



Bangkok Bank Public Company Limited

Basel III - Pillar 3 Disclosures

As at December 31, 2014

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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) 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, and market risk assessment 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 “About Bangkok Bank/ 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 9 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

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 assets
 - 3) Non-controlling interest classified as Tier 2

In adopting Basel III, BOT relaxes for new other comprehensive income items recognized as capital by allowing to phase in the addition into or deduction from the capital at 20 percent p.a. starting from 2014 to 2018. 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	
	31 December 2014	30 June 2014	31 December 2014	30 June 2014
Common Equity Tier 1 Capital	303,683	292,775	297,006	287,012
Tier 1 Capital	303,810	292,891	297,006	287,012
Total Capital	350,097	339,204	342,423	332,566

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 assessments of all substantial risks to the Bank's operations under projected normal and stressed scenarios, so that the Bank can effectively manage its risks while ascertaining and ensuring that it has a sound capital base in line with its risk profile. Therefore, the Bank will expand the capital management process to the Group.

The Standardized 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. However, the aforementioned minimum ratio does not include the Capital Conservation Buffer which BOT sets out to phasing in additional capital ratio of more than 0.625 percent p.a. beginning 2016 until completion of the increment to more than 2.50 percent in 2019. In year 2019, their Common Equity Tier I ratio originally from 4.50% to more than 7.00%, Tier I ratio originally from 6.00% to more than 8.50% and total capital ratio originally from 8.50% to more than 11.00% of the total risk-weighted assets.

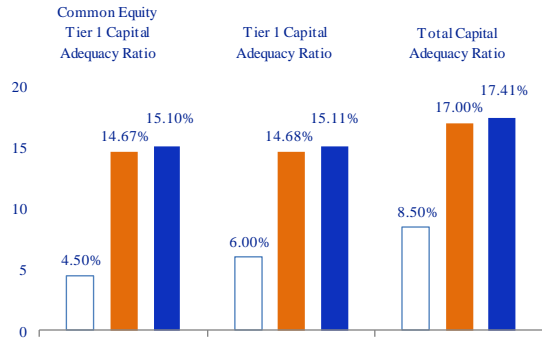
Moreover, BOT may require banks to maintain additional capital for Countercyclical Buffer at maximum 2.50 percent. As at December 31, 2014, the Bank and the Group has adequate capital for such buffers.

Table 2: Capital Adequacy

Capital	The Group		The Bank	
	31 December 2014	30 June 2014	31 December 2014	30 June 2014
Common Equity Tier 1 Capital	15.10%	14.67%	15.24%	14.82%
Tier 1 Capital	15.11%	14.68%	15.24%	14.82%
Total Capital	17.41%	17.00%	17.56%	17.18%

Capital Adequacy Ratio

Group Level (Full Consolidation Basis)



Bank Level (Solo Basis)

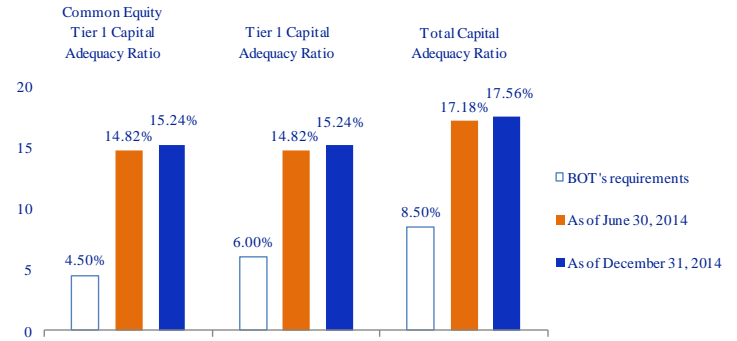


Table 3: Component of Capital

Unit : Million Baht

Component of Capital	The Group		The Bank	
	31 December 2014	30 June 2014	31 December 2014	30 June 2014
Tier 1 Capital	303,810	292,891	297,006	287,012
Common Equity Tier 1 Capital	303,683	292,775	297,006	287,012
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	19,000	18,500	19,000	18,500
Reserves appropriated from net profit	81,500	76,500	81,500	76,500
Net profit after appropriations	86,200	77,075	79,619	71,445
¹ Other comprehensive income *	41,689	45,406	41,581	45,260
² Deductions from Common Equity Tier 1 Capital *	(140)	(140)	(128)	(127)
Additional Tier 1 Capital	127	116	-	-
³ Non-controlling interest *	127	116	-	-
Tier 2 Capital	46,287	46,313	45,417	45,554
⁵ Subordinated debenture *	23,628	23,628	23,628	23,628
General provision	22,658	22,684	21,789	21,926
⁴ Non-controlling interest *	1	1	-	-
Total Capital	350,097	339,204	342,423	332,566

***Component of capital subject to phasing in (out)**

Unit : Million Baht

As at December 31, 2014	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 20 percent p.a. beginning 2014 - 2018				
¹ Other comprehensive income	41,689	914	41,581	501
² Deductions from Common Equity Tier 1 Capital	(140)	(558)	(128)	(514)
³ Non-controlling interest	127	(101)	-	-
⁴ Non-controlling interest	1	5	-	-
Phasing in (out) at 10 percent p.a. beginning 2013 - 2022				
⁵ Subordinated debenture	23,628	(23,628)	23,628	(23,628)

*Component of capital subject to phasing in (out)

Unit : Million Baht

As at June 30, 2014	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 20 percent p.a. beginning 2014 - 2018				
¹ Other comprehensive income	45,406	1,197	45,260	658
² Deductions from Common Equity Tier 1 Capital	(140)	(560)	(127)	(509)
³ Non-controlling interest	116	94	-	-
⁴ Non-controlling interest	1	5	-	-
Phasing in (out) at 10 percent p.a. beginning 2013 - 2022				
⁵ Subordinated debenture	23,628	(23,628)	23,628	(23,628)

Table 4: Minimum Capital Requirements for Each Type of Risks

Unit : Million Baht

Type of Risks	The Group		The Bank	
	31 December 2014	30 June 2014	31 December 2014	30 June 2014
Minimum capital requirements for credit risk	154,996	154,256	150,735	150,105
Performing	153,329	152,983	149,098	148,866
- 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	1,187	820	1,187	820
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	7,086	6,152	6,337	5,685
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	113,188	114,841	107,908	109,532
- Retail	13,493	12,873	13,339	12,775
- Residential mortgage loans	6,254	5,892	6,252	5,890
- Other assets	12,121	12,405	14,075	14,164
Non-Performing	1,667	1,273	1,637	1,239
Minimum capital requirements for market risk	2,636	2,327	2,623	2,304
- Interest Rate Risk	2,016	1,730	2,003	1,679
- Equity Price Risk	137	144	-	-
- Foreign Exchange Risk	483	453	620	625
- Commodity Price Risk	-	-	-	-
Minimum capital requirements for operational risk	13,282	13,030	12,346	12,179
Total minimum capital requirements	170,914	169,613	165,704	164,588

Remark

¹ Multilateral Development Banks

² Non-central Government Public Sector Entities

Table 5: Main Features of Regulatory Capital Instruments

	Ordinary share	Subordinated debt 1	Subordinated debt 2
Issuer	Bangkok Bank Public Company Limited	Bangkok Bank Public Company Limited Hong Kong Branch	Bangkok Bank Public Company Limited
ISIN Code	TH0001010006	USY0606WBQ25 (Reg S) US059895AH54 (144A)	TH0001032C09
Regulatory treatment			
Instrument type	Common Equity Tier 1	Tier 2 capital	Tier 2 capital
Qualified Basel III	Qualified	Non-qualified	Non-qualified
Non-qualified Basel III features	N/A	No loss absorption features	No loss absorption features
Phased-out or full-amount	Full-amount	Phased-out at 10% p.a.	Phased-out at 10% p.a.
Eligible at solo/group level	Group & solo	Group & solo	Group & solo
Amount recognized in regulatory capital (Net of phasing out) (Unit: THB Million)	19,088	7,628	16,000
Par value	10 Baht	1,000 U.S. Dollar	1,000 Baht
Accounting classification	Shareholder's equity	Amortized-cost debt	Amortized-cost debt
Original date of issuance	Multiple	January 28, 1999	December 7, 2012
Perpetual or dated	Perpetual	Dated	Dated
Original maturity date	No maturity	March 15, 2029	December 7, 2022
Issuer's authority to call subject to prior supervisory approval	No	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.	December 7, 2017 / Full redemption amount
Subsequent call dates, if applicable	N/A	Any date after original date of issuance	At any coupon payment dates after 5 years from original date of issuance

