



Bangkok Bank Public Company Limited

Basel III - Pillar 3 Disclosures

As at June 30, 2019

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Introduction

Bangkok Bank (“the Bank”) recognizes that effective risk management and good corporate governance are essential to the stability and sustainable credibility of the Bank and its subsidiaries in the Group (“the Group”). The Bank therefore places great emphasis on continually improving risk management processes and on having a sufficient level of capital to support business operations, at both the Bank level and the Group level.

The use of market discipline is deemed to be an important driver in the enhancement of the risk management system. Therefore disclosures of information regarding capital, risk exposures, risk assessment processes, and capital adequacy are provided at both the Bank level (Solo Basis) and the Group level (Full Consolidation Basis). The disclosures are in accordance with the disclosure requirements of the Bank of Thailand (“BOT”).

The complete disclosure report of information regarding capital management in accordance with Basel III - Pillar 3 is provided, of which the quantitative information regarding capital structure, capital adequacy, market risk assessment and Liquidity Coverage Ratio (LCR) is disclosed semi-annually. As for the disclosure of qualitative information, it is updated annually or when there is a material change in the risk management policy. Disclosures will be made for information that the Bank considers to be of material nature. The Pillar 3 disclosure reports will be made available on the Bank’s website under the section “Investor Relations” within four months after the end of relevant period.

Scope of Application

The disclosure report covers information at both the Bank level (Solo Basis) and the Group level (Full Consolidation Basis). There are 10 companies in the Group consisting of;

- Bangkok Bank Public Company Limited engaged in commercial banking (as the parent company)
- Bangkok Bank Berhad engaged in commercial banking
- Bangkok Bank (China) Company Limited engaged in commercial banking
- BBL Asset Management Company Limited engaged in fund management
- Bangkok Capital Asset Management Company Limited engaged in fund management
- Bualuang Securities Public Company Limited engaged in securities business
- Sinsuptawee Asset Management Company Limited engaged in asset management
- BBL Nominees (Tempatan) Sdn. Bhd engaged in supporting business
- BBL (Cayman) Limited engaged in finance business
- Bualuang Ventures Limited engaged in venture capital

The scope of consolidation for accounting and regulatory purposes has no difference (See Table 6).

1. Capital Structure and Capital Adequacy

1.1 Capital Structure

The Bank's capital structure according to the regulations on capital requirements under the principles of BOT's Basel III, is revised into Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital.

- Common Equity Tier 1 capital comprises
 - 1) Paid-up share capital
 - 2) Premium (discount) on common share
 - 3) Legal reserves
 - 4) Reserves appropriated from net profit
 - 5) Retained earnings after appropriations
 - 6) Non-controlling interest classified as Common Equity Tier 1
 - 7) Other reserves
 - 8) Deductions such as intangible assets
- Additional Tier 1 capital consists of non-controlling interest classified as Tier 1 Capital.
- Tier 2 capital consists of
 - 1) Long-term subordinated debt instrument subordinated to depositors and general creditors
 - 2) General provisions for normal assets not exceeding 1.25 percent of credit risk-weighted assets
 - 3) Non-controlling interest classified as Tier 2

In adopting Basel III, as for subordinated debt instruments classified as Tier 2 of which the criteria do not meet qualifications under Basel III regarding capability for loss absorbency of the Bank at the point of non-viability i.e. no conversion feature to common shares or written off upon the authority's decision to make financial support to the Bank, BOT requires phasing out capital at 10 percent p.a. starting from 2013 to 2022.

Table 1: Capital Structure

Unit : Million Baht

Capital	The Group		The Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Common Equity Tier 1 Capital	399,202	390,309	391,162	374,633
Tier 1 Capital	399,263	390,369	391,162	374,633
Total Capital	434,708	426,563	426,095	409,945

1.2 Capital Adequacy

The objective of the Bank's and the Group's capital management policy is to maintain an adequate level of capital to support growth strategies within an acceptable risk framework, as well as to meet regulatory requirements and market expectations.

