



Bangkok Bank Public Company Limited

Basel III - Pillar 3 Disclosures

As At June 30 , 2016

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

In adopting Basel III, BOT relaxes for new items 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	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Common Equity Tier 1 Capital	350,707	341,431	338,086	332,058
Tier 1 Capital	350,817	341,564	338,086	332,058
Total Capital	393,040	386,653	379,742	376,265

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. The aforementioned minimum ratio has yet to 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. Consequently, Common Equity Tier 1 capital adequacy ratio of more than 5.125 percent, Tier 1 capital adequacy ratio of more than 6.625 percent, and total capital adequacy ratio of more than 9.125 percent must be maintained in 2016. Effective from 2019, Common Equity Tier 1 ratio, Tier 1 ratio originally and total capital ratio must be of more than 7.00, 8.50 and 11.00 percent of the total risk-weighted assets respectively.

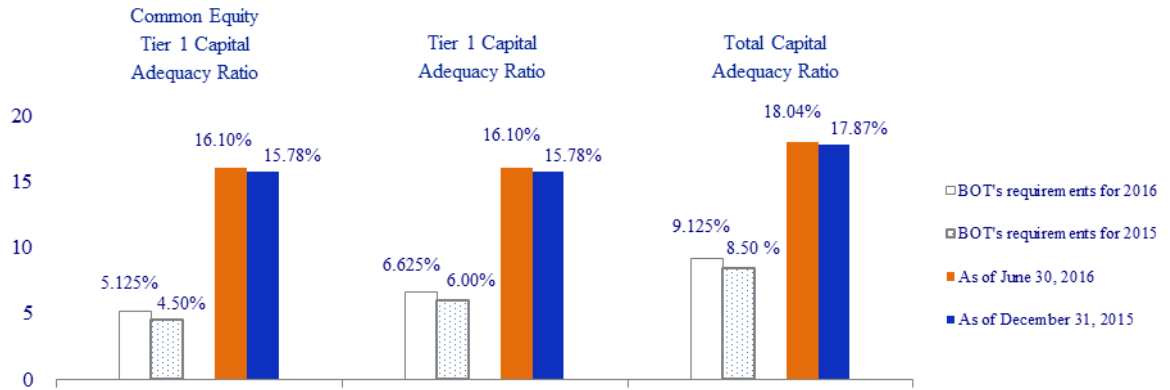
Moreover, BOT may require banks to maintain additional capital for Countercyclical Buffer at maximum 2.50 percent. As at June 30, 2016, the Bank and the Group has adequate capital for such buffers.

Table 2: Capital Adequacy

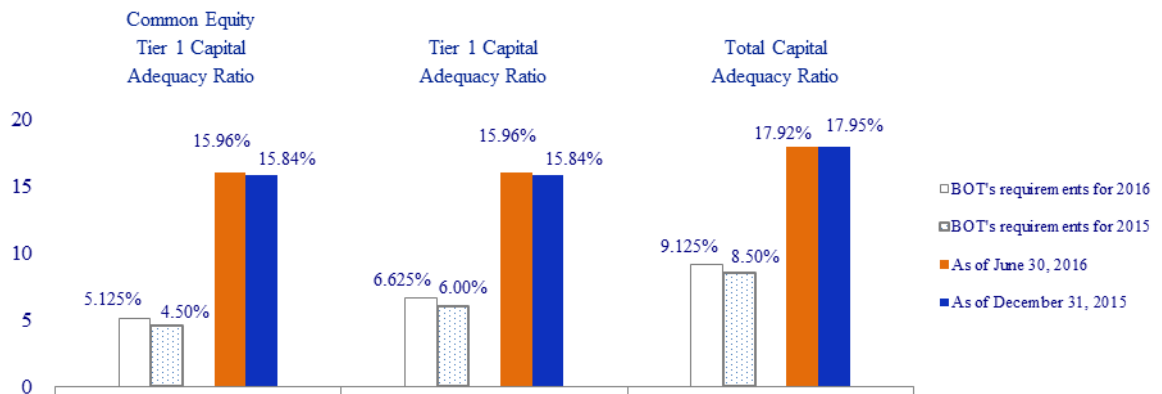
Capital	The Group		The Bank	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Common Equity Tier 1 Capital	16.10%	15.78%	15.96%	15.84%
Tier 1 Capital	16.10%	15.78%	15.96%	15.84%
Total Capital	18.04%	17.87%	17.92%	17.95%

Capital Adequacy Ratio

Group Level (Full Consolidation Basis)



Bank Level (Solo Basis)



Remark: The Bank of Thailand requires commercial banks to maintain an additional capital conservation buffer. The buffer will gradually increase by more than 0.625% each year from January 1, 2016 until it reaches more than 2.5% in January 1, 2019.