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

	Ordinary share	Subordinated debt 1	Subordinated debt 2
Coupons / dividends			
Fixed or floating dividend/coupon	Discretionary dividend amount	Fixed rate	Fixed rate
Coupon rate and any related index	Distributable profit that has been declared as dividend	9.025 % p.a.	4.375 % p.a.
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory by BOT	Mandatory by BOT
Existence of step up or other incentive to redeem	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
Write-down feature	No	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.	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	31 December 2014	30 June 2014	References based on balance sheet under the consolidated supervision
	Amount	Amount	
<u>Tier 1 capital</u>			
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	19,000	18,500	C
Reserves appropriated from net profit	81,500	76,500	D
Net profit after appropriation	86,200	77,075	E
Other comprehensive income			
Revaluation surplus on land building and condominium appraisal	14,089	14,539	F
Revaluation surplus (deficit) of available for sale equity and debt securities	28,100	31,240	G
Foreign currency translation differences	(500)	(373)	H
Other owner changes items	-	-	
Total CET1 capital before regulatory adjustments and deduction	303,823	292,915	
Regulatory adjustments on CET1	-	-	
Regulatory deduction on CET1			
Intangible assets (Software computer license)	(140)	(140)	I
Total regulatory deduction on CET1	(140)	(140)	
Total CET1	303,683	292,775	
Additional Tier 1 capital			
Non-controlling interest	127	116	J
Total Tier 1 capital	303,810	292,891	
<u>Tier 2 capital</u>			
Proceeds from issuing subordinated debt securities	23,628	23,628	K
General provision	22,658	22,684	L
Non-controlling interest	1	1	M
Total Tier 2 capital	46,287	46,313	
Total regulatory capital	350,097	339,204	

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

Balance sheet under the consolidated supervision ¹		Unit : Million Baht	
Items	31 December 2014	30 June 2014	References for the Group capital items
	Amount	Amount	
Assets			
Cash	59,899	43,204	
Interbank and money market items, net	532,205	362,763	
Claim on securities	65	41	
Derivative assets	15,941	12,439	
Investments, net	382,054	395,499	
Investments in subsidiaries and associates, net	1,156	985	
Loans to customers and accrued interest receivables, net			
Loans to customers	1,782,849	1,765,224	
Accrued interest receivables	4,233	3,451	
Total Loans to customers and accrued interest receivables	1,787,082	1,768,675	
<u>Less</u> Deferred revenue	(616)	(703)	
<u>Less</u> Allowance for doubtful accounts	(89,411)	(94,338)	
Qualified as capital	(22,658)	(22,684)	L
<u>Less</u> Revaluation allowance for debt restructuring	(2,514)	(2,869)	
Total Loans to customers and accrued interest receivables, net	1,694,541	1,670,765	
Customers' liabilities under acceptances	1,852	1,748	
Properties for sale, net	16,516	17,860	
Premises and equipment, net	31,455	31,993	
Other Intangible assets, net	698	700	
Deduction from capital	(140)	(140)	I
Deferred tax assets	2,132	2,042	
Other assets, net	21,376	18,098	
Total assets	2,759,890	2,558,137	
Liabilities			
Deposits	2,058,779	1,903,432	
Interbank and money market items, net	140,048	117,463	
Liabilities payable on demand	9,136	8,789	
Liabilities to deliver securities	152	159	
Derivative liabilities	17,852	11,035	
Debt issued and borrowings	140,845	138,823	
Debt instruments that are qualified as capital	23,628	23,628	K
Bank's liabilities under acceptances	1,852	1,748	
Provisions	9,241	8,432	
Deferred tax liabilities	4,169	4,773	
Other liabilities	54,173	50,248	
Total liabilities	2,436,247	2,244,902	

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

Balance sheet under the consolidated supervision ¹			Unit : Million Baht
Items	31 December 2014	30 June 2014	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 share capital			
Premium on common shares	56,346	56,346	B
Other comprehensive income			
Qualified as capital	41,689	45,406	F, G, H
Retained earnings			
Appropriated			
Legal reserve	19,000	18,500	C
Others	81,500	76,500	D
Unappropriated			
Qualified as capital	86,200	77,075	E
๓๓ Total shareholders' equity	323,491	313,095	
Non-controlling interest			
Qualified as Tier 1 capital	127	116	J
Qualified as Tier 2 capital	1	1	M
Total owner's equity	323,643	313,235	
Total liabilities and owner's equity	2,759,890	2,558,137	

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

2. Information Related to the Risks

The effective risk management is fundamental to good banking practice of the Bank and the Group. Accordingly, the Bank has established guidelines for managing risk in each area of the business of the Bank and the Group to ensure that they have effective risk management mechanisms in place. Over the past few years, the Bank has continuously analyzed major risk factors which could affect the financial operations of the Bank and the Group and, where necessary, adjusted their organizational structure and risk management processes. This is to ensure that their risk management systems are effective and in line with international standards and are in accordance with the BOT guidelines.

The Risk Management Committee, the Board of Executive Directors and the senior management all play significant roles in prescribing and reviewing the sufficiency of the risk management policy and system. They also define the risk management strategy, and monitor and control the risk of the Bank and the Group to be at an appropriate level, in compliance with the risk management policy approved by the Board of Directors.

The risk management process of the Bank and the subsidiaries in the Group comprises the identification of significant risks which may potentially impact business operations, the assessment of each type of risk, the monitoring and control of risks to an appropriate level, and the reporting of the status for each type of risk to relevant parties so as to enable them to manage and/or handle the risks in a timely manner.

The key principle of risk management is based on each business unit being responsible for continuously managing its relevant risk exposures and ensuring each risk stays within the approved limits and in compliance with the overall risk management policy approved by the Board of Directors, while the Risk Management Division is responsible for monitoring and controlling the overall risks on a regular basis. The Risk Management Division and all risk-generating units are audited by the Audit and Control Division to assess the effectiveness, adequacy and appropriateness of the internal control systems.

The approach used by the Bank and the subsidiaries in the Group for the management of credit risk, market risk and operational risk are as follows:

2.1 Credit Risk

Credit Risk is the risk that arises from the inability of borrowers or counterparties to perform their obligations under contractual agreements in relation to lending, investment and other contractual activities, for example the borrowers' failure to repay principal and/or interest as agreed in the contract.

2.1.1 Credit Risk Management

The Bank has established credit underwriting processes which include the formulation of the credit policy, credit risk ratings for customers, and the establishment of different levels of delegation of authority for credit approval, depending upon the type of business and/or the size of the credit line. In considering, the approval of loans in general, the Bank considers the purpose of the loan and assesses the repayment ability of the applicant, taking into account the applicant's operating cash flows, business feasibility, the capability of management, and collateral coverage. The Bank performs credit reviews which include reviewing credit risk rating on a regular basis. In order to effectively monitor and manage its credit risks, the Bank has, therefore, set up the following divisions.

- Risk Management Division is responsible for analyzing and reporting to management on the status of risks in various areas of the Bank, as well as proposing recommendations for the review of the overall risks policy of the Bank in

anticipation of, and in compliance with, new rules, regulations and international standards. The division is also responsible for monitoring the management of each type of risk to comply with the Bank's risk management policy.

