



Bangkok Bank Public Company Limited

Basel III - Pillar 3 Disclosures

As at June 30, 2013

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 the 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 BOT has implemented the regulations on capital requirements under the principles of Basel III effective since January 1, 2013. Therefore, the Bank has amended the disclosure reporting on information regarding capital management in accordance with Pillar 3 of BOT’s Basel III. The first disclosure under the principles of Basel III in 2013, the Bank uses the information as at June 30, 2013 under the principles of Basel III compared with the information as at December 31, 2012 which is under the principles of Basel II. Semi-annual disclosure covers quantitative information regarding capital structure and capital adequacy, main features of regulatory capital instruments, capital during the transitional period and market risk assessment. The disclosure of qualitative information is updated annually or more frequently when warranted by 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 8 companies in the Group. The entities in the Group who are engaged in commercial banking consist of Bangkok Bank Public Company Limited (as the parent company), Bangkok Bank Berhad and Bangkok Bank (China) Company Limited who are engaged in commercial banking. The Group is also comprised of BBL Asset Management Company Limited, Bualuang Securities Public Company Limited, Sinsuptawee Asset Management Company Limited, BBL Nominees (Tempatan) Sdn. Bhd., and BBL (Cayman) Limited who are engaged in asset management, securities business, supporting and finance business, respectively.

Capital Structure

In 2012, the capital structure at the Bank level, according to the BOT's Basel II guidelines, consists of Tier 1 capital and Tier 2 capital. Tier 1 capital comprises paid-up share capital, premium on share capital, legal reserves, reserves appropriated from net profit and retained earnings after appropriations. Tier 2 capital consists of revaluation reserves for land and buildings in accordance with the BOT's regulation, general provisions for normal assets, net unrealized gains on the revaluation of available-for-sale equity securities, and long-term subordinated debt instruments.

The Bank and the Group' capital funds according to the BOT's Basel II guidelines as at December 31, 2012 are as follows:

Unit: Million Baht

	31 December 2012	
	The Bank	The Group
1. Tier 1 Capital	203,928	205,811
Paid-up share capital	19,088	19,088
Premiums on share capital	56,346	56,346
Legal reserves	17,000	17,000
Reserves appropriated from net profit	71,500	71,500
Retained earnings after appropriations	39,994	42,048
Minority interest	-	34
Deduction from Tier 1 capital	-	-
Deduction from Tier 1 capital and Tier 2 capital each of 50%	-	(205)
2. Tier 2 Capital	74,956	75,364
Tier 2 capital before deductions	74,956	75,569
Minority interest	-	-
Deduction from Tier 1 capital and Tier 2 capital each of 50%	-	(205)
3. Total Capital	278,884	281,175
Total capital before deductions	278,884	281,175
Deductions from total capital	-	-

Since January 1, 2013 the BOT has implemented the regulations on capital requirements under the principles of Basel III, by which the capital structure is revised into Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital. Common Equity Tier 1 capital comprises paid-up share capital, premium on share capital, legal reserves, reserves appropriated from net profit, retained earnings after appropriations, and other reserves. Additional Tier 1 capital consists of additional Tier 1 instruments and non-controlling interest. Tier 2 capital consists of long-term subordinated debt instruments and general provisions for normal assets. Under BOT's Basel III, other items of the other comprehensive income are allowed to be recognized as Additional Tier 1, and deductible items from the capital are revised to be more than those prescribed under Basel II. With regard to the addition into or deduction from the capital, BOT requires the Bank to phasing in at 20 percent p.a. beginning 2014.

In addition to the revision of the capital structure and its component, there are also changes in other main requirements; i.e., raising the quality of eligible capital instruments to be higher than that of the previous Basel II. The new guidelines prohibit having incentive to redeem in order that the aforementioned instruments satisfy the feature of long-term capital and to ensure the loss absorbency of the bank on a going-concern basis or at the point of non-viability. The instruments of which the criteria do not meet such qualifications under Basel III, BOT requires phasing out at 10 percent p.a. beginning 2013.

The Bank and the Group' capital funds according to the BOT's Basel III guidelines as at June 30, 2013 are as follows:

Unit: Million Baht

	June 30, 2013	
	The Bank	The Group
1. Tier 1 Capital	250,637	253,490
1.1 Common Equity Tier 1 Capital	250,637	253,390
Paid-up share capital	19,088	19,088
Premiums on share capital	56,346	56,346
Legal reserves	17,500	17,500
Reserves appropriated from net profit	71,500	71,500
Retained earnings after appropriations	46,916	49,661
Other comprehensive income	39,287	39,295
1.2 Additional Tier 1 Capital	-	100
Non-controlling interest	-	100
2. Tier 2 Capital	46,532	47,171
Subordinated debenture*	26,582	26,582
General provisions and surplus provisions	19,950	20,589
3. Total Capital	297,169	300,661

* Subordinated debenture of Baht 26,582 million is the amount after taking into account the phase out from the capital in accordance with BOT's Basel III guidelines at 10% p.a. during 2013-2023 already which is approximately Baht 2,954 million per year.