In compliance with the BOT's supervisory review process guidelines, the Bank's capital management process assesses the overall risk and capital adequacy under the Internal Capital Adequacy Assessment Process (ICAAP). The process covers projected assessments of all substantial risks to the Bank's operations, so that the Bank can effectively manage its risks and have a sound capital base for business operations under normal and stress scenarios. Therefore, the capital management process covers the Group level.

The Standardised Approach (SA) is used to measure credit risk, market risk, and operational risk for computing regulatory capital requirements under BOT's Basel III at both the Bank level and the Group level.

Under the principles of Basel III, the BOT requires that commercial banks registered in Thailand and their groups must maintain three minimum capital adequacy ratios: a Common Equity Tier 1 capital adequacy ratio of no less than 4.50 percent, a Tier 1 capital adequacy ratio of no less than 6.00 percent, and a total capital adequacy ratio of no less than 8.50 percent. The aforementioned minimum ratios have yet to include the Capital Conservation Buffer which the BOT is phasing in with an additional capital ratio of more than 0.625 percent p.a. that began on January 1, 2016 rising in increments to more than 2.50 percent on January 1, 2019. Moreover, the BOT requires the Bank, which is classified as a D-SIB, to have additional capital to meet the Higher Loss Absorbency (HLA) requirement by 1.00 percent, beginning with a 0.50 percent increase from January 1, 2019 followed by a 1.00 percent increase from January 1, 2020 onwards. Consequently, a Common Equity Tier 1 capital adequacy ratio of more than 7.50 percent, a Tier 1 capital adequacy ratio of more than 9.00 percent, and a total capital adequacy ratio of more than 11.50 percent are required to be maintained from January 1, 2019. Effective from January 1, 2020, Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio must be more than 8.00, 9.50 and 12.00 percent, respectively, of the total risk-weighted assets.

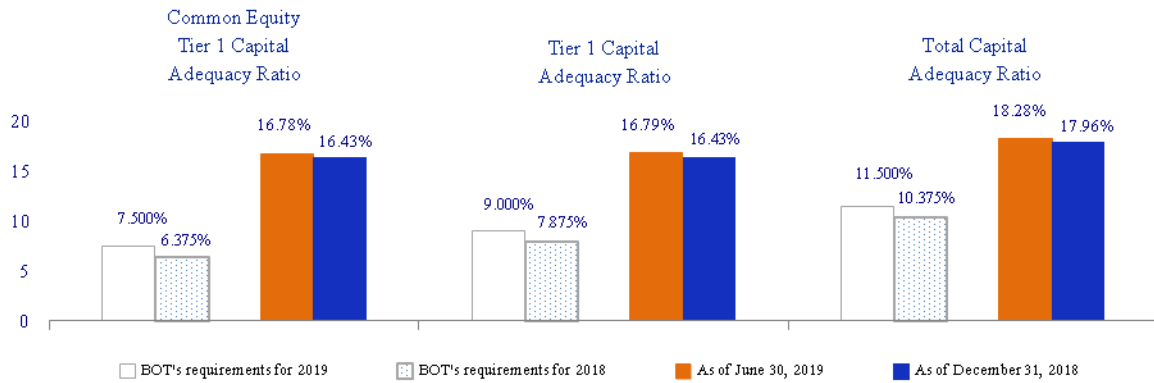
Moreover, BOT may require banks to maintain additional capital for Countercyclical Buffer at maximum 2.50 percent. As at June 30, 2019, the Bank and the Group has adequate capital for such buffers.