- Credit Management Division is responsible for managing risks related to credit extension by supervising and monitoring credit extensions in accordance with the Bank's credit policies. The Credit Management Division comprises the Credit Policy unit, the Credit Acceptance unit, the Portfolio Management unit, the Risk Asset Review unit, the Special Asset Management unit, the Loan Recovery and Legal unit, and the Bank Property unit. The functions of each unit are summarized below
 - Credit Policy unit oversees the credit policy framework and coordinates the improvement and adjustment of the credit policy. It is also responsible for disseminating the credit policy, credit standards and credit processes; for monitoring and overseeing exceptional cases which are inconsistent with the credit policy; and for gathering various inputs which may be used for improving the credit policy.
 - Credit Acceptance oversees the quality of credit extensions to ensure they are in line with the credit policy and credit underwriting standards, reviews the appropriateness of loan structures as well as the results of customers' credit risk ratings, promotes the development of a good credit culture, and maintains a systematic and reliable credit extension process.
 - Portfolio Management unit is responsible for analyzing and making recommendations for adjustments to the portfolio structure, recommending the appropriate portfolio composition and the provision of reserves for loan losses at the portfolio level, developing and overseeing credit risk management tools and methodologies, constructing credit databases, and overseeing related management standards.
 - Risk Asset Review unit is charged with reviewing credit quality and credit management processes, assessing the adequacy of loan loss reserves, and evaluating compliance with credit policy, regulations and credit underwriting standards.
 - Special Asset Management unit is responsible for managing non-performing loans, and for determining and executing strategies for the resolution and restructuring of troubled loans.
 - Loan Recovery and Legal unit is responsible for taking legal actions, negotiating loan settlements, and seizing collateral for sale by public auction.
 - Bank Property unit is responsible for managing and selling foreclosed assets obtained from loan recovery processes and from legal actions.

For the credit process, credit applications are first considered by the business units and then submitted to the Credit Acceptance unit. The unit conducts additional analysis to help mitigate credit risk by ensuring that the proposals comply with the Bank's credit policies in areas such as credit underwriting standards, credit risk rating, and collateral appraisal. In handling non-performing loans, there is a specific unit to manage and resolve such loans. The Bank also has an independent unit to review credit quality and credit management processes; assess the adequacy of loan loss reserves for non-performing loans; evaluate the effectiveness in complying with credit policy, regulations and credit underwriting standards; and assess the appropriateness of portfolio composition, the adequacy of capital and the effectiveness of stress testing as specified by the Bank and the BOT. All the above units report to the senior management, the Board of Executive Directors and the Risk Management Committee on a regular basis.

The Bank has established different measures to control credit risk. For example, the Bank has instituted limits on the amount of total credit extended, contingent liabilities, and investment in a group of borrowers, an industry and a country. All of this will limit the loss of capital due to an economic downturn. Moreover, the Bank monitors and reports on these aspects to the senior management, the Board of Executive Directors and the Risk Management Committee to ensure that there will be adequate capital to safeguard the continuity of business operations in difficult times.

For the subsidiaries in the Group, credit risk management processes similar to that of the Bank have been established, but the organizational structure of the units that are responsible for the supervision and management of credit risk may vary according to the structure of each company.

2.1.2 Classification and Impairment of Assets

The Bank and each subsidiary in the Group follow the guidelines of the BOT and/or the relevant local regulators regarding the classification of assets and relevant provisions. Assets are classified as normal, special mention, substandard, doubtful, doubtful of loss and loss by taking into consideration the length of time in default of payment whether of principal or interest, and also qualitative measures.

Under the Standardized Approach (SA) for measuring capital adequacy, the Bank and the subsidiaries in the Group's provisions are differentiated into Specific Provision and General Provision as follows:

- Specific Provisions include provisions that have been set aside for non-performing loans based on the difference between the book value of such loans and the present value of estimated future cash flows to be received, either from the debtors or from disposal of collateral; and provisions that have been set aside for performing loans in accordance with the minimum guidelines specified by the BOT and/or the relevant regulators. For loans with similar credit risk characteristics, the Collective Approach may be adopted using historical loss information and current observable data to determine the provisioning level. Furthermore, specific provisions include provisions for any off-balance sheet items where a loss may be realized upon settlement of obligations on behalf of such debtors; provisions for other on-balance sheet assets where objective evidence of impairment exists and the impairment loss can be estimated; and unrealized loss on revaluation of securities categorized as trading and available-for-sale. Specific provisions do not include provisions for assets classified as normal which have already been included in Tier 2 capital.
- General Provisions include provisions that have been set aside in excess of the minimum regulatory requirements for potential loss due to changes in economic and legal environment and other factors as outlined above which are not earmarked specifically for any particular debtor; and provisions that have been set aside for assets classified as normal that are included in Tier 2 capital.

The following tables present the quantitative information related to credit risk at the Bank and the Group level as at December 31, 2014 and 2013.

Table 7: Significant on-statement of financial position assets and off-statement of financial position items before credit risk mitigation classified by remaining maturity

Unit: Million Baht

The Group									
31 December 2014									
Remaining maturity	On-statement of financial position assets					Off-statement of financial position items before multiplying by credit conversion factors			
	Net loans and accrued interest receivables*	Net investment in debt securities	Deposits (including accrued interest receivables)	Derivatives assets	Total	Avals, loan guarantees, letters of credit	OTC derivatives	Undrawn committed lines	Total
Up to 1 year	1,030,177	145,921	205,959	6,137	1,388,194	41,221	807,315	22,919	871,455
Over 1 year	1,013,505	152,243	208	9,804	1,175,760	5,422	503,249	57,336	566,007
Total	2,043,682	298,164	206,167	15,941	2,563,954	46,643	1,310,564	80,255	1,437,462

* Including interbank and money market items but excluding general provisions

Unit: Million Baht

The Group									
31 December 2013									
Remaining maturity	On-statement of financial position assets					Off-statement of financial position items before multiplying by credit conversion factors			
	Net loans and accrued interest receivables*	Net investment in debt securities	Deposits (including accrued interest receivables)	Derivatives assets	Total	Avals, loan guarantees, letters of credit	OTC derivatives	Undrawn committed lines	Total
Up to 1 year	1,005,196	61,570	155,211	9,235	1,231,212	48,374	756,585	10,320	815,279
Over 1 year	934,051	242,111	-	4,535	1,180,697	6,380	272,353	83,429	362,162
Total	1,939,247	303,681	155,211	13,770	2,411,909	54,754	1,028,938	93,749	1,177,441

* Including interbank and money market items but excluding general provisions

Unit: Million Baht

The Bank

31 December 2014

Remaining maturity	On-statement of financial position assets					Off-statement of financial position items before multiplying by credit conversion factors			
	Net loans and accrued interest receivables*	Net investment in debt securities	Deposits (including accrued interest receivables)	Derivatives assets	Total	Avals, loan guarantees, letters of credit	OTC derivatives	Undrawn committed lines	Total
Up to 1 year	984,912	136,665	149,440	5,866	1,276,883	39,620	797,397	26,216	863,233
Over 1 year	1,000,074	146,681	208	9,804	1,156,767	2,845	503,249	57,335	563,429
Total	1,984,986	283,346	149,648	15,670	2,433,650	42,465	1,300,646	83,551	1,426,662

* Including interbank and money market items but excluding general provisions

Unit: Million Baht

The Bank

31 December 2013

Remaining maturity	On-statement of financial position assets					Off-statement of financial position items before multiplying by credit conversion factors			
	Net loans and accrued interest receivables*	Net investment in debt securities	Deposits (including accrued interest receivables)	Derivatives assets	Total	Avals, loan guarantees, letters of credit	OTC derivatives	Undrawn committed lines	Total
Up to 1 year	965,836	54,853	109,150	9,138	1,138,977	44,475	744,354	13,601	802,430
Over 1 year	922,941	235,850	-	4,535	1,163,326	5,370	272,353	83,429	361,152
Total	1,888,777	290,703	109,150	13,673	2,302,303	49,845	1,016,707	97,030	1,163,582

