Bangkok Bank

Bangkok Bank Public Company Limited

Basel III - Pillar 3 Disclosures

As at December 31, 2015

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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 2015	30 June 2015	31 December 2015	30 June 2015
Common Equity Tier 1 Capital	**341,431**	317,891	**332,058**	309,750
Tier 1 Capital	**341,564**	318,016	**332,058**	309,750
Total Capital	**386,653**	361,838	**376,265**	352,931

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

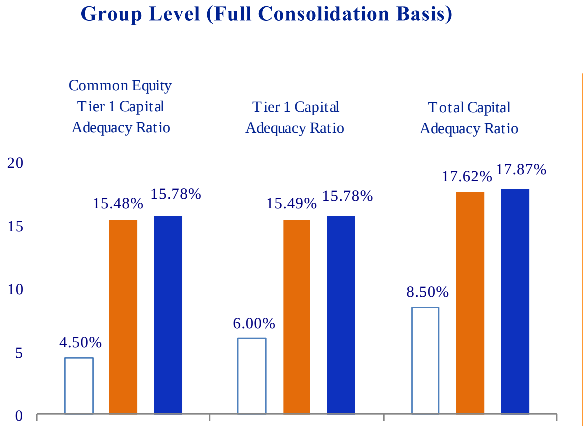
Under the principles of Basel III, the BOT requires that commercial banks registered in Thailand and their groups must maintain three minimum capital adequacy ratios: a Common Equity Tier 1 capital adequacy ratio of no less than 4.50 percent, a Tier 1 capital adequacy ratio of no less than 6.00 percent, and a total capital adequacy ratio of no less than 8.50 percent. 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, 2015, the Bank and the Group has adequate capital for such buffers.

Table 2: Capital Adequacy

Capital	The Group		The Bank	
	31 December 2015	30 June 2015	31 December 2015	30 June 2015
Common Equity Tier 1 Capital	15.78%	15.48%	15.84%	15.57%
Tier 1 Capital	15.78%	15.49%	15.84%	15.57%
Total Capital	17.87%	17.62%	17.95%	17.74%

Capital Adequacy Ratio



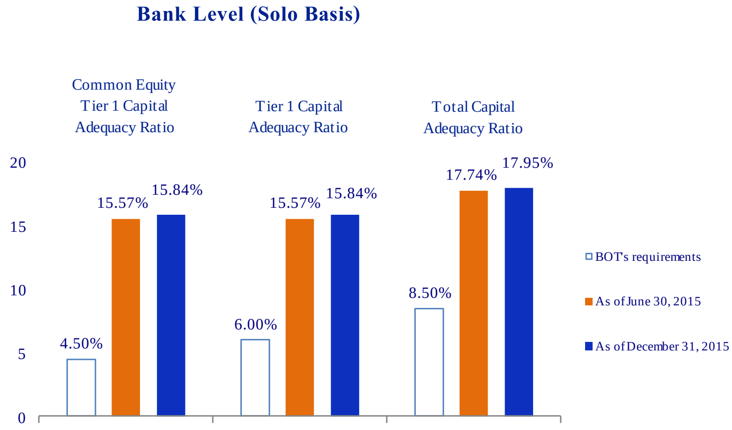


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Table 3: Component of Capital

Unit : Million Baht

Component of Capital	The Group		The Bank	
	31 December 2015	30 June 2015	31 December 2015	30 June 2015
Tier 1 Capital	**341,564**	**318,016**	**332,058**	**309,750**
Common Equity Tier 1 Capital	**341,431**	**317,891**	**332,058**	**309,750**
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	20,000	19,500	20,000	19,500
Reserves appropriated from net profit	86,500	81,500	86,500	81,500
Net profit after appropriations	103,897	95,330	94,889	87,489
[1]Other comprehensive income*	55,781	46,348	55,395	46,028
[2]Deductions from Common Equity Tier 1 Capital*	(181)	(221)	(160)	(201)
Additional Tier 1 Capital	**133**	**125**	**-**	**-**
[3]Non-controlling interest*	133	125	-	-
Tier 2 Capital	**45,089**	**43,822**	**44,207**	**43,181**
[5]Subordinated debenture*	20,675	20,675	20,675	20,675
General provision	24,411	23,144	23,532	22,506
[4]Non-controlling interest*	3	3	-	-
Total Capital	**386,653**	**361,838**	**376,265**	**352,931**

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

Unit : Million Baht

As at December 31, 2015	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	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)