Table 2: Capital Adequacy

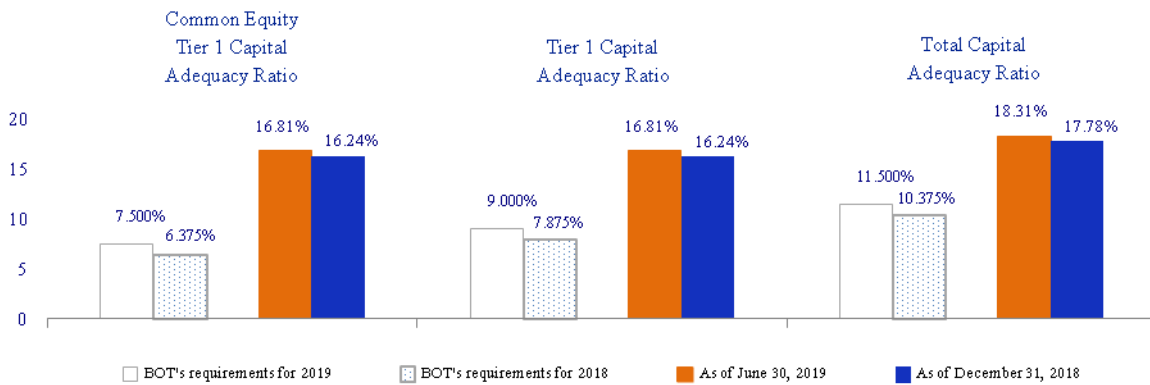
Capital	The Group		The Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Common Equity Tier 1 Capital	16.78%	16.43%	16.81%	16.24%
Tier 1 Capital	16.79%	16.43%	16.81%	16.24%
Total Capital	18.28%	17.96%	18.31%	17.78%

Capital Adequacy Ratio

Group Level (Full Consolidation Basis)



Bank Level (Solo Basis)



Remark: The BOT requires commercial banks to maintain an additional Capital Conservation Buffer. The buffer will gradually increase by more than 0.625 percent each year from January 1, 2016 until it reaches more than 2.5 percent in January 1, 2019. And the BOT also requires commercial banks to have additional capital requirement for Higher Loss Absorbency (HLA) requirement by increasing the Common Equity Tier 1 ratio at 1 percent, beginning at 0.50 percent from January 1, 2019 and increasing to be 1.00 percent from January 1, 2020 onwards.

Table 3: Component of Capital

Unit : Million Baht

Component of Capital	The Group		The Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Tier 1 Capital	399,263	390,369	391,162	374,633
Common Equity Tier 1 Capital	399,202	390,309	391,162	374,633
Paid-up share capital	19,088	19,088	19,088	19,088
Premiums on share capital	56,346	56,346	56,346	56,346
Legal reserves	23,500	23,000	23,500	23,000
Reserves appropriated from net profit	101,500	101,500	101,500	101,500
Net profit after appropriations	161,167	152,107	147,000	132,089
Other comprehensive income	41,917	42,039	46,956	45,361
Deductions from Common Equity Tier 1 Capital	(4,316)	(3,771)	(3,228)	(2,751)
Additional Tier 1 Capital	61	60	-	-
Non-controlling interest	61	60	-	-
Tier 2 Capital	35,445	36,194	34,933	35,312
¹ Subordinated debenture *	8,860	9,535	8,860	9,535
General provision	26,569	26,644	26,073	25,777
Non-controlling interest	16	15	-	-
Total Capital	434,708	426,563	426,095	409,945

*Component of Capital subject to Phasing in (out)

Unit : Million Baht

As at June 30, 2019	The Group		The Bank	
	Classified As Capital	Outstanding Balance for Phasing In (Out)	Classified As Capital	Outstanding Balance for Phasing In (Out)

Phasing in (out) at 10 percent p.a. beginning 2013 - 2022

¹ Subordinated debenture	8,860	(8,860)	8,860	(8,860)
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Unit : Million Baht

As at December 31, 2018	The Group		The Bank	
	Classified as Capital	Outstanding Balance for Phasing In (Out)	Classified as Capital	Outstanding Balance for Phasing In (Out)

Phasing out at 10 percent p.a. beginning 2013 - 2022

¹ Subordinated debenture	9,535	(9,535)	9,535	(9,535)
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Table 4: Minimum Capital Requirements for Each Type of Risks