Table 3: Component of Capital

Unit : Million Baht

Component of Capital	The Group		The Bank	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Tier 1 Capital	350,817	341,564	338,086	332,058
Common Equity Tier 1 Capital	350,707	341,431	338,086	332,058
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	20,500	20,000	20,500	20,000
Reserves appropriated from net profit	86,500	86,500	86,500	86,500
Net profit after appropriations	112,164	103,897	99,714	94,889
¹ Other comprehensive income *	56,408	55,781	56,211	55,395
² Deductions from Common Equity Tier 1 Capital *	(299)	(181)	(273)	(160)
Additional Tier 1 Capital	110	133	-	-
³ Non-controlling interest *	110	133	-	-
Tier 2 Capital	42,223	45,089	41,656	44,207
⁵ Subordinated debenture *	17,721	20,675	17,721	20,675
General provision	24,496	24,411	23,935	23,532
⁴ Non-controlling interest *	6	3	-	-
Total Capital	393,040	386,653	379,742	376,265

*Component of capital subject to phasing in (out)

Unit : Million Baht

As at June 30, 2016	The Group		The Bank	
	Classified As (Deducted) Capital	Outstanding Balance for Phasing In (Out)	Classified As (Deducted) Capital	Outstanding Balance for Phasing In (Out)
Phasing in (out) at 20 percent p.a. beginning 2014 - 2018				
¹ Other comprehensive income	56,408	1,302	56,211	1,279
² Deductions from Common Equity Tier 1 Capital	(299)	(199)	(273)	(182)
³ Non-controlling interest	110	(72)	-	-
⁴ Non-controlling interest	6	4	-	-
Phasing in (out) at 10 percent p.a. beginning 2013 - 2022				
⁵ Subordinated debenture	17,721	(17,721)	17,721	(17,721)

*Component of capital subject to phasing in (out)

Unit : Million Baht

As at December 31, 2015	The Group		The Bank	
	Classified As (Deducted) Capital	Outstanding Balance for Phasing In (Out)	Classified As (Deducted) Capital	Outstanding Balance for Phasing In (Out)
Phasing in (out) at 20 percent p.a. beginning 2014 - 2018				
¹ Other comprehensive income	55,781	2,309	55,395	1,746
² Deductions from Common Equity Tier 1 Capital	(181)	(271)	(160)	(240)
³ Non-controlling interest	133	(100)	-	-
⁴ Non-controlling interest	3	6	-	-
Phasing in (out) at 10 percent p.a. beginning 2013 - 2022				
⁵ Subordinated debenture	20,675	(20,675)	20,675	(20,675)

Table 4: Minimum Capital Requirements for Each Type of Risks

Unit : Million Baht

Type of Risks	The Group		The Bank	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Minimum capital requirements for credit risk	166,575	166,001	162,760	161,406
Performing	164,575	164,371	160,796	159,816
- 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	2,025	1,919	2,025	1,919
- Financial institutions, Securities firms, and Provincial organizations/Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	8,317	9,295	7,661	8,607
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	119,484	118,013	114,773	112,609
- Retail	13,557	13,959	13,450	13,841
- Residential mortgage loans	7,097	6,851	7,096	6,850
- Other assets	14,095	14,334	15,791	15,990
Non-Performing	2,000	1,630	1,964	1,590
Minimum capital requirements for market risk	4,517	4,127	4,282	3,961
- Interest Rate Risk	3,576	3,279	3,561	3,271
- Equity Price Risk	212	163	-	-
- Foreign Exchange Risk	729	685	721	690
- Commodity Price Risk	-	-	-	-
Minimum capital requirements for operational risk	14,120	13,831	13,032	12,770
Total minimum capital requirements	185,212	183,959	180,074	178,137