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

Unit : Million Baht

As at 30 June 2015	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	46,348	788	46,028	274
[2]Deductions from Common Equity Tier 1 Capital	(221)	(332)	(201)	(301)
[3]Non-controlling interest	125	(93)	-	-
[4]Non-controlling interest	3	5	-	-
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	
	31 December 2015	30 June 2015	31 December 2015	30 June 2015
Minimum capital requirements for credit risk	**166,001**	**157,383**	**161,406**	**153,042**
Performing	164,371	155,256	159,816	150,953
- 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	1,919	1,738	1,919	1,738
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	9,295	6,998	8,607	6,199
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	118,013	112,289	112,609	107,052
- Retail	13,959	13,629	13,841	13,489
- Residential mortgage loans	6,851	6,459	6,850	6,457
- Other assets	14,334	14,143	15,990	16,018
Non-Performing	1,630	2,127	1,590	2,089
Minimum capital requirements for market risk	**4,127**	**3,656**	**3,961**	**3,575**
- Interest Rate Risk	3,279	2,926	3,271	2,923
- Equity Price Risk	163	103	-	-
- Foreign Exchange Risk	685	627	690	652
- Commodity Price Risk	-	-	-	-
Minimum capital requirements for operational risk	**13,831**	**13,481**	**12,770**	**12,485**
Total minimum capital requirements	**183,959**	**174,520**	**178,137**	**169,102**

Remark

[1] Multilateral Development Banks

[2] Non-central Government Public Sector Entities

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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	6.675	14,000
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.

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

The Group capital **Unit : Million Baht**

Item	31 December 2015 Amount	30 June 2015 Amount	References based on balance sheet under the consolidated supervision
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	20,000	19,500	C
Reserves appropriated from net profit	86,500	81,500	D
Net profit after appropriation	103,897	95,330	E
Other comprehensive income			
Revaluation surplus on land building and condominium appraisal	25,370	13,645	F
Revaluation surplus (deficit) of available for sale equity and debt securities	30,438	33,597	G
Foreign currency translation differences	(27)	(894)	H
Other owner changes items	-	-	
Total CET1 capital before regulatory adjustments and deduction	**341,612**	**318,112**	
Regulatory adjustments on CET1	-	-	
Regulatory deduction on CET1			
Intangible assets (Software computer license)	(181)	(221)	I
Total regulatory deduction on CET1	**(181)**	**(221)**	
Total CET1	**341,431**	**317,891**	
Additional Tier 1 capital			
Non-controlling interest	133	125	J
Total Tier 1 capital	**341,564**	**318,016**	
Tier 2 capital			
Proceeds from issuing subordinated debt securities	20,675	20,675	K
General provision	24,411	23,144	L
Non-controlling interest	3	3	M
Total Tier 2 capital	**45,089**	**43,822**	
Total regulatory capital	**386,653**	**361,838**	

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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 2015 Amount	30 June 2015 Amount	References for the Group capital items
Assets			
Cash	61,432	47,210	
Interbank and money market items, net	372,007	643,327	
Claim on securities	27	10	
Derivative assets	22,745	16,556	
Investments, net	519,525	365,765	
Investments in subsidiaries and associates, net	1,280	1,233	
Loans to customers and accrued interest receivables, net			
Loans to customers	1,869,540	1,790,262	
Accrued interest receivables	4,279	3,302	
Total Loans to customers and accrued interest receivables	**1,873,819**	**1,793,564**	
Less Deferred revenue	(637)	(647)	
Less Allowance for doubtful accounts	(101,775)	(91,597)	
Qualified as capital	(24,411)	(23,144)	L
Less Revaluation allowance for debt restructuring	(2,412)	(2,317)	
Total Loans to customers and accrued interest receivables, net	**1,768,995**	**1,699,003**	
Customers' liabilities under acceptances	2,598	1,722	
Properties for sale, net	13,579	15,011	
Premises and equipment, net	46,108	46,973	
Other Intangible assets, net	452	553	
Deduction from capital	(181)	(221)	I
Deferred tax assets	2,745	2,095	
Collateral placed with financial counterparties	10,206	6,554	
Other assets, net	14,154	15,685	
Total assets	2,835,853	2,861,697	
Liabilities			
Deposits	2,090,965	2,128,103	
Interbank and money market items, net	128,681	131,454	
Liabilities payable on demand	10,589	9,914	
Liabilities to deliver securities	245	176	
Derivative liabilities	34,151	21,970	
Debt issued and borrowings	138,403	144,022	
Debt instruments that are qualified as capital	20,675	20,675	K
Bank's liabilities under acceptances	2,598	1,722	
Provisions	9,601	9,390	
Deferred tax liabilities	6,335	8,113	
Other liabilities	52,254	56,823	
Total liabilities	2,473,822	2,511,687	