* Including interbank and money market items but excluding general provisions

Table 8: Significant on-statement of financial position assets and off-statement of financial position items before credit risk mitigation classified by customer's country of residence

Unit: Million Baht

The Group									
31 December 2014									
Customer's country of residence ¹	On-statement of financial position assets					Off-statement of financial position items before multiplying by credit conversion factors			
	Net loans and accrued interest receivables ²	Net investment in debt securities	Deposits (including accrued interest receivables)	Derivatives assets	Total	Avals, loan guarantees, letters of credit	OTC derivatives	Undrawn committed lines	Total
Thailand	1,704,506	265,561	23,277	11,686	2,005,030	29,527	1,066,499	62,750	1,158,776
Asia	307,367	25,873	147,939	2,778	483,957	16,892	126,416	14,209	157,517
Europe	15,884	1,911	13,486	1,131	32,412	83	89,566	-	89,649
America	13,250	975	21,198	326	35,749	134	24,359	3,296	27,789
Others	2,675	3,844	267	20	6,806	7	3,724	-	3,731
Total	2,043,682	298,164	206,167	15,941	2,563,954	46,643	1,310,564	80,255	1,437,462

¹ Based on customer's country of residence

² Including interbank and money market items but excluding general provisions

Unit: Million Baht

The Group									
31 December 2013									
Customer's country of residence ¹	On-statement of financial position assets					Off-statement of financial position items before multiplying by credit conversion factors			
	Net loans and accrued interest receivables ²	Net investment in debt securities	Deposits (including accrued interest receivables)	Derivatives assets	Total	Avals, loan guarantees, letters of credit	OTC derivatives	Undrawn committed lines	Total
Thailand	1,628,032	273,611	16,138	10,938	1,928,719	35,689	805,297	72,372	913,358
Asia	279,732	20,572	111,224	2,006	413,534	18,712	109,462	18,096	146,270
Europe	16,099	1,220	11,491	550	29,360	90	88,493	-	88,583
America	12,233	4,870	15,538	163	32,804	248	18,521	3,281	22,050
Others	3,151	3,408	820	113	7,492	15	7,165	-	7,180
Total	1,939,247	303,681	155,211	13,770	2,411,909	54,754	1,028,938	93,749	1,177,441

¹ Based on customer's country of residence

² Including interbank and money market items but excluding general provisions

Unit: Million Baht

The Bank

31 December 2014

Customer's country of residence ¹	On-statement of financial position assets				Off-statement of financial position items before multiplying by credit conversion factors				
	Net loans and accrued interest receivables ²	Net investment in debt securities	Deposits (including accrued interest receivables)	Derivatives assets	Total	Avals, loan guarantees, letters of credit	OTC derivatives	Undrawn committed lines	Total
Thailand	1,707,577	261,666	12,718	11,094	1,993,055	29,527	1,066,501	62,750	1,158,778
Asia	245,600	14,950	102,260	3,198	366,008	12,713	116,523	17,505	146,741
Europe	15,884	1,911	13,482	1,032	32,309	83	89,557	-	89,640
America	13,250	975	20,934	326	35,485	134	24,359	3,296	27,789
Others	2,675	3,844	254	20	6,793	8	3,706	-	3,714
Total	1,984,986	283,346	149,648	15,670	2,433,650	42,465	1,300,646	83,551	1,426,662

¹ Based on customer's country of residence² Including interbank and money market items but excluding general provisions

Unit: Million Baht

The Bank

31 December 2013

Customer's country of residence ¹	On-statement of financial position assets				Off-statement of financial position items before multiplying by credit conversion factors				
	Net loans and accrued interest receivables ²	Net investment in debt securities	Deposits (including accrued interest receivables)	Derivatives assets	Total	Avals, loan guarantees, letters of credit	OTC derivatives	Undrawn committed lines	Total
Thailand	1,633,133	268,594	9,944	10,913	1,922,584	35,689	805,356	72,371	913,416
Asia	224,161	12,611	71,592	1,936	310,300	13,803	97,291	21,378	132,472
Europe	16,099	1,220	11,457	549	29,325	90	88,442	-	88,532
America	12,233	4,870	15,347	163	32,613	248	18,521	3,281	22,050
Others	3,151	3,408	810	112	7,481	15	7,097	-	7,112
Total	1,888,777	290,703	109,150	13,673	2,302,303	49,845	1,016,707	97,030	1,163,582

¹ Based on customer's country of residence² Including interbank and money market items but excluding general provisions

Table 9: Loans and accrued interest receivables (including interbank and money market items) and investment in debt securities before credit risk mitigation classified by customer's country of residence and by asset classification guidelines specified by regulators

Unit: Million Baht

The Group							
31 December 2014							
Customer's country of residence[*]	Loans and accrued interest receivables					Investment in debt securities: Doubtful of Loss	
	Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss		Total
Thailand	1,695,503	29,352	5,627	16,979	19,651	1,767,112	306
Asia	303,296	6,689	176	175	2,280	312,616	47
Europe	15,885	2	-	-	3	15,890	-
America	13,247	-	-	1	170	13,418	-
Others	2,667	1,464	-	1	5	4,137	1
Total	2,030,598	37,507	5,803	17,156	22,109	2,113,173	354

^{*} Based on customer's country of residence

Unit: Million Baht

The Group							
31 December 2013							
Customer's country of residence[*]	Loans and accrued interest receivables					Investment in debt securities: Doubtful of Loss	
	Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss		Total
Thailand	1,623,101	31,001	5,947	5,466	27,661	1,693,176	589
Asia	276,944	2,659	111	455	3,437	283,606	100
Europe	16,100	1	-	1	4	16,106	-
America	12,229	-	-	13	159	12,401	-
Others	2,784	2,197	-	2	8	4,991	-
Total	1,931,158	35,858	6,058	5,937	31,269	2,010,280	689

^{*} Based on customer's country of residence

Unit: Million Baht

The Bank							
31 December 2014							
Customer's country of residence*	Loans and accrued interest receivables						Investment in debt securities: Doubtful of Loss
	Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss	Total	
Thailand	1,698,577	29,352	5,624	16,883	19,651	1,770,087	305
Asia	242,021	5,814	109	173	1,506	249,623	11
Europe	15,885	1	-	1	3	15,890	-
America	13,247	-	-	1	170	13,418	-
Others	2,666	1,466	-	1	5	4,138	1
Total	1,972,396	36,633	5,733	17,059	21,335	2,053,156	317

* Based on customer's country of residence

Unit: Million Baht

The Bank							
31 December 2013							
Customer's country of residence*	Loans and accrued interest receivables						Investment in debt securities: Doubtful of Loss
	Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss	Total	
Thailand	1,628,203	31,001	5,946	5,371	27,661	1,698,182	590
Asia	222,532	1,020	106	454	2,964	227,076	7
Europe	16,100	1	-	1	4	16,106	-
America	12,229	-	-	13	159	12,401	-
Others	2,784	2,197	-	2	8	4,991	-
Total	1,881,848	34,219	6,052	5,841	30,796	1,958,756	597

* Based on customer's country of residence

Table 10 : General and specific provisions and bad debt written off for loans and accrued interest receivables (including interbank and money market items) and investment in debt securities classified by customer's country of residence

Unit: Million Baht

The Group				
31 December 2014				
Customer's country of residence *	Loans and accrued interest receivables			Investment in debt
	General provision	Specific provision	Bad debt written off	securities: Specific provision
Thailand		62,606	9,164	3,092
Asia		5,249	667	48
Europe		6	-	-
America		168	-	-
Others		1,462	-	1
Total	23,103	69,491	9,831	3,141

* Based on customer's country of residence

Unit: Million Baht

The Group				
31 December 2013				
Customer's country of residence *	Loans and accrued interest receivables			Investment in debt
	General provision	Specific provision	Bad debt written off	securities: Specific provision
Thailand		65,144	2,207	3,108
Asia		3,874	1,279	100
Europe		7	157	-
America		168	-	-
Others		1,840	-	-
Total	22,170	71,033	3,643	3,208

