



Bangkok Bank Public Company Limited

Basel III - Pillar 3 Disclosures

As at June 30, 2014

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Introduction

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

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

The complete disclosure report of information regarding capital management in accordance with Basel III - Pillar 3 is provided, of which the quantitative information regarding capital structure, capital adequacy, and market risk assessment is disclosed semi-annually. As for the disclosure of qualitative information, it is updated annually or where 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).

Capital Structure and Capital Adequacy

Capital Structure

The Bank's capital structure according to the regulations on capital requirements under the principles of BOT's Basel III, which has been effective since January 1, 2013, 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	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Common Equity Tier 1 Capital	292,775	276,562	287,012	272,156
Tier 1 Capital	292,891	276,678	287,012	272,156
Total Capital	339,204	325,027	332,566	319,747

Capital Adequacy

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

In compliance with the BOT's supervisory review process guidelines, the Bank's capital management process assesses the overall risk and capital adequacy under the Internal Capital Adequacy Assessment Process (ICAAP). The process covers assessments of all substantial risks to the Bank's operations under projected normal and stressed scenarios, so that the Bank can effectively manage its risks while ascertaining and ensuring that it has a sound capital base in line with its risk profile. Therefore, the Bank will expand the capital management process to the Group.

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

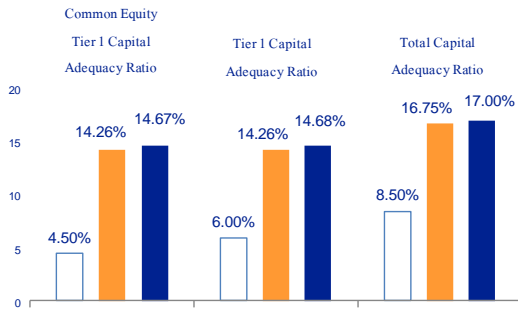
Under the principles of Basel III, the BOT requires that commercial banks registered in Thailand and their groups must maintain three minimum capital adequacy ratios: a Common Equity Tier 1 capital adequacy ratio of no less than 4.5 percent, a Tier 1 capital adequacy ratio of no less than 6.0 percent, 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 0.625 percent p.a. beginning 2016 until completion of the increment at 2.50 percent in 2019. Moreover, BOT may require banks to maintain additional capital for Countercyclical Buffer at maximum 2.50 percent. As at June 30, 2014, the Bank and the Group has adequate capital for such buffers.

Table 2: Capital Adequacy

Capital	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Common Equity Tier 1 Capital	14.67%	14.26%	14.82%	14.40%
Tier 1 Capital	14.68%	14.26%	14.82%	14.40%
Total Capital	17.00%	16.75%	17.18%	16.92%

Capital Adequacy Ratio

Group Level (Full Consolidation Basis)



Bank Level (Solo Basis)

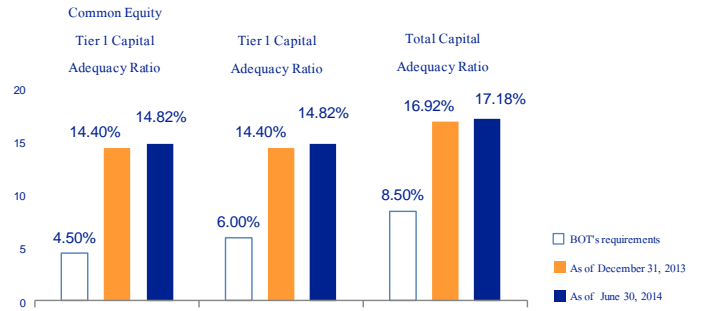


Table 3: Component of Capital

Unit : Million Baht

Component of Capital	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Tier 1 Capital	292,891	276,678	287,012	272,156
Common Equity Tier 1 Capital	292,775	276,562	287,012	272,156
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	18,500	18,000	18,500	18,000
Reserves appropriated from net profit	76,500	76,500	76,500	76,500
Retained earnings after appropriations	77,075	69,371	71,445	64,979
¹ Other comprehensive income *	45,406	37,257	45,260	37,243
² Deductions from Common Equity Tier 1 Capital *	(140)	-	(127)	-
Additional Tier 1 Capital	116	116	-	-
³ Non-controlling interest *	116	116	-	-
Tier 2 Capital	46,313	48,349	45,554	47,591
⁵ Subordinated debenture *	23,628	26,582	23,628	26,582
General provision	22,684	21,767	21,926	21,009
⁴ Non-controlling interest *	1	-	-	-
Total Capital	339,204	325,027	332,566	319,747

*Component of capital subject to phasing in (out)

Unit : Million Baht

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

Table 4: Minimum Capital Requirements for Each Type of Risks

Unit : Million Baht

Type of Risks	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Minimum capital requirements for credit risk	154,256	150,620	150,105	147,072
Performing	152,983	149,526	148,866	145,981
- 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	820	673	820	672
- Financial institutions, Securities firms, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Financial Institutions	6,152	5,124	5,685	4,672
- Corporates, and Provincial organizations/ Government entities/ State enterprises (PSEs) which have the same risk weight as Corporates	114,841	113,476	109,532	108,783
- Retail	12,873	12,983	12,775	12,863
- Residential mortgage loans	5,892	5,570	5,890	5,567
- Other assets	12,405	11,700	14,164	13,424
Non-Performing	1,273	1,094	1,239	1,091
Minimum capital requirements for market risk	2,327	1,617	2,304	1,630
- Interest Rate Risk	1,730	1,028	1,679	990
- Equity Price Risk	144	86	-	-
- Foreign Exchange Risk	453	503	625	640
- Commodity Price Risk	-	-	-	-
Minimum capital requirements for operational risk	13,030	12,656	12,179	11,902
Total minimum capital requirements	169,613	164,893	164,588	160,604