Unit : Million Baht

Type of Risks	The Group		The Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Minimum capital requirements for credit risk	180,673	181,182	177,302	176,342
Performing	178,140	178,997	174,785	174,177
- Sovereigns and central banks, Multilateral development banks (MDBs ¹), and Provincial organizations/ Government entities/ State enterprises (PSEs ²) which have the same risk weight as Sovereigns	3,068	2,782	3,061	2,776
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	9,422	7,731	8,843	7,148
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	130,780	132,820	125,543	126,520
- Retail	12,049	13,011	11,964	12,914
- Residential mortgage loans	8,011	7,905	8,010	7,905
- Other assets	14,810	14,748	17,364	16,914
Non-Performing	2,533	2,185	2,517	2,165
Minimum capital requirements for market risk	5,205	4,687	4,729	4,325
- Interest Rate Risk	3,578	3,143	3,566	3,129
- Equity Price Risk	484	360	-	-
- Foreign Exchange Risk	1,143	1,184	1,163	1,196
- Commodity Price Risk	-	-	-	-
Minimum capital requirements for operational risk	16,292	16,025	15,722	15,356
Total minimum capital requirements	202,170	201,894	197,753	196,023

Remark

¹ Multilateral Development Bank

² Non-central Government Public Sector Entity

Table 5: Main Features of Regulatory Capital Instruments

	Ordinary share	Subordinated debt 1
Issuer	Bangkok Bank Public Company Limited	Bangkok Bank Public Company Limited Hong Kong Branch
ISIN Code	TH0001010006	USY0606WBQ25 (Reg S) US059895AH54 (144A)
Regulatory treatment		
Instrument type	Common Equity Tier 1	Tier 2 capital
Qualified Basel III	Qualified	Non-qualified
Non-qualified Basel III features	N/A	No loss absorption features
Phased-out or full-amount	Full-amount	Phased-out at 10% p.a.
Eligible at solo/group level	Group & solo	Group & solo
Amount recognized in regulatory capital (Net of phasing out) (Unit: THB Million)	19,088	8,860
Par value	10 Baht	1,000 U.S. Dollar
Accounting classification	Shareholder's equity	Amortized-cost debt
Original date of issuance	Multiple	January 28, 1999
Perpetual or dated	Perpetual	Dated
Original maturity date	No maturity	March 15, 2029
Issuer's authority to call subject to prior supervisory approval	No	No
Optional call date, contingent call date and redemption amount	N/A	The Bank has the option to redeem the subordinated notes if there are changes in or amendments to the tax laws or regulations of Thailand and/or Hong Kong resulted that the Bank has additional amount to pay in respect to the withholding tax. The redemption amount of the notes shall be equal to total outstanding principal plus accrued interest.
Subsequent call dates, if applicable	N/A	Any date after original date of issuance

Table 5: Main Features of Regulatory Capital Instruments (Continued)

	Ordinary share	Subordinated debt 1
Coupons / dividends		
Fixed or floating dividend/coupon	Discretionary dividend amount	Fixed rate
Coupon rate and any related index	Distributable profit that has been declared as dividend	9.025 % p.a.
Existence of a dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory by BOT
Existence of step up or other incentive to redeem	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible
Write-down feature	No	No
Position in subordination hierarchy in liquidation	The ordinary shareholders shall of the return of capital in a winding-up at the last position.	The subordinated noteholders shall of the return of capital in a winding-up after preferred shareholders, depositors and general creditors.

Table 6: Reconciliation of Regulatory Capital and Financial Statement under Consolidated Supervision
The Group Capital

Unit : Million Baht

Item	30 June 2019	31 December 2018	References Based on Balance Sheet under the Consolidated Supervision
	Amount	Amount	
Tier 1 Capital			
Common Equity Tier 1 Capital			
Paid-up Common Shares after Deducting Treasury Shares	19,088	19,088	A
Premiums on Share Capital	56,346	56,346	B
Legal Reserves	23,500	23,000	C
Reserves Appropriated from Net Profit	101,500	101,500	D
Net Profit after Appropriation	161,167	152,107	E
Other Comprehensive Income			
Revaluation Surplus on Land Building and Condominium Appraisal	22,105	22,567	F
Revaluation Surplus (Deficit) of Available for Sale Equity and Debt Securities	34,253	29,856	G
Foreign Currency Translation Differences	(14,442)	(10,384)	H
Other Owner Changes Items	1	-	I
Total CET1 Capital before Regulatory Adjustments and Deduction	403,518	394,080	
Regulatory Adjustments on CET1	-	-	
Regulatory Deduction on CET1			
Intangible Assets (Software Computer License)	(1,880)	(1,080)	J
Deferred Tax Assets	(2,436)	(2,691)	K
Total Regulatory Deduction on CET1	(4,316)	(3,771)	
Total CET1	399,202	390,309	
Additional Tier 1 Capital			
Non-controlling Interest	61	60	L
Total Tier 1 Capital	399,263	390,369	
Tier 2 Capital			
Proceeds from Issuing Subordinated Debt Securities	8,860	9,535	M
General Provision	26,569	26,644	N
Non-controlling Interest	16	15	O
Total Tier 2 Capital	35,445	36,194	
Total Regulatory Capital	434,708	426,563	