Subordinated debentures recognized as Tier 2 capital in the above table have major terms and conditions as follows:

Subordinated debenture	Amount recognized as capital (million Baht)	Date	Interest rate	Termination right
REGs ISIN Code : USY0606WBQ25, 144A ISIN code : US059895AH54 issued by Bangkok Bank Public Company Limited – Hong Kong Branch in USD currency	8,582	date of issuance : January 28, 1999 maturity date: March 15, 2029	9.025 % p.a. over the term	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 or Hong Kong resulted that the Bank has additional amount to pay in respect to the withholding tax rate over than 15%. The redemption amount of the notes shall be equal to total outstanding principal plus accrued interest.
ISIN Code : TH0001032C09 issued by Bangkok Bank Public Company Limited No. 1/2012 in Baht currency	18,000	date of issuance : December 7, 2012 maturity date: December 7, 2022	4.375 % p.a. over the term	The Bank has the option to redeem as follows: (1) At the 5 th anniversary date from the issuing date of the notes or at any interest payment date after the 5 th anniversary date from the issuing date of the notes, or (2) Interest of the note cannot be deducted as taxable expenses of the Bank any more, or (3) Additional case or condition specified by the BOT thereafter by which the redemption amount shall be equal to the outstanding principal plus accrued interest.
	26,582			

In case of early redemption, the bank has to get the approval by the BOT, and in case of liquidation, the debenture holders will be repaid after senior creditors, depositors and general creditors. The Bank measures the aforementioned debentures at amortized cost of which Baht 26,582 million being the amount after phase-out deduction from the capital for Baht 2,954 million. This is attributed to the fact that it does not meet the criteria for Tier 2 capital regarding capability for loss absorbency of the Bank at the point of non-viability as such subordinated debentures of the Bank have no conversion feature to common shares or written off upon the authority's decision to make financial support to the Bank.

Capital Adequacy

The Standardized Approach (SA) is used to measure credit risk, market risk, and operational risk for computing regulatory capital requirements at both the Bank level and the Group level. In 2012, it is applied under BOT's Basel II and from 2013 it has been changed to be under BOT's Basel III. The change to Basel III does not significantly affect the calculation of capital adequacy.

The Bank and the Group' minimum capital requirements under the BOT's Basel II as at December 31, 2012, for each type of risk are as follows:

Unit: Million Baht

	31 December 2012	
	The Bank	The Group
Minimum capital requirements for credit risk	133,518	136,234
Performing	132,603	135,287
- 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	318	318
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	3,882	4,399
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	98,068	101,798
- Retail	12,314	12,385
- Residential mortgage loans	4,925	4,928
- Other assets	13,096	11,459
Non-Performing	915	947
Minimum capital requirements for market risk	1,530	1,590
- Interest Rate Risk	1,006	1,006
- Equity Price Risk	-	74
- Foreign Exchange Risk	524	508
- Commodity Price Risk	-	2
Minimum capital requirements for operational risk	11,150	11,716
Total minimum capital requirements	146,198	149,540

¹ Multilateral development banks

² Non-central government public sector entities

The Bank and the Group' minimum capital requirements under the BOT's Basel III as at June 30, 2013, for each type of risk are as follows:

