balance sheet assets (1.1 + 1.2 + 1.3)</b>	27,407,716	5,737,987	<b>33,145,703</b>
1.1 Net loans <sup>1/</sup>	11,873,046	423,166	<b>12,296,212</b>
1.2 Net Investment in debt securities <sup>4/</sup>	12,558,194	5,314,822	<b>17,873,016</b>
1.3 Deposits (including accrued interest receivables)	2,976,475	-	<b>2,976,475</b>
<b>2. Off-balance sheet items <sup>3/</sup> (2.1 + 2.2 + 2.3)</b>	902,254,592	875,875,483	<b>1,778,130,075</b>
2.1 Aval of bills, <b>guarantees of borrowings</b> , and letter of credits	7,798,000	2,894,210	<b>10,692,210</b>
2.2 OTC derivatives	893,455,530	872,981,273	<b>1,766,436,803</b>
2.3 Undrawn committed line	1,001,063	-	<b>1,001,063</b>

<sup>1/</sup> Including accrued interest receivables and net of deferred incomes, allowances for doubtful accounts and allowances for revaluation from debt restructuring and including net loans of interbank and money market.

<sup>2/</sup> Excluding accrued interest receivables and net of allowances for revaluation of securities and allowances for impairment of securities

<sup>3/</sup> Before multiplying credit conversion factor

The classified assets of the Branch are split in Pass, Special mention, Substandard, Doubtful, and Doubtful loss categories according to the regulation of the Bank of Thailand No.Sor Nor Sor 31/2008 Re Classification and Provision of Financial Institutions. The defaults and impairment of assets follow the provisioning rules issued by the Bank of Thailand.

The Branch calculates general provision and specific provision based on Bank of Thailand's regulation No.Sor Nor Sor 31/2008 Re Classification and Provision of Financial Institutions.

Table 7 Loans and investment in debt securities classified by geographical area of debtor and asset classification

31-Dec-09

Unit : THB '000

Geographic area of debtor	Loans including accrued interest receivables <sup>1/</sup>						Specific provision for investment in debt securities
	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total	
1. Thailand	11,327,491	-	59,200	637,688	139,037	12,163,416	44,352
2. Outside Thailand	132,795	-	-	-	-	132,795	
<b>Total</b>	<b>11,460,286</b>	<b>-</b>	<b>59,200</b>	<b>637,688</b>	<b>139,037</b>	<b>12,296,212</b>	<b>44,352</b>

<sup>1/</sup> including outstanding amounts of loans and interest receivable receivables of interbank and money market



**Table 8 Provisions and bad debt written-off during period on loan & investment in debt securities classified by geographic area of debtor**

31-Dec-09

Unit : THB '000

Geographic area of debtor	Loans including accrued interest receivables <sup>1/</sup>			Specific provision for investment in debt securities
	General provision <sup>2/</sup>	Specific provision	Bad debt written-off during period	
1. Thailand		541,857	-	44,352
2. OutsideThailand		-	-	-
<b>Total</b>	<b>98,458</b>	<b>541,857</b>	<b>-</b>	<b>44,352</b>

<sup>1/</sup> Including provision and bad debt written-off during period of loans including accrued interest receivables of interbank and money market

<sup>2/</sup> Disclosed in total amount

**Table 9 Loans classified by type of business and by asset classification specified by the Bank of Thailand**

31-Dec-09

Unit : THB '000

Type of business	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total
Agriculture and mining	-	-	-	-	-	-
Manufacturing and commerce	849,643	-	59,200	621,171	139,037	<b>1,669,052</b>
Real estate business and construction	101,000	-	-	16,517	-	<b>117,517</b>
Public utilities and services	754,214	-	-	-	-	<b>754,214</b>
Housing loans	13,708	-	-	-	-	<b>13,708</b>
Others						
- Interbank and money market	10,354,882	-	-	-	-	<b>10,354,882</b>
- Others	52,712	-	-	-	-	<b>52,712</b>
<b>Total</b>	<b>12,126,158</b>	<b>-</b>	<b>59,200</b>	<b>637,688</b>	<b>139,037</b>	<b>12,962,084</b>

**Table 10 Provisions and bad debt written-off during period for loans classified by types of business**

Unit : THB '000

Type of business	31-Dec-09		
	General provision <sup>1/</sup>	Specific provision	Bad debt written-off during period
Agriculture and mining		-	
Manufacturing and commerce		508,823	
Real estate business and construction		33,034	
Public utilities and services		-	
Others		-	
- Interbank and money market		-	
- Others		-	
<b>Total</b>	<b>98,458</b>	<b>541,857</b>	<b>-</b>