Table 6: Reconciliation of Regulatory Capital and Financial Statement under Consolidated Supervision (Continued)

Balance Sheet under the Consolidated Supervision ¹

Unit : Million Baht

Items	30 June 2019	31 December 2018	References for the Group Capital Items
	Amount	Amount	
Assets			
Cash	55,151	62,394	
Interbank and Money Market Items, net	505,175	450,700	
Derivative Assets	48,046	28,650	
Investments, net	584,481	556,788	
Investments in Subsidiaries and Associates, net	1,727	1,608	
Loans to Customers and Accrued Interest Receivables, net			
Loans to Customers	2,017,901	2,083,703	
Accrued Interest Receivables	5,265	5,624	
Total Loans to Customers and Accrued Interest Receivables	2,023,166	2,089,327	
<u>Less</u> Deferred Revenue	(587)	(543)	
<u>Less</u> Allowance for Doubtful Accounts	(145,889)	(147,588)	
Qualified as Capital	(26,569)	(26,644)	N
<u>Less</u> Revaluation Allowance for Debt Restructuring	(6,733)	(5,415)	
Total Loans to Customers and Accrued Interest Receivables, net	1,869,957	1,935,781	
Customers' Liabilities under Acceptances	1,398	1,578	
Properties for Sale, net	10,341	10,604	
Premises and Equipment, net	41,810	42,567	
Other Intangible Assets, net	1,880	1,080	
Deduction from Capital	(1,880)	(1,080)	J
Deferred Tax Assets	4,244	4,091	
Deduction from Capital	(2,436)	(2,691)	K
Collateral Placed with Financial Counterparties	5,413	3,324	
Other Assets, net	16,486	17,585	
Total Assets	3,146,109	3,116,750	
Liabilities			
Deposits	2,352,679	2,326,470	
Interbank and Money Market Items	119,904	136,862	
Liabilities Payable on Demand	7,726	7,223	
Derivative Liabilities	32,655	22,338	
Debt Issued and Borrowings	111,103	116,348	
Debt Instruments that are Qualified as Capital	8,860	9,535	M
Bank's Liabilities under Acceptances	1,398	1,578	
Provisions	16,805	16,519	
Deferred Tax Liabilities	1,808	1,399	
Other Liabilities	78,531	74,854	
Total Liabilities	2,722,609	2,703,591	

Table 6: Reconciliation of Regulatory Capital and Financial Statement under Consolidated Supervision (Continued)

Balance Sheet under the Consolidated Supervision¹		Unit : Million Baht	
Items	30 June 2019	31 December 2018	References for the Group Capital Items
	Amount	Amount	
Owner' Equity			
Share Capital			
Authorized Share Capital			
Preferred Shares	17	17	
Common Shares	39,983	39,983	
Issued and Paid-up Share Capital			
Common Shares	19,088	19,088	A
Premium on Common Shares	56,346	56,346	B
Other Comprehensive Income	42,716	42,843	
Qualified as Capital	41,917	42,039	F, G, H, I
Retained Earnings			
Appropriated			
Legal Reserve	23,500	23,000	C
Others	101,500	101,500	D
Unappropriated	180,011	170,037	
Qualified as Capital	161,167	152,107	E
Total Shareholders' Equity	423,161	412,814	
Non-controlling Interest			
Qualified as Tier 1 Capital	61	60	L
Qualified as Tier 2 Capital	16	15	O
Total Owner's Equity	423,500	413,159	
Total Liabilities and Owner's Equity	3,146,109	3,116,750	

Remark
¹ The scope of consolidation for accounting and regulatory purposes has no difference.