Unit: Million Baht

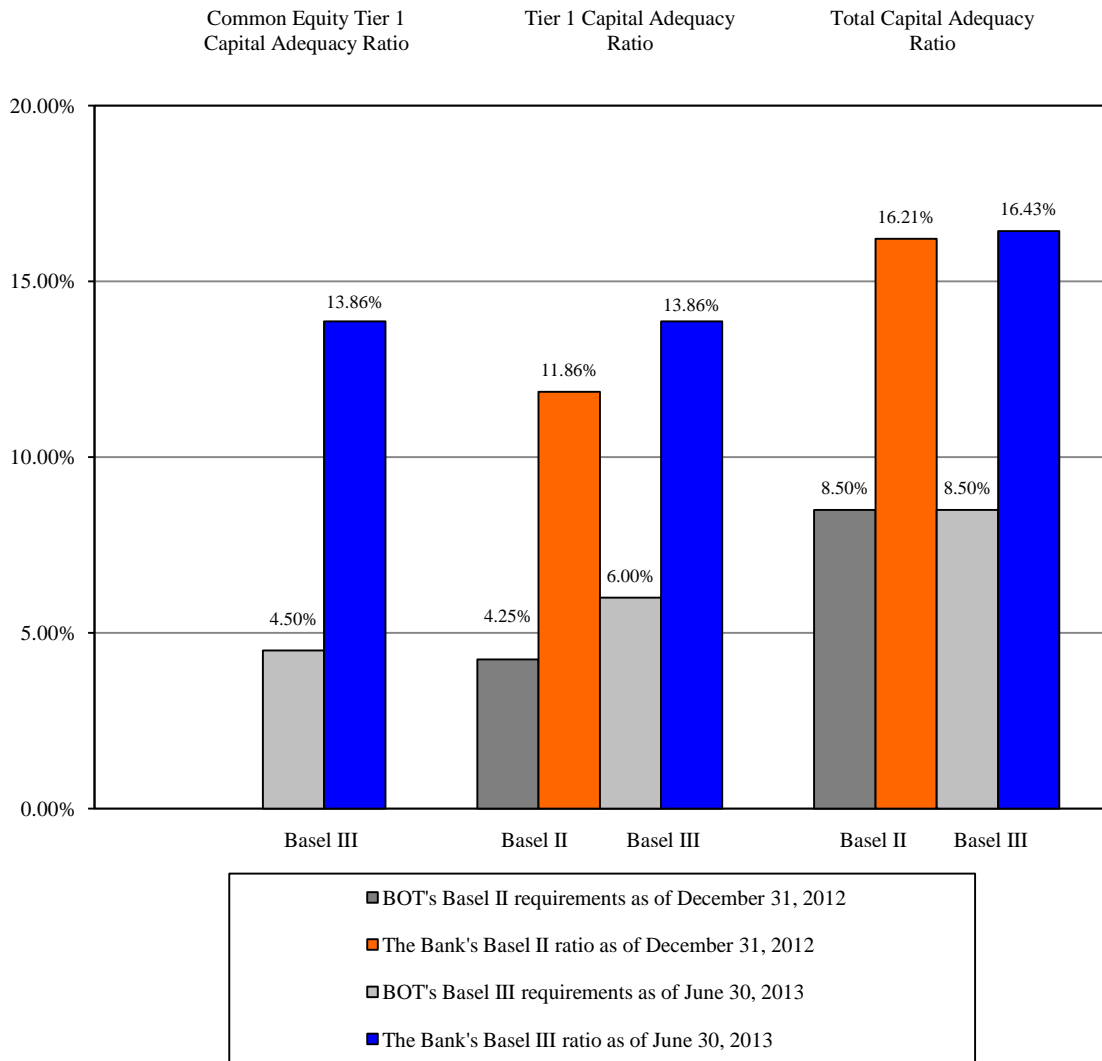
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	The Bank	The Group
Minimum capital requirements for credit risk	140,834	144,031
Performing	139,842	143,036
- Sovereigns and central banks, Multilateral development banks (MDBs), and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Sovereigns	435	435
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	4,567	5,044
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	104,225	108,263
- Retail	12,539	12,642
- Residential mortgage loans	5,128	5,131
- Other assets	12,948	11,521
Non-Performing	992	995
Minimum capital requirements for market risk	1,296	1,518
- Interest Rate Risk	685	688
- Equity Price Risk	-	274
- Foreign Exchange Risk	611	554
- Commodity Price Risk	-	2
Minimum capital requirements for operational risk	11,598	12,240
Total minimum capital requirements	153,728	157,789

As at December 31, 2012, the Bank's Tier 1 capital adequacy ratio and its Total capital adequacy ratio were 11.86 percent and 16.21 percent, respectively. The Group's Tier 1 capital adequacy ratio and its Total capital adequacy ratio were 11.70 percent and 15.98 percent, respectively. Such ratios exceeded the BOT's Basel II minimum requirements: a Tier 1 capital adequacy ratio of no less than 4.25 percent, and a Total capital adequacy ratio of no less than 8.5 percent.

As at June 30, 2013, the Bank's Common Equity Tier 1 capital adequacy ratio and its Tier 1 capital adequacy ratio were equal at 13.86 percent, and its Total capital adequacy ratio was 16.43 percent. The Group's Common Equity Tier 1 capital adequacy ratio, its Tier 1 capital adequacy ratio and its Total capital adequacy ratio were 13.65 percent, 13.66 percent and 16.20 percent, respectively. Such ratios exceeded the BOT's Basel III minimum requirements: a Common Equity Tier 1 capital adequacy ratio of no less than 4.5 percent, a Tier 1 capital adequacy ratio of no less than 6.0 percent, and a Total capital adequacy ratio of no less than 8.5 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 at more than 2.5 percent in 2019.

Bank Level (Solo Basis)


Group Level (Full Consolidation Basis)