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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 2015 Amount	30 June 2015 Amount	References for the Group capital items
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	58,924	60,174	
Qualified as capital	55,781	46,348	F, G, H
Retained earnings			
Appropriated			
Legal reserve	20,000	19,500	C
Others	86,500	81,500	D
Unappropriated	120,974	113,215	
Qualified as capital	103,897	95,330	E
Total shareholders' equity	361,832	349,823	
Non-controlling interest	199	187	
Qualified as Tier 1 capital	133	125	J
Qualified as Tier 2 capital	3	3	M
Total owner's equity	362,031	350,010	
Total liabilities and owner's equity	2,835,853	2,861,697	

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 proper risk management mechanisms are 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 is 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 Standardised 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, 2015 and 2014.

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 2015								
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	891,415	99,656	200,378	6,154	1,197,603	41,809	963,329	14,184	1,019,322
Over 1 year	1,074,175	321,000	-	16,591	1,411,766	5,979	795,941	62,054	863,974
Total	**1,965,590**	**420,656**	**200,378**	**22,745**	**2,609,369**	**47,788**	**1,759,270**	**76,238**	**1,883,296**

* Including interbank and money market items but excluding general provisions

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

Remaining maturity	The Bank 31 December 2015 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	852,485	90,093	163,589	6,046	1,112,213	37,905	946,905	17,793	1,002,603
Over 1 year	1,057,601	313,978	-	16,591	1,388,170	3,864	795,941	62,054	861,859
Total	**1,910,086**	**404,071**	**163,589**	**22,637**	**2,500,383**	**41,769**	**1,742,846**	**79,847**	**1,864,462**

* Including interbank and money market items but excluding general provisions

Unit: Million Baht

Remaining maturity	The Bank 31 December 2014 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

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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

Customer's country of residence [1]	The Group 31 December 2015								
	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	1,606,574	352,076	22,943	17,893	1,999,486	28,576	1,421,818	61,113	1,511,507
Asia	316,909	62,628	126,745	2,338	508,620	19,020	162,774	10,614	192,408
Europe	22,832	2,706	17,738	2,456	45,732	86	148,202	-	148,288
America	15,237	1,449	31,672	57	48,415	106	20,934	4,511	25,551
Others	4,038	1,797	1,280	1	7,116	-	5,542	-	5,542
Total	**1,965,590**	**420,656**	**200,378**	**22,745**	**2,609,369**	**47,788**	**1,759,270**	**76,238**	**1,883,296**

[1] Based on customer's country of residence

[2] Including interbank and money market items but excluding general provisions

Unit: Million Baht

Customer's country of residence [1]	The Group 31 December 2014								
	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

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Unit: Million Baht

Customer's country of residence [1]	The Bank								
	31 December 2015								
	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	1,607,942	347,284	13,043	17,858	1,986,127	28,576	1,421,753	61,113	1,511,442
Asia	260,036	50,835	100,334	2,267	413,472	13,002	146,556	14,223	173,781
Europe	22,833	2,705	17,732	2,455	45,725	86	148,173	-	148,259
America	15,237	1,450	31,252	57	47,996	105	20,935	4,511	25,551
Others	4,038	1,797	1,228	-	7,063	-	5,429	-	5,429
Total	**1,910,086**	**404,071**	**163,589**	**22,637**	**2,500,383**	**41,769**	**1,742,846**	**79,847**	**1,864,462**

[1] Based on customer's country of residence

[2] Including interbank and money market items but excluding general provisions

Unit: Million Baht

Customer's country of residence [1]	The Bank								
	31 December 2014								
	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 residence

[2] 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

Customer's country of residence*	The Group						
	31 December 2015						
	Loans and accrued interest receivables						Investment in debt securities: Doubtful of Loss
	Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss	Total	
Thailand	1,594,517	30,538	9,397	13,057	30,545	1,678,054	34
Asia	309,583	12,039	253	616	2,215	324,706	68
Europe	22,823	3	-	52	-	22,878	-
America	15,224	20	-	-	183	15,427	4
Others	3,334	1,101	-	-	3	4,438	3
Total	**1,945,481**	**43,701**	**9,650**	**13,725**	**32,946**	**2,045,503**	**109**

* Based on customer's country of residence

Unit: Million Baht

Customer's country of residence*	The Group						
	31 December 2014						
	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