2. Liquidity Coverage Ratio (LCR)

According to the Basel III guideline, the Bank is subject to the Liquidity Coverage Ratio (LCR) requirement imposed by the BOT. This guideline aims to ensure that a bank has adequate liquidity to support short-term severe liquidity stress scenarios by requiring a bank to maintain High-Quality Liquid Assets (HQLA) to cover total Net Cash Outflows over the next 30 calendar days under severe liquidity stress scenarios (Net COF). The BOT requires commercial banks to maintain LCR at the end of each month not less than 60%, starting from January 1, 2016. The LCR requirement is to increase by 10% yearly until it reaches 100% on January 1, 2020. The LCR calculation is as follow.

$$\text{LCR} = \frac{\text{Stock of High-Quality Liquid Assets}}{\text{Total Net Cash Outflows over the next 30 days estimated under severe liquidity stress scenarios}}$$

HQLA is unencumbered high-quality liquid asset that can be easily and immediately converted into cash at little or no loss of value even under severe liquidity stress scenarios. All high-quality liquid assets must also meet the minimum standard as stipulated by the BOT. When calculating the amount of HQLA, the value of all qualified assets must be combined and deducted by the haircut value as specified by the BOT. The caps of each class of HQLA must be considered.

Net COF is calculated by deducting the total expected cash inflow from the total expected cash outflow within the period of 30 days during the severe liquidity stress scenario. The total expected cash inflow cannot exceed 75% of the total expected cash outflow and cannot include those assets that are already qualified as HQLA. In calculating expected cash inflow and outflow, the Bank estimates the flows by applying the inflow rates and the run-off rates specified by the BOT.

The Bank's quarterly LCR which is an average of month-end value in each quarter is shown below.

Table 7: Liquidity Coverage Ratio

Items	Unit: Million Baht	
	Average Value for the second quarter ²	
	Year 2019	Year 2018
Total High-Quality Liquid Assets	760,090	755,123
Total expected net cash outflows within the next 30 days	245,175	279,416
LCR ¹	311%	271%
Minimum LCR required by the Bank of Thailand	90%	80%

Note

¹ The LCR is computed as an average ratio of month-end LCR in the quarter. This may not be equal to an LCR computed with the average values of HQLA and Net COF.

² Average of month-end value in the quarter.

The Bank's average LCR for the first quarter and the second quarter of 2019 in comparison with those of 2018 are shown below.

Table 8: Comparison of Liquidity Coverage Ratio

Average LCR	Year 2019	Year 2018
The first quarter	286%	257%
The second quarter	311%	271%

For the second quarter of 2019, the Bank's average LCR was 311 percent, well above the regulatory minimum requirement of 90 percent.

The Bank's average HQLA was 760,090 million Baht for the second quarter of 2019. Of this amount, 93.5 percent was Level 1 HQLA, which included cash and qualifying debt securities issued or guaranteed by governments, central banks and state enterprises. The remaining was Level 2 HQLA, which were mainly qualifying corporate debt securities rated at least A or equivalent and promissory notes issued by Thailand's Ministry of Finance.

The Bank's average Net COF was 245,175 million Baht for the second quarter of 2019. The expected net cash outflows of the Bank were mainly driven by deposits and borrowings from retails and corporates, as well as contingent bond bought. The main drivers of the Bank's inflows were fully-performing loans, interbank placement and contingent bond sold.

The Bank assesses, monitors and controls liquidity risk through a variety of measurements, along with the LCR, such as loan-to-deposit ratio, cumulative net cash flow positions, funding concentration and Net Stable Funding Ratio. The Bank also regularly monitors the early warning indicators to detect any potential liquidity crisis. This is to ensure that the Bank has sufficient liquidity for business operation as usual and can proactively manage liquidity risk.