<sup>1/</sup> Disclosed in total amount





**Table 11 Reconciliation of change in provisions on loans**

Unit : THB '000

Item	31-Dec-09		
	General provision	Specific provision	Bad debt written-off during period
Provisions at the beginning of the period	98,458	205,387	303,845
Bad debts written-off during the period	-	-	-
Increases or Decreases of provisions during the period		336,470	336,470
Provisions at the end of the period	98,458	541,857	640,315

**Table 12 Exposure of on-balance sheet assets and off-balance sheet items\* classified by type of assets under the SA**

Unit : THB '000

Type of asset	31-Dec-09		
	On balance sheet assets	Off balance sheet item **	Total
<b>1. Performing claims</b>	<b>42,049,067</b>	<b>16,825,702</b>	<b>58,874,768</b>
1.1 Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	17,644,773	231,818	17,876,590
1.2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	1,469,544	12,355,756	13,825,299
1.3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	1,740,629	4,238,128	5,978,758
1.4 Claims on retail portfolios	17,911	-	17,911
1.5 Housing loans	-	-	-
1.6 Other assets	21,176,210	-	21,176,210
<b>2. Non-performing claims</b>	<b>294,074</b>	<b>-</b>	<b>294,074</b>
<b>3. First-to-default credit derivatives and Securitisation</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>42,343,141</b>	<b>16,825,702</b>	<b>59,168,842</b>

\* After multiplying with credit conversion factor and specific provision

\*\* Including all Repo-style transactions (including Reverse repo transactions)



Credit risk exposures under the SA\*

Table 13 : Exposure of net on-balance sheet assets and off-balance sheet items\*\* after adjusted by credit risk mitigation for each type of asset, classified by risk weight

Type of asset	31-Dec-09							
	Rated outstanding amount					Unrated outstanding amount		
Risk weight (%)	0	20	50	100	150	35	75	100
<b>Performing claims</b>								
1. Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	12,759,031	4,856,401	231,818	29,341				
2. Claims on financial institutions, non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms		9,448,972	1,196,800	3,179,528				
3. Claims on corporates, non-central government public sector entities (PSEs) treated as claims on corporate		72,290	456,960	5,449,508				
4. Claims on retail portfolios								17,911
5. Claims on housing loans								
6. Other assets	21,118,648							57,563
Risk weight (%)			50	100	150			
<b>Non-performing claims<sup>1/</sup></b>				294,074				
<b>Capital deduction items prescribed by the Bank of Thailand</b>								

\* Including insignificant credit portfolios using the SA of the commercial banks that use the IRB

\*\* After multiplying credit conversion factor

<sup>1/</sup> For the portion claims with no credit risk mitigation of which risk weight are determined by the proportion of provision to total amount of claims

## 4. Market risk disclosures

Details, about how market risks of the Branch are managed, are given in Registration document and financial report - BNP Paribas, Pillar 3 disclosure.

Please refer to BNP Paribas Paris website Note 4.e to financial statement page 155 <http://mediacms.bnpparibas.com/file/82/4/doc-reference-2009-en.8824.pdf>

## 5. Operational risk disclosures

Details about the operational risk management of the Branch are given in Registration document and financial report - BNP Paribas, Pillar 3 disclosure.

Please refer to BNP Paribas Paris website Note 4.f. to financial statement page 165

<http://media-cms.bnpparibas.com/file/82/4/doc-reference-2009-en.8824.pdf>

For local regulatory reporting, the Branch uses the standard approach to calculate the equivalent factors of operations risk-weighted assets as at 31 December 2009.



## 6. Interest rate risk in banking book disclosures

Details about the interest rate risk in the banking book of the Branch are given in Registration document and financial report - BNP Paribas, Pillar 3 disclosure.

Please refer to BNP Paribas Paris website Note 4 page 162

<http://mediacms.bnpparibas.com/file/82/4/doc-reference-2009-en.8824.pdf>

**Table 14 The effect of changes in interest rates (change 100 bps) to net earnings**

Currency	31-Dec-09
	Impact to NII (%)
Baht	24.90%
USD	-32.79%
EURO	-0.01%
Others	0.04%
<b>Total impact</b>	<b>-7.87%</b>