* Based on customer's country of residence

Unit: Million Baht

The Bank				
31 December 2014				
Customer's country of residence *	Loans and accrued interest receivables			Investment in debt
	General provision	Specific provision	Bad debt written off	securities: Specific provision
Thailand		62,510	9,164	3,092
Asia		4,023	477	11
Europe		6	-	-
America		168	-	-
Others		1,463	-	1
Total	21,790	68,170	9,641	3,104

* Based on customer's country of residence

Unit: Million Baht

The Bank				
31 December 2013				
Customer's country of residence *	Loans and accrued interest receivables			Investment in debt
	General provision	Specific provision	Bad debt written off	securities: Specific provision
Thailand		65,049	2,207	3,108
Asia		2,915	1,279	7
Europe		7	157	-
America		168	-	-
Others		1,840	-	-
Total	21,009	69,979	3,643	3,115

* Based on customer's country of residence

Table 11: Loans and accrued interest receivables (including interbank and money market items) before credit risk mitigation, classified by business type and by asset classification guidelines specified by regulators

Unit: Million Baht

The Group						
31 December 2014						
Type of Business	Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	34,362	850	178	104	349	35,843
Manufacturing and commercial	767,856	20,117	2,775	15,012	14,500	820,260
Real estate and construction	151,056	5,086	1,058	456	3,088	160,744
Utilities and services	301,651	6,217	1,238	410	1,508	311,024
Housing loans	186,484	1,793	482	531	2,341	191,631
Others	589,189	3,444	72	643	232	593,671
Total	2,030,598	37,507	5,803	17,156	22,109	2,113,173

Unit: Million Baht

The Group						
31 December 2013						
Type of Business	Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	32,572	937	20	102	391	34,022
Manufacturing and commercial	798,238	19,080	3,702	3,695	20,486	845,201
Real estate and construction	144,056	2,734	304	411	6,357	153,862
Utilities and services	279,280	8,194	1,583	559	1,234	290,850
Housing loans	165,903	1,345	346	664	2,483	170,741
Others	511,109	3,568	103	506	318	515,604
Total	1,931,158	35,858	6,058	5,937	31,269	2,010,280

Unit: Million Baht

The Bank						
31 December 2014						
Type of Business	Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	31,550	695	178	104	349	32,876
Manufacturing and commercial	731,836	19,448	2,714	15,012	13,784	782,794
Real estate and construction	146,791	5,038	1,058	456	3,088	156,431
Utilities and services	298,791	6,217	1,238	410	1,508	308,164
Housing loans	186,482	1,793	481	531	2,339	191,626
Others	576,946	3,442	64	546	267	581,265
Total	1,972,396	36,633	5,733	17,059	21,335	2,053,156

Unit: Million Baht

The Bank						
31 December 2013						
Type of Business	Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	30,046	753	20	102	391	31,312
Manufacturing and commercial	762,833	17,699	3,702	3,695	20,072	808,001
Real estate and construction	141,066	2,682	304	411	6,357	150,820
Utilities and services	277,508	8,177	1,583	559	1,234	289,061
Housing loans	165,900	1,343	346	664	2,481	170,734
Others	504,495	3,565	97	410	261	508,828
Total	1,881,848	34,219	6,052	5,841	30,796	1,958,756

Table 12: General and specific provisions and bad debt written off for loans and accrued interest receivables (including interbank and money market items) classified by business type

Unit: Million Baht

Type of Business	The Group					
	31 December 2014			31 December 2013		
	General provision	Specific provision	Bad debt written off	General provision	Specific provision	Bad debt written off
Agriculture and mining		757	9		742	6
Manufacturing and commercial		41,581	6,620		43,949	2,592
Real estate and construction		5,961	2,413		7,684	242
Utilities and services		13,002	415		11,131	73
Housing loans		3,682	92		3,659	34
Others		4,508	282		3,868	696
Total	23,103	69,491	9,831	22,170	71,033	3,643

Unit: Million Baht

Type of Business	The Bank					
	31 December 2014			31 December 2013		
	General provision	Specific provision	Bad debt written off	General provision	Specific provision	Bad debt written off
Agriculture and mining		698	9		723	6
Manufacturing and commercial		40,620	6,430		43,191	2,592
Real estate and construction		5,933	2,413		7,671	242
Utilities and services		12,977	415		11,116	73
Housing loans		3,681	92		3,658	34
Others		4,261	282		3,620	696
Total	21,790	68,170	9,641	21,009	69,979	3,643

Table 13: Reconciliation of general and specific provisions for loans and accrued interest receivables (including interbank and money market items)

Unit: Million Baht

Item	The Group					
	31 December 2014			31 December 2013		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Beginning balance	22,170	71,033	93,203	21,876	66,007	87,883
Bad debt written off	-	(9,831)	(9,831)	-	(3,643)	(3,643)
Doubtful accounts	933	8,633	9,566	294	8,496	8,790
Others	-	(344)	(344)	-	173	173
Ending balance	23,103	69,491	92,594	22,170	71,033	93,203

Unit: Million Baht

Item	The Bank					
	31 December 2014			31 December 2013		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Beginning balance	21,009	69,979	90,988	21,067	65,007	86,074
Bad debt written off	-	(9,641)	(9,641)	-	(3,643)	(3,643)
Doubtful accounts	781	7,919	8,700	(58)	8,466	8,408
Others	-	(87)	(87)	-	149	149
Ending balance	21,790	68,170	89,960	21,009	69,979	90,988

Table 14: On-statement of financial position assets and credit equivalent amount of off-statement of financial position items, net of specific provisions, classified by asset type under SA approach

Unit: Million Baht

Type of Asset	The Group					
	31 December 2014			31 December 2013		
	On-statement of financial position assets	Off-statement of financial position items*	Total	On-statement of financial position assets	Off-statement of financial position items*	Total
Performing						
- Sovereigns and central banks, Multilateral development banks (MDBs), and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Sovereigns	437,537	102,374	539,911	343,906	99,139	443,045
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	270,807	29,160	299,967	254,104	21,262	275,366
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	1,283,711	165,761	1,449,472	1,294,029	170,606	1,464,635
- Retail	233,469	10,779	244,248	224,456	11,597	236,053
- Residential mortgage loans	182,639	-	182,639	162,063	-	162,063
- Other assets	223,583	-	223,583	208,429	-	208,429
Non-performing	18,282	942	19,224	12,521	429	12,950
Total	2,650,028	309,016	2,959,044	2,499,508	303,033	2,802,541

* Including repo-style transactions

Unit: Million Baht

Type of Asset	The Bank					
	31 December 2014			31 December 2013		
	On-statement of financial position assets	Off-statement of financial position items *	Total	On-statement of financial position assets	Off-statement of financial position items*	Total
Performing						
- Sovereigns and central banks, Multilateral development banks (MDBs), and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Sovereigns	414,088	102,374	516,462	323,806	99,139	422,945
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	229,327	29,601	258,928	223,086	21,749	244,835
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	1,222,478	160,052	1,382,530	1,238,588	164,105	1,402,693
- Retail	229,962	10,571	240,533	221,593	11,399	232,992
- Residential mortgage loans	182,605	-	182,605	162,015	-	162,015
- Other assets	242,885	-	242,885	224,967	-	224,967
Non-performing	17,939	940	18,879	12,494	428	12,922
Total	2,539,284	303,538	2,842,822	2,406,549	296,820	2,703,369

* Including repo-style transactions

2.1.3 Credit Rating

In assigning risk weights for the calculation of risk weighted assets (RWA) using the Standardized Approach (SA) under Basel III, the Bank and the subsidiaries in the Group use credit ratings from the external credit assessment institutions (ECAIs) who meet the qualifications specified by the BOT. The credit rating from Standard & Poor's is applied for sovereign and financial institutions, while the credit ratings from Fitch Ratings (Thailand) and TRIS Rating are applied for corporate. The process of mapping the ECAI's ratings with the borrower risk weights is prescribed by the BOT.