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Unit: Million Baht

Customer's country of residence*	The Bank 31 December 2015 Loans and accrued interest receivables: Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss	Total	Investment in debt securities: Doubtful of Loss
Thailand	1,595,887	30,538	9,396	12,963	30,544	1,679,328	34
Asia	253,531	10,588	101	398	1,191	265,809	47
Europe	22,823	3	-	52	1	22,879	-
America	15,224	20	-	-	183	15,427	4
Others	3,334	1,101	-	-	3	4,438	3
Total	**1,890,799**	**42,250**	**9,497**	**13,413**	**31,922**	**1,987,881**	**88**

* Based on customer's country of residence

Unit: Million Baht

Customer's country of residence*	The Bank 31 December 2014 Loans and accrued interest receivables: Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss	Total	Investment in debt securities: Doubtful of Loss
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

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

Customer's country of residence*	The Group 31 December 2015 Loans and accrued interest receivables: General provision	Specific provision	Bad debt written off	Investment in debt securities: Specific provision
Thailand		71,480	5,056	3,084
Asia		7,797	505	69
Europe		46	-	-
America		190	-	4
Others		400	-	3
Total	**24,966**	**79,913**	**5,561**	**3,160**

* Based on customer's country of residence

Unit: Million Baht

Customer's country of residence*	The Group 31 December 2014 Loans and accrued interest receivables: General provision	Specific provision	Bad debt written off	Investment in debt 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

Customer's country of residence*	The Bank			
	31 December 2015			
	Loans and accrued interest receivables			Investment in debt securities: Specific provision
	General provision	Specific provision	Bad debt written off	
Thailand		71,386	5,054	3,084
Asia		5,773	462	49
Europe		46	-	-
America		190	-	4
Others		400	-	3
Total	**23,606**	**77,795**	**5,516**	**3,140**

* Based on customer's country of residence

Unit: Million Baht

Customer's country of residence*	The Bank			
	31 December 2014			
	Loans and accrued interest receivables			Investment in debt securities: Specific provision
	General provision	Specific provision	Bad debt written off	
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

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

Type of Business	The Group 31 December 2015					
	Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	36,561	844	287	178	240	38,110
Manufacturing and commercial	769,647	15,654	7,337	9,127	25,850	827,615
Real estate and construction	172,598	6,226	820	2,183	2,737	184,564
Utilities and services	333,774	16,153	512	578	1,508	352,525
Housing loans	202,566	1,933	615	869	2,314	208,297
Others	430,335	2,891	79	790	297	434,392
Total	**1,945,481**	**43,701**	**9,650**	**13,725**	**32,946**	**2,045,503**

Unit: Million Baht

Type of Business	The Group 31 December 2014					
	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	323	593,671
Total	**2,030,598**	**37,507**	**5,803**	**17,156**	**22,109**	**2,113,173**

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Unit: Million Baht

Type of Business	The Bank					
	31 December 2015					
	Normal	Special Mentioned	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	33,587	844	181	178	240	35,030
Manufacturing and commercial	739,197	14,472	7,293	8,909	24,924	794,795
Real estate and construction	166,994	5,959	820	2,183	2,691	178,647
Utilities and services	331,158	16,153	512	578	1,508	349,909
Housing loans	202,546	1,931	614	869	2,304	208,264
Others	417,317	2,891	77	696	255	421,236
Total	**1,890,799**	**42,250**	**9,497**	**13,413**	**31,922**	**1,987,881**

Unit: Million Baht

Type of Business	The Bank					
	31 December 2014					
	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**

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

	The Group					
	31 December 2015			31 December 2014		
Type of Business	**General provision**	**Specific provision**	**Bad debt written off**	**General provision**	**Specific provision**	**Bad debt written off**
Agriculture and mining		818	160		757	9
Manufacturing and commercial		49,603	3,414		41,581	6,620
Real estate and construction		6,844	846		5,961	2,413
Utilities and services		15,079	664		13,002	415
Housing loans		5,609	132		3,682	92
Others		1,960	345		4,508	282
Total	**24,966**	**79,913**	**5,561**	**23,103**	**69,491**	**9,831**

Unit: Million Baht

	The Bank					
	31 December 2015			31 December 2014		
Type of Business	**General provision**	**Specific provision**	**Bad debt written off**	**General provision**	**Specific provision**	**Bad debt written off**
Agriculture and mining		766	160		698	9
Manufacturing and commercial		48,047	3,372		40,620	6,430
Real estate and construction		6,630	846		5,933	2,413
Utilities and services		15,060	663		12,977	415
Housing loans		5,603	132		3,681	92
Others		1,689	343		4,261	282
Total	**23,606**	**77,795**	**5,516**	**21,790**	**68,170**	**9,641**