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	5,721	12,000
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 receive the return of capital in a winding-up at the last position.	The subordinated noteholders shall receive the return of capital in a winding-up after preferred shareholders, depositors and general creditors.	The subordinated noteholders shall receive 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 2016	31 December 2015	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	20,500	20,000	C	
Reserves appropriated from net profit	86,500	86,500	D	
Net profit after appropriation	112,164	103,897	E	
Other comprehensive income				
Revaluation surplus on land building and condominium appraisal	24,903	25,370	F	
Revaluation surplus (deficit) of available for sale equity and debt securities	32,210	30,438	G	
Foreign currency translation differences	(705)	(27)	H	
Other owner changes items	-	-		
Total CET1 capital before regulatory adjustments and deduction	351,006	341,612		
Regulatory adjustments on CET1	-	-		
Regulatory deduction on CET1				
Intangible assets (Software computer license)	(299)	(181)	I	
Total regulatory deduction on CET1	(299)	(181)		
Total CET1	350,707	341,431		
Additional Tier 1 capital				
Non-controlling interest	110	133	J	
Total Tier 1 capital	350,817	341,564		
Tier 2 capital				
Proceeds from issuing subordinated debt securities	17,721	20,675	K	
General provision	24,496	24,411	L	
Non-controlling interest	6	3	M	
Total Tier 2 capital	42,223	45,089		
Total regulatory capital	393,040	386,653		

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 2016	31 December 2015	References for the Group capital items
	Amount	Amount	
Assets			
Cash	54,871	61,432	
Interbank and money market items, net	475,968	372,007	
Claim on securities	84	27	
Derivative assets	30,947	22,745	
Investments, net	479,234	519,525	
Investments in subsidiaries and associates, net	1,236	1,280	
Loans to customers and accrued interest receivables, net			
Loans to customers	1,907,517	1,869,540	
Accrued interest receivables	3,483	4,279	
Total Loans to customers and accrued interest receivables	1,911,000	1,873,819	
<u>Less</u> Deferred revenue	(582)	(637)	
<u>Less</u> Allowance for doubtful accounts	(109,880)	(101,775)	
Qualified as capital	(24,496)	(24,411)	L
<u>Less</u> Revaluation allowance for debt restructuring	(1,983)	(2,412)	
Total Loans to customers and accrued interest receivables, net	1,798,555	1,768,995	
Customers' liabilities under acceptances	2,499	2,598	
Properties for sale, net	13,296	13,579	
Premises and equipment, net	45,873	46,108	
Other Intangible assets, net	497	452	
Deduction from capital	(299)	(181)	I
Deferred tax assets	2,830	2,745	
Collateral placed with financial counterparties	11,082	10,206	
Other assets, net	15,235	14,154	
Total assets	2,932,207	2,835,853	
Liabilities			
Deposits	2,154,256	2,090,965	
Interbank and money market items, net	150,394	128,681	
Liabilities payable on demand	12,514	10,589	
Liabilities to deliver securities	494	245	
Derivative liabilities	34,786	34,151	
Debt issued and borrowings	135,371	138,403	
Debt instruments that are qualified as capital	17,721	20,675	K
Bank's liabilities under acceptances	2,499	2,598	
Provisions	11,654	9,601	
Deferred tax liabilities	6,589	6,335	
Other liabilities	54,337	52,254	
Total liabilities	2,562,894	2,473,822	

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 2016	31 December 2015	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	58,539	58,924	
Qualified as capital	56,408	55,781	F, G, H
Retained earnings			
Appropriated			
Legal reserve	20,500	20,000	C
Others	86,500	86,500	D
Unappropriated	128,123	120,974	
Qualified as capital	112,164	103,897	E
Total shareholders' equity	369,096	361,832	
Non-controlling interest	217	199	
Qualified as Tier 1 capital	110	133	J
Qualified as Tier 2 capital	6	3	M
Total owner's equity	369,313	362,031	
Total liabilities and owner's equity	2,932,207	2,835,853	

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