Table 15: On-statement of financial position assets and credit equivalent amount of off-statement of financial position items, net of specific provisions, after credit risk mitigation for each asset type classified by risk weights under SA approach

Unit: Million Baht

Type of Asset	The Group															
	31 December 2014															
	Risk weight (%)	Rating					No rating									
0		20	50	100	150	0	20	35	50	75	100	250	625	937.5	100/8.5%	
Performing																
- Sovereigns and central banks, Multilateral development banks (MDBs), and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Sovereigns	513,871	6,982	6,952	4,493	3,069				-							
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	-	163,408	32,825	32,014	1,506											
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	-	44,706	51,950	42,280	30,578				5,626		1,205,742					
- Retail										203,182	6,359					
- Residential mortgage loans								159,822		20,624	2,168					
- Other assets						78,578	1,435				140,735	568	-	1	13	
	Risk weight (%)	0	20	50	100	150										
Non-performing	33		1,378	15,295	2,416											
Items deducted from capital	140															

Type of Asset	The Group														
	31 December 2013														
	Risk weight (%)	Rating					No rating								
	0	20	50	100	150	0	20	35	50	75	100	250	625	937.5	100/8.5%
Performing															
- Sovereigns and central banks, Multilateral development banks (MDBs), and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Sovereigns	446,931	-	3,989	1,994	2,617				-						
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	-	138,454	31,052	16,523	362										
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	-	46,594	63,970	42,032	24,945				3,892		1,212,317				
- Retail										196,152	5,632				
- Residential mortgage loans								140,898		19,743	1,408				
- Other assets						68,757	1,132				136,182	484	4	-	-
	Risk weight (%)	0	20	50	100	150									
Non-performing		136	-	1,464	9,572	1,708									
Items deducted from capital		-													

Type of Asset	The Bank														
	31 December 2014														
	Risk weight (%)	Rating					No rating								
0		20	50	100	150	0	20	35	50	75	100	250	625	937.5	100/8.5%
Performing															
- Sovereigns and central banks, Multilateral development banks (MDBs), and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Sovereigns	490,422	6,982	6,953	4,492	3,069						-				
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	-	126,912	29,798	32,014	1,507						-				
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	-	44,706	51,950	42,280	30,578				5,626		1,143,626				
- Retail										201,185	6,043				
- Residential mortgage loans								159,821		20,590	2,168				
- Other assets						76,428	1,348				165,053	43	-	1	13
	Risk weight (%)	0	20	50	100	150									
Non-performing	33	-	1,378	14,952	2,413										
Items deducted from capital	129														

Type of Asset	The Bank														
	31 December 2013														
	Risk weight (%)	Rating					No rating								
0		20	50	100	150	0	20	35	50	75	100	250	625	937.5	100/8.5%
Performing															
- Sovereigns and central banks, Multilateral development banks (MDBs), and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Sovereigns	426,831	-	3,989	1,994	2,617				-		-				
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	-	107,139	32,940	16,523	362						-				
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	-	46,595	63,970	42,031	24,945				3,892		1,157,099				
- Retail										194,328	5,585				
- Residential mortgage loans								140,898		19,693	1,409				
- Other assets						66,369	943				157,608	-	43	4	-
	Risk weight (%)	0	20	50	100	150									
Non-performing	136	-	1,464	9,555	1,699										
Items deducted from capital	-														

2.1.4 Credit Risk Mitigation

It is a policy of the Bank and the subsidiaries in the Group to mitigate credit risk through the use of collateral to reduce the potential loss which may arise when borrowers are unable or unwilling to repay loans. Documentation relating to collateral must be in order and verified for validity prior to loan drawdown and ongoing compliance with the conditions of the collateral agreement shall be monitored. Processes, procedures and regulations for collateral valuation have been defined, consistent with the BOT's guidelines on collateral valuation and foreclosed assets obtained from debt repayment of financial institutions.

Credit risk mitigations used in the Bank's and the Group's capital adequacy calculation under Basel III - SA approach are as follows:

1. For financial collaterals such as cash, deposits, debt securities and equity securities, the Comprehensive Approach is currently adopted for credit risk mitigation and the Standard Supervisory Haircut specified by the BOT is used.
2. On-balance sheet netting is used for repo-style transactions where the counterparties enter into a Global Master Repurchase Agreement that complies with the BOT guidelines.
3. Guarantees that may be used as credit risk mitigants must be issued by qualified guarantors from either of the following 2 groups:
 - Guarantors which are sovereigns, central banks, provincial organizations, government entities, state enterprises, financial institutions and securities companies, provided that the guarantors must have risk weights lower than the borrower.
 - Corporate guarantors must have risk weights lower than the borrower.

Credit risk mitigation is applied in accordance with the BOT guidelines.

Table 16: Secured portion of credit exposures after on- and off-balance sheet netting for each asset type under SA approach classified by credit risk mitigation types

Unit: Million Baht

Type of Asset	The Group			
	31 December 2014		31 December 2013	
	Financial collateral	Guarantees and credit derivatives	Financial collateral	Guarantees and credit derivatives
Performing				
- Sovereigns and central banks, Multilateral development banks (MDBs), and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Sovereigns	94,004	-	94,546	-
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial institutions	325	79,488	280	97,132
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	59,279	29,107	62,046	27,100
- Retail	24,446	10,261	24,771	9,497
- Residential mortgage loans	26	-	14	-
- Other assets	2,253	-	1,870	-
Non-performing	103	53	69	177
Total	180,436	118,909	183,596	133,906

Unit: Million Baht

Type of Asset	The Bank			
	31 December 2014		31 December 2013	
	Financial collateral	Guarantees and credit derivatives	Financial collateral	Guarantees and credit derivatives
Performing				
- Sovereigns and central banks, Multilateral development banks (MDBs), and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Sovereigns	94,004	-	94,546	-
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial institutions	325	79,488	255	97,132
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	52,937	30,624	54,244	28,178
- Retail	23,043	10,261	23,580	9,499
- Residential mortgage loans	26	-	14	-
- Other assets	-	-	-	-
Non-performing	102	53	69	176
Total	170,437	120,426	172,708	134,985

2.2 Market Risk

Market risk is the risk of loss in on- and off-balance sheet positions of the Bank and the Group arising from movements in market prices such as interest rates, equity prices, foreign exchange rates, and commodity prices.

2.2.1 Market Risk Management

The primary objective of market risk management is to manage the risks resulting from changes in market factors to be at acceptable levels and in line with the overall risk management policy. The Bank and the subsidiaries in the Group have therefore established market risk management policies and specified market risk measurement metrics and limits taking into consideration the nature and complexities of the respective financial activities. The Bank may consider using interest rate and/or currency-related derivatives with the purpose of hedging interest rate and foreign exchange risks, or of providing financial derivative services to sophisticated corporate customers and/or domestic and international financial institutions. Such financial derivatives include cross currency and interest rate swap, interest rate swap, and foreign exchange forward. The committee and functional units that are mainly responsible for managing, monitoring and controlling the market risk are :

- The Asset-Liability Management Committee is responsible for establishing and reviewing policies and guidelines for asset and liability management and market risk management as well as monitoring and controlling these risks to be at acceptable levels and in compliance with the risk management policy set by the Risk Management Committee and the Board of Directors.
- The Treasury Division is responsible for executing the trading strategy for the Bank through buying and selling financial products such as foreign exchange, bonds, and derivatives instruments, as well as managing the Bank's foreign exchange risk, interest rate risk and liquidity risk to be within the limits according to ALCO's guidelines and the Bank's acceptable risk level.
- Market Risk unit, which is part of the Risk Management Division, is accountable for assessing, monitoring, reporting and controlling market risk positions against specified limits. The Market Risk unit reports to ALCO and senior management on a regular basis and is responsible for proposing the enhancement of the market risk policies, measurement metrics and limits in response to change in operating environment, the Bank's business plans, and the complexities of financial activities. Moreover, the Market Risk unit coordinates with the subsidiaries of the Group to ensure that their risk management policies and processes are in line with the Bank's practices.