Remark

¹ Multilateral Development Banks

² Non-central Government Public Sector Entities

Table 5: Main Features of Regulatory Capital Instruments

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

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

	Ordinary share	Subordinated debt 1	Subordinated debt 2
Coupons / dividends			
Fixed or floating dividend/coupon	Discretionary dividend amount	Fixed rate	Fixed rate
Coupon rate and any related index	Distributable profit that has been declared as dividend	9.025 % p.a.	4.375 % p.a.
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory by BOT	Mandatory by BOT
Existence of step up or other incentive to redeem	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
Write-down feature	No	No	No
Position in subordination hierarchy in liquidation	The ordinary shareholders shall of the return of capital in a winding-up at the last position.	The subordinated noteholders shall of the return of capital in a winding-up after preferred shareholders, depositors and general creditors.	The subordinated noteholders shall of the return of capital in a winding-up after preferred shareholders, depositors and general creditors.

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

The Group capital as at June 30, 2014

Unit : Million Baht

Items	Amount	References based on balance sheet under the consolidated supervision
<u>Tier 1 capital</u>		
Common Equity Tier 1 Capital		
Paid-up common shares after deducting treasury shares	19,088	A
Premiums on share capital	56,346	B
Legal reserves	18,500	C
Reserves appropriated from net profit	76,500	D
Net profit after appropriation	77,075	E
Other comprehensive income		
Revaluation surplus on land building and condominium appraisal	14,539	F
Revaluation surplus (deficit) of available for sale equity and debt securities	31,240	G
Foreign currency translation differences	(373)	H
Other owner changes items	-	
Total CET1 capital before regulatory adjustments and deduction	292,915	
Regulatory adjustments on CET1	-	
Regulatory deduction on CET1		
Intangible assets (Software computer license)	(140)	I
Total regulatory deduction on CET1	(140)	
Total CET1	292,775	
Additional Tier 1 capital		
Non-controlling interest	116	J
Total Tier 1 capital	292,891	
<u>Tier 2 capital</u>		
Proceeds from issuing subordinated debt securities	23,628	K
General provision	22,684	L
Non-controlling interest	1	M
Total Tier 2 capital	46,313	
Total regulatory capital	339,204	

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

Balance sheet under the consolidated supervision as at June 30, 2014 ¹		Unit : Million Baht
Items	Amount	References for the Group capital items
Assets		
Cash	43,204	
Interbank and money market items, net	362,763	
Claim on securities	41	
Derivative assets	12,439	
Investments, net	395,499	
Investments in subsidiaries and associates, net	985	
Loans to customers and accrued interest receivables, net		
Loans to customers	1,765,224	
Accrued interest receivables	3,451	
Total Loans to customers and accrued interest receivables	1,768,675	
<u>Less</u> Deferred revenue	(703)	
<u>Less</u> Allowance for doubtful accounts	(94,338)	
Qualified as capital	(22,684)	L
<u>Less</u> Revaluation allowance for debt restructuring	(2,869)	
Total Loans to customers and accrued interest receivables, net	1,670,765	
Customers' liabilities under acceptances	1,748	
Properties for sale, net	17,860	
Premises and equipment, net	31,993	
Other Intangible assets, net	700	
Deduction from capital	(140)	I
Deferred tax assets	2,042	
Other assets, net	18,098	
Total assets	2,558,137	
Liabilities		
Deposits	1,903,432	
Interbank and money market items, net	117,463	
Liabilities payable on demand	8,789	
Liabilities to deliver securities	159	
Derivative liabilities	11,035	
Debt issued and borrowings	138,823	
Debt instruments that are qualified as capital	23,628	K
Bank's liabilities under acceptances	1,748	
Provisions	8,432	
Deferred tax liabilities	4,773	
Other liabilities	50,248	
Total liabilities	2,244,902	

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

Balance sheet under the consolidated supervision as at June 30, 2014 ¹		Unit : Million Baht
Items	Amount	References for the Group capital items
Owner' Equity		
Share capital		
Authorized share capital		
Preferred shares	17	
Common shares	39,983	
Issued and paid-up share capital		
Common shares	19,088	A
Premium on share capital		
Premium on common shares	56,346	B
Other comprehensive income	47,144	
Qualified as capital	45,406	F, G, H
Retained earnings		
Appropriated		
Legal reserve	18,500	C
Others	76,500	D
Unappropriated	95,517	
Qualified as capital	77,075	E
Total shareholders' equity	313,095	
Non-controlling interest	140	
Qualified as Tier 1 capital	116	J
Qualified as Tier 2 capital	1	M
Total owner's equity	313,235	
Total liabilities and owner's equity	2,558,137	

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