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 2015			31 December 2014		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Beginning balance	23,103	69,491	92,594	22,170	71,033	93,203
Bad debt written off	-	(5,561)	(5,561)	-	(9,831)	(9,831)
Doubtful accounts	1,863	14,797	16,660	933	8,633	9,566
Others	-	1,186	1,186	-	(344)	(344)
Ending balance	**24,966**	**79,913**	**104,879**	**23,103**	**69,491**	**92,594**

Unit: Million Baht

Item	The Bank					
	31 December 2015			31 December 2014		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Beginning balance	21,790	68,170	89,960	21,009	69,979	90,988
Bad debt written off	-	(5,516)	(5,516)	-	(9,641)	(9,641)
Doubtful accounts	1,816	13,965	15,781	781	7,919	8,700
Others	-	1,176	1,176	-	(87)	(87)
Ending balance	**23,606**	**77,795**	**101,401**	**21,790**	**68,170**	**89,960**

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 2015			31 December 2014		
	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	436,221	89,888	526,109	437,537	102,374	539,911
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	254,121	41,780	295,901	270,807	29,160	299,967
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	1,335,761	168,920	1,504,681	1,283,711	165,761	1,449,472
- Retail	239,333	10,699	250,032	233,469	10,779	244,248
- Residential mortgage loans	199,298	-	199,298	182,639	-	182,639
- Other assets	258,049	-	258,049	223,583	-	223,583
Non-performing	16,718	1,133	17,851	18,282	942	19,224
Total	**2,739,501**	**312,420**	**3,051,921**	**2,650,028**	**309,016**	**2,959,044**

* Including repo-style transactions

Unit: Million Baht

Type of Asset	The Bank					
	31 December 2015			31 December 2014		
	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	419,266	89,888	509,154	414,088	102,374	516,462
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	222,261	42,392	264,653	229,327	29,601	258,928
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	1,279,116	160,781	1,439,897	1,222,478	160,052	1,382,530
- Retail	236,268	10,568	246,836	229,962	10,571	240,533
- Residential mortgage loans	199,273	-	199,273	182,605	-	182,605
- Other assets	273,893	-	273,893	242,885	-	242,885
Non-performing	16,242	1,132	17,374	17,939	940	18,879
Total	**2,646,319**	**304,761**	**2,951,080**	**2,539,284**	**303,538**	**2,842,822**

* Including repo-style transactions

2.1.3 Credit Rating

In assigning risk weights for the calculation of risk weighted assets (RWA) using the Standardised 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 2015														
	Rating					No rating									
Risk weight (%)	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	479,890	16,100	6,402	7,140	6,009				-		-				
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	-	128,257	69,053	45,512	2,444						-				
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	-	48,104	58,770	25,158	34,605				5,877		1,269,375				
- Retail										202,752	12,156				
- Residential mortgage loans								173,591		23,391	2,301				
- Other assets						88,408	753				166,651	659	7	7	7

Risk weight (%)	0	20	50	100	150
Non-performing	258	-	1,580	10,867	5,013

Items deducted from capital	181

Unit: Million Baht

Type of Asset	The Group														
	31 December 2014														
	Rating					No rating									
Risk weight (%)	**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

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Unit: Million Baht

Type of Asset	The Bank														
	31 December 2015														
	Rating					No rating									
Risk weight (%)	**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	462,935	16,100	6,401	7,140	6,010				-		-				
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	-	105,768	61,848	45,512	2,444						-				
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	-	48,104	58,771	25,158	34,605				5,877		1,205,806				
- Retail										201,358	11,817				
- Residential mortgage loans								173,590		23,367	2,301				
- Other assets						85,476	664				187,689	43	7	7	7

Risk weight (%)	**0**	**20**	**50**	**100**	**150**
Non-performing	258	-	1,580	10,397	5,012

Items deducted from capital	160

Unit: Million Baht

Type of Asset	The Bank 31 December 2014														
	Rating					No rating									
Risk weight (%)	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

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.