The market risk management practices of the subsidiaries in the Group are similar to the Bank's practices, although the relevant units responsible for overseeing, monitoring and managing the risks may differ depending on each company's organizational structure.

2.2.2 Traded Market Risk

The main traded market risks for the Bank and the Group are interest rate risk and foreign exchange risk.

Risk Assessment and Monitoring for Traded Market Risk

Various tools and measurement techniques are used to assess market risk exposures in the trading book, including:

1. Value-at-Risk (VaR)

VaR is a statistical technique that estimates the maximum potential losses on risk exposures as a result of movements in market rates and prices over a specified time horizon and at a given level of confidence. For example, if VaR for a one-day holding period, with a 99 percent confidence level, equals Baht 1 million, it means that the Bank's potential loss could be no greater than Baht 1 million for 99 days out of 100 business days. The Bank uses a historical simulation approach at a 99% confidence level over a one-day holding period to measure interest rate risk (only for general market risk) and foreign exchange risk. Historical Simulation VaR estimates the maximum potential losses assuming plausible future scenarios from the observed historical market movements. To validate the accuracy of the VaR model, the Bank conducts back testing against hypothetical profit and loss of the trading book positions and analyses whether the number of exceptions, i.e. the incidents where hypothetical profit and loss exceed the calculated VaR, are within an acceptable range. Hypothetical profit and loss is calculated by assuming that the previous day's exposures remain unchanged.

2. Other measurements

Apart from the statistical measurement technique, the Bank also uses non-statistical measurements, such as Present Value of a Basis Point (PV01), portfolio size, and mark-to-market profit and loss, to regularly assess major market risk exposures in the trading book as deemed appropriate for each transaction type. The PV01 measures the sensitivity of the value of securities to one basis point change in interest rate.

3. Stress Testing

The Bank performs market risk stress testing on its trading book position at least on a quarterly basis to determine if the impact of potential losses from extreme market movements or crisis situations on the Bank's capital are within the risk tolerance limits. Stress testing also enhances the Bank's understanding of its risk exposures and vulnerability as well as facilitates proactive risk management.

Risk Control for Traded Market Risk

Traded market risk is controlled primarily through a series of limits, such as VaR Limit, PV01 Limit, and Maximum Loss Limit, etc. These limits are specified by ALCO, and approved by the Risk Management Committee, the Board of Executive Directors and the Board of Directors. They are reviewed and updated at least once a year or more frequently when warranted by a material change in circumstances.

By using the historical simulation approach, in 2014 the minimum, maximum and average VaR of the Bank's trading book for a one-day holding period, with a 99 percent confidence level, was Baht 38 million, Baht 110 million and Baht 65 million, respectively.

The subsidiaries in the Group also use, to varying degrees based on the size and complexity of transactions, similar measurement tools and techniques to assess their market risk exposures in the trading book and have specified limits to control these exposures.

Capital Treatment for Traded Market Risk

The Bank currently adopts the Standardized Approach (SA) for the calculation of minimum capital requirement for market risk at both the Bank level and the Group level. In addition, the Bank and the subsidiaries in the Group use VaR models internally to measure, monitor and control traded market risks, as mentioned above in the risk assessment and monitoring section.

Minimum capital requirement for market risk at the Bank and the Group level as at December 31, 2014 and June 30, 2014 are as follows:

Table 17: Minimum capital requirements for market risk based on Standardized Approach (SA)

Unit: Million Baht

Capital requirements for market risk	The Group		The Bank	
	31 December 2014	30 June 2014	31 December 2014	30 June 2014
Interest Rate Risk	2,016	1,730	2,003	1,679
Equity Price Risk	137	144	-	-
Foreign Exchange Risk	483	453	620	625
Commodity Price Risk	-	-	-	-
Total Capital Requirement	2,636	2,327	2,623	2,304

2.2.3 Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk in the banking book normally arises when the repricing and/or maturity schedule of assets, liabilities, and off-balance sheet positions are not matched, or when the movements of reference interest rates on assets and liabilities are not correlated, negatively affecting net interest income (NII) and/or economic value of equity (EVE).

Sources of Interest Rate Risk can be classified as follows:

- Repricing risk arises from timing differences in maturity (for fixed rate items) and repricing period (for floating rate items) of the Bank's assets, liabilities, and off-balance sheet positions. Repricing risk is the primary form of interest rate risk.
- Yield curve risk arises from changes in the shape and slope of yield curves arising from unparallel shifts of the yield curves, including yield curve twist.
- Basis risk arises from imperfect correlation of reference interest rates applicable to the Bank's assets, liabilities and off-balance sheet positions.
- Embedded option risk arises from changes in interest rate, causing uncertainty of cash flows due to the options embedded in assets, liabilities and off-balance sheet positions, such as non-maturity deposits and loans without prepayment penalty.

Risk Assessment and Monitoring for IRRBB

The measurement of interest rate risk in the banking book provides an assessment of the potential impact of interest rate change on NII, which will help the Bank and the subsidiaries in the Group to manage the risk and determine alternative

balance sheet strategies to achieve business return targets. Furthermore, it also provides an assessment of the potential impact on EVE reflecting the sensitivity of the value of assets, liabilities and off-balance sheet positions to changes in interest rates.

The Bank employs both static analysis tools and dynamic simulation techniques to assess interest rate risk in the banking book, including:

1. Repricing Gap Analysis and Sensitivity Analysis

Repricing gap analysis is a traditional method widely used to assess the interest rate risk of current balance sheet positions. It captures repricing risk which is a primary form of interest rate risk, but does not capture yield curve risk, basis risk and embedded option risk.

The Bank uses repricing gap analysis to assess NII impact in the year ahead assuming assets, liabilities and off-balance sheet positions are static and interest rates change immediately across the curves. Repricing gap analysis is also used in conjunction with duration-based weights to estimate the potential impact of interest rate change on EVE.

The Bank assesses and monitors interest rate risk in the banking book through NII impact and EVE impact on a monthly basis.

2. Net Interest Income Simulation (NII Simulation)

NII simulation is a more granular and complex technique than repricing gap analysis. The Bank also uses NII simulation to measure interest rate risk because this technique allows for a projection of future NII under various interest rate scenarios, based on current positions of assets, liabilities, and off-balance sheet items, and assumptions regarding new business activities (dynamic position). This includes assumptions regarding the growth in the positions of balance sheet items, maturity profile of new transactions, product pricing, and the launch of new products. NII simulation is able to capture other types of interest rate risks i.e. yield curve risk, basis risk, and embedded option risk.

The Bank uses NII simulation technique to assess interest rate risk and project future NII from the business plan at least once a year.

3. Stress Testing

The Bank performs stress testing for interest rate risk in the banking book at least on a quarterly basis using static NII simulation on the current position, to assess the potential negative impact to NII under various stress scenarios. The results of stress testing are analyzed and used to determine alternative balance sheet strategies more suited to the business environment in order to achieve the business return target under an acceptable level of risk.

The NII impact for the Bank and the Group of a 100 bps interest rate change using NII Simulation as at December 31, 2014 and 2013 are as follows:

Table 18: Net Interest Income Impact if interest rate rises by 100 bps

Unit: Million Baht

Currency	The Group			
	31 December 2014		31 December 2013	
	NII Impact	% Earning at Risk	NII Impact	% Earning at Risk
THB	1,784	3.02%	960	1.72%
USD	1,548	2.62%	1,618	2.90%
EUR	7	0.01%	17	0.03%
Others	338	0.57%	350	0.63%
Total NII Impact	3,677	6.23%	2,945	5.27%
Estimated NII in next 12 months	58,997		55,879	

Unit: Million Baht

Currency	The Bank			
	31 December 2014		31 December 2013	
	NII Impact	% Earning at Risk	NII Impact	% Earning at Risk
THB	1,781	3.17%	901	1.68%
USD	1,528	2.72%	1,565	2.91%
EUR	7	0.01%	13	0.02%
Others	196	0.35%	193	0.36%
Total NII Impact	3,512	6.26%	2,672	4.97%
Estimated NII in next 12 months	56,093		53,788	

Risk Control for IRRBB

The Bank monitors and controls interest rate risk by specifying a NII Impact Limit (being the cumulative NII impact within 1 year) and an EVE Impact Limit, assuming interest rates change immediately by 100 bps. These limits are reviewed by ALCO and approved by the Board of Executive Directors, the Risk Management Committee and the Board of Directors at least annually or more frequently when warranted by material changes in circumstances.

The Bank manages the interest rate risk by adjusting its asset and liability structure in line with forecast interest rate trends, taking into consideration the changes in NII impact and EVE impact. The Bank may deploy plain vanilla derivatives, such as interest rate swaps and cross currency interest rate swaps, to hedge or mitigate interest rate risk to be within the risk tolerance limit, and manage the risk in accordance with ALCO's guidelines.

The subsidiaries in the Group with significant interest rate risks in the banking book use repricing gap analysis to assess and control IRRBB in the similar fashion as mentioned above.

2.2.4 Equity Exposure in the Banking Book

Equity price risk is the risk associated with equity price changes resulting in the deterioration of investment value and affecting the Bank's and the Group's capital.

Objectives of equity investment in the banking book are as follows

- To enhance income in terms of dividends and capital gains for medium to long-term investments
- To support core banking business by establishing good relationships with customers and creating networks of strategic investment partners
- To exchange for debt repayments from debt restructuring agreements

The Bank and the subsidiaries in the Group classify equity investments in the banking book in accordance with the applicable accounting standards, with marketable securities classified as available-for-sale investment, non-marketable securities classified as general investment, investment in subsidiaries and investment in associated companies.

Risk Assessment and Monitoring for Equity Exposure in the Banking Book

The market risk management policy is used as a guideline by the Bank and the subsidiaries in the Group in assessing, monitoring, and controlling equity price risk. Measurement techniques for the assessment of equity price risk can be categorized by equity type as follows:

- Listed equity securities: Fair value is used for risk assessment. Stress testing is performed on a quarterly basis, based on the stress scenarios implied from historical movements of the security exchange indices, to estimate the maximum potential losses that may occur during volatile market conditions.
- Other equity securities: Fair value is used for risk assessment, the reliability of which is reviewed at least annually or more frequently as warranted by market conditions.

In managing equity risk in the banking book, the Bank, as the parent company, controls the ratio of equity exposures to total capital to be in accordance with the BOT's regulation.

Valuation Policy for Equity Exposure in the Banking Book

In establishing the fair value of equity securities, the Bank and the subsidiaries in the Group adopts the following valuation policy:

- Listed equity securities are fair valued by referencing the last bid price on the last business day of the period. If this is not available, the last closing price will be applied. Listed equity securities under rehabilitation are fair valued using the discounted cash flow approach or the net asset value approach, as appropriate.
- Other equity securities that are non-listed equity securities are fair valued using the discounted cash flow approach or the net asset value approach, as appropriate. For unit trusts, the fair value is based on net asset value (NAV) as at the end of the period.

Equity exposure in the banking book for the Bank and the Group as at December 31, 2014 and 2013 are as follows:

Table 19: Equity exposures in the banking book

Unit: Million Baht

Equity exposures	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Equity exposures *				
• Equity securities listed on a securities exchange (domestic and foreign)				
– Cost value	22,276	23,413	22,238	23,375
– Market value	54,391	49,214	54,324	49,175
• Other equity securities (both in domestic and foreign)	28,828	24,364	60,497	54,455
Gains (losses) on sales of equity securities for the year	3,527	1,897	3,507	1,897
Unrealized gains (losses) on revaluation from available-for-sale equity securities	34,353	27,977	34,348	27,962
Minimum capital for equity exposures under SA approach	7,184	6,348	9,805	8,845

* Net of the impairment charges for the investment in equity securities

2.3 Operational Risk

Operational Risk is the risk of loss from failed or inadequate internal processes, people and systems, or from external events. This includes legal risks, but does not include strategic risks and reputational risks.

The Bank is of the view that good operational risk management is vital to sustainable business success, particularly in the current environment of uncertainty, both domestically and internationally. Thus, effective operational risk management with sufficient coverage of all aspects of operations is a key priority for the Bank and the Group, and includes being well-prepared to deal promptly with unexpected events.

Furthermore, the Bank pays close attention to fraud risk management related to bank products and services such as credit cards, ATM cards and other electronic services to ensure customers' confidence. In relation to a new product launch, the product risks must be well analyzed, assessed and controlled to be at the acceptable level, and the appropriate risk control procedures must be in place.

Operational Risk Management

The process by which the Bank and the subsidiaries in the Group addresses operational risk management covers defining, assessing, monitoring, mitigating and controlling risk. Each unit in the organization is directly responsible for managing its operational risk and for establishing measures to mitigate and control risk to the designated level by allocating appropriate resources to this effort and for embedding operational risk management as part of the organizational culture.

The Bank has established the Operational Risk Management unit within the Risk Management Division to be responsible for operational risk management. This includes monitoring and supporting every unit in implementing the operational

risk management framework at the unit level, managing operational risk at the organization level, reviewing operational risk management aspects in product and service development process, calculating the capital requirements for operational risk in line with the Basel II framework, and maintaining the operational risk database and analyzing the loss data in the database, etc.

The Bank also ensures the cooperation among Operational Risk Unit, Compliance and Audit and Control Division, in respect of information sharing, analyzing and setting of controls to enhance the efficiency of operational risk management and internal control of the Bank

Likewise, the subsidiaries in the Group have assigned the responsibility for operational risk management at both the unit and the organization level, in line with the Bank's practices, although the relevant units responsible for overseeing, monitoring, and managing operational risk may differ depending on each company's organizational structure.

Operational Risk Assessment and Monitoring

A key principle underlying the operational risk management framework of the Bank and the subsidiaries in the Group is that operational risk management is the responsibility of every staff member in the organization. Everyone in the organization is trained to have a consistent understanding of operational risk, and to build an operational risk culture across the Bank, so that they are able to accurately and completely identify the operational risks, assess risk as well as develop options for mitigating risks based on careful analysis, and subsequently to implement the selected solutions to minimize risks. This is followed by systematic monitoring of progress, measurement of potential risk, as well as regular reviews of the entire process.

Loss data arising from operational risk events for the Bank and the subsidiaries in the Group are maintained in a database. Reports on operational risk exposures and operational risk management are provided on a regular basis.

Operational Risk Mitigation

An important mechanism in controlling, preventing, and mitigating operational risk is an effective internal control system with strong participation of management. Each business unit must enforce operational controls vigorously, ensure compliance with regulations including anti-money laundering measures, implement the segregation of duties and procedures for verification and reconciliation, define approval authorities as well as establish limits commensurate with the scale of the business, the business type and level of staff. The reliability of the information technology system and the security measures related thereto is also of paramount importance.

To help minimize the impact of operational risk loss events from external factors, the Bank and the subsidiaries in the Group have implemented business continuity management practices such as political unrest in 2010, severe flooding in 2011 and political unrest in 2013. The Bank has adopted the Business Continuity Management Policies approved by the Board of Directors of each company. The Business Continuity Plans are developed pursuant thereto and is reviewed, updated in accordance with potential threats, as well as being rehearsed on a regular basis.

The Calculation of Value Equivalent to Operational Risk-weighted Asset

The Bank currently uses the Standardized Approach – Operation Risk (SA-OR) to calculate the value equivalent to operational risk-weighted asset at both the Bank level and the Group level. This calculation approach allocates the gross income into business lines and multiplies with a Beta value each business line as prescribed by the BOT.