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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 2015		31 December 2014	
	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	83,468	-	94,004	-
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial institutions	165	60,612	325	79,488
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	52,654	26,202	59,279	29,107
- Retail	22,832	12,293	24,446	10,261
- Residential mortgage loans	15	-	26	-
- Other assets	1,556	-	2,253	-
Non-performing	134	263	103	53
Total	**160,824**	**99,370**	**180,436**	**118,909**

Unit: Million Baht

Type of Asset	The Bank 31 December 2015 Financial collateral	 Guarantees and credit derivatives	 31 December 2014 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	83,468	-	94,004	-
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial institutions	165	60,612	325	79,488
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	49,886	27,756	52,937	30,624
- Retail	21,368	12,293	23,043	10,261
- Residential mortgage loans	15	-	26	-
- Other assets	-	-	-	-
Non-performing	126	263	102	53
Total	**155,028**	**100,924**	**170,437**	**120,426**

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 Bank's market risk arises from financial services activities provided to customers and/or financial institutions. These involve buying and selling foreign exchange and debt securities, as well as financial derivative transactions, such as foreign exchange forward contracts, cross currency swap and interest rate swap. The Bank manages market risk arising from the position from customer-driven transactions to be at acceptable levels by hedging or reducing the risk exposure. Market risk exposures also arise from the Bank's mismatched own asset and liability positions.

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 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. 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 2015 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 84 million, Baht 177 million and Baht 128 million, respectively. The average VaR in 2015 increased from Baht 65 million in 2014, owing to a larger trading book position, mainly from derivatives transactions.

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 Standardised 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, 2015 and June 30, 2015 are as follows:

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

Unit: Million Baht

	The Group		The Bank	
Capital requirements for market risk	**31 December 2015**	**30 June 2015**	**31 December 2015**	**30 June 2015**
Interest Rate Risk	3,279	2,926	3,271	2,923
Equity Price Risk	163	103	-	-
Foreign Exchange Risk	685	627	690	652
Commodity Price Risk	-	-	-	-
Total Capital Requirement	**4,127**	**3,656**	**3,961**	**3,575**

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, 2015 and 2014 are as follows:

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

Unit: Million Baht

	The Group			
Currency	**31 December 2015**		**31 December 2014**	
	NII Impact	% Earning at Risk	NII Impact	% Earning at Risk
THB	(1,145)	(1.99%)	1,784	3.02%
USD	1,825	3.17%	1,548	2.62%
EUR	21	0.04%	7	0.01%
Others	296	0.52%	338	0.57%
Total NII Impact	**997**	**1.73%**	**3,677**	**6.23%**
Estimated NII in next 12 months	**57,510**		**58,997**	

Unit: Million Baht

	The Bank			
Currency	**31 December 2015**		**31 December 2014**	
	NII Impact	% Earning at Risk	NII Impact	% Earning at Risk
THB	(1,158)	(2.11%)	1,781	3.17%
USD	1,730	3.15%	1,528	2.72%
EUR	22	0.04%	7	0.01%
Others	192	0.35%	196	0.35%
Total NII Impact	**786**	**1.43%**	**3,512**	**6.26%**
Estimated NII in next 12 months	**54,913**		**56,093**	

Remark: The significant difference in NII Impact was because in 2015 the Bank reallocated excess liquidity from the Repo market, which is a very short-term asset, to investment in medium-term debt securities, causing the repricing profile of the Bank's assets to become longer. As a result, under the scenario of interest rate shifts of up to 100bps, interest income will increase slower than interest expense; therefore, THB NII Impact has changed from positive to negative.

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's equity price risk arises from various types of investments in both domestic and overseas markets in order to diversify risk, to enhance returns, and to support the development of the Thai capital market, such as investments in property funds and infrastructure funds.

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 and the Bank's internal guidelines.

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, 2015 and 2014 are as follows:

Table 19: Equity exposures in the banking book

Unit: Million Baht

	The Group		The Bank	
Equity exposures	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Equity exposures *				
● Equity securities listed on a securities exchange (domestic and foreign)				
- Cost value	26,533	22,276	26,530	22,238
- Market value	60,058	54,391	60,057	54,324
● Other equity securities (both in domestic and foreign)	38,952	28,828	66,004	60,497
Gains (losses) on sales of equity securities for the year	5,872	3,527	2,568	3,507
Unrealized gains (losses) on revaluation from available-for-sale equity securities	36,214	34,353	36,320	34,348
Minimum capital for equity exposures under SA approach	8,528	7,184	10,757	9,805

* 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, including the compliance with regulations in Thailand and overseas which has become more intense.

Furthermore, the Bank pays close attention to quality of customer service and customer care, suitability of selling products and services, as well as 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 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 and 2013-2014 and severe flooding in 2011. 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 Standardised 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.