

**Capital Requirement Disclosures**

**Basel III \_ Pillar III**

**For the year ended 31 December 2014**

## Scope of Information Disclosure

According to the Bank of Thailand's guideline in the supervision of capital for commercial banks based on Basel III enforced at full consolidation, the financial group is required to maintain the minimum capital requirement corresponding to more complicated risk assessment methods for better risk measurement and embracing other relevant aspects of the financial group's encountered risks. The Financial Group is required to disclose both quantitative and qualitative data. Regarding qualitative disclosure, the data as of December 31, 2014 and the latest disclosure of the financial group shall be compared. The financial group's Solo Consolidation and Full Consolidation comprise of:

1. ICBC (Thai) Public Company Limited.
2. ICBC (Thai) Leasing Company Limited

Besides the regulation mentioned above, the Bank of Thailand further requires the financial group to disclose other key relevant information regarding the capital to be easily accessible and to engender the transparency of the financial group's risks and capital information as follows.

## Capital structure

The Financial Group and the Bank's capital as of December 31, 2014 and as of June 30, 2014 are composed of the following data.

(Unit: Thousand Baht)

<b>The Financial Group</b>		
	<u>31 December 2014</u>	<u>30 June 2014</u>
<b>Tier-1 Capital</b>	<b>21,543,102</b>	<b>15,718,461</b>
<b>Common Equity Tier 1 (CET1)</b>		
Paid-up share capital	20,132,094	14,186,840
Legal reserve	300,000	200,000
Retained earnings after appropriations	1,598,808	1,598,808
Other comprehensive income	170,747	178,418
<u>Less deductible items on Common Equity Tier 1</u>	<u>(658,547)</u>	<u>(445,605)</u>
<b>Total Common Equity Tier 1 (CET1)</b>	<b>21,543,102</b>	<b>15,718,461</b>
<b>Tier-2 Capital</b>		
Reserve for assets classified as "Pass"	1,531,641	1,543,148
<u>Less deductible items on Tier 2 capital</u>	<u>(122,721)</u>	<u>(248,281)</u>
<b>Total Tier-2 Capital</b>	<b>1,408,920</b>	<b>1,294,867</b>
<b>Total Capital Funds of the Financial Group</b>	<b>22,952,022</b>	<b>17,013,328</b>



## The minimum capital requirement

According to the Basel III guideline in supervision of capital, the financial group and the Bank have to maintain the minimum capital corresponding to the following type of risk :

### 1. Credit risk capital requirement

Based on the Standardized Approach, the minimum capital requirements are classified by type of assets with the data as of December 31, 2014 and as of June 30, 2014 were as follows:

(Unit: Thousand Baht)

<b>The Financial Group</b>		
	31 December 2014	30 June 2014
<b>Minimum Credit Risk Capital Requirement</b>		
<b>Performing Loans</b>		
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank,	899	-
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions.	1,349,306	1,381,593
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates.	6,520,115	6,289,610
Claims in the Retails Portfolio	2,127,626	2,395,352
Residential Mortgage Loans	777	881
Other assets	265,219	255,780
<b>Non-performing Loans</b>	152,118	170,189
<b>Total Credit Risk Capital Requirement of The Financial Group</b>	<b>10,416,060</b>	<b>10,493,405</b>

(Unit: Thousand Baht)

<b>The Bank</b>		
	31 December 2014	30 June 2014
<b>Minimum Credit Risk Capital Requirement</b>		
<b>Performing Loans</b>		
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	899	-
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,345,755	1,378,060
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	7,170,336	6,819,975
Claims in the Retails Portfolio	32,684	7,278
Residential Mortgage Loans	777	881
Other assets	558,503	558,238
<b>Non-performing Loans</b>	99,959	106,418
<b>Total Credit Risk Capital Requirement of The Bank</b>	<b>9,208,913</b>	<b>8,870,850</b>

## 2. Market Risk Capital Requirement

The financial group and the Bank adopt the Standardized Approach for market risk capital calculation. The market risk capital requirement for the financial group and the bank as of December 31, 2014 amounted to 9,081 thousand baht and as of June 30, 2014 amounted to 24,794 thousand baht respectively.

## 3. Operational Risk Capital Requirement

The Financial group and the Bank adopt the Basic Indicator Approach for capital requirement calculation of operational risk as of December 31, 2014 and as of June 30, 2014 as follows.

<b>Minimum Capital Requirement</b>	(Unit :Thousand Baht)			
	31 December 2014		30 June 2014	
	The financial group	The bank	The financial group	The bank
Operational Risk Capital Requirement	661,792	348,493	620,662	328,345

Based on the Basel III guideline on capital calculation for all 3 types of risk, the financial group and the Bank maintain the Capital Adequacy Ratio as follows:

<b>Capital Adequacy Ratio</b>	(Unit : Percent )					
	31 December 2014			30 June 2014		
	The Financial Group	The Bank	BOT Requirement	The Financial Group	The Bank	BOT Requirement
Tier 1 capital to risk assets	16.52	19.18	6.0	11.99	14.53	6.0
Common Equity Tier 1 to risk assets	16.52	19.18	4.5	11.99	14.53	4.5
Tier 2 capital to risk assets	1.08	0.90	-	0.99	0.53	-
Total capital to risk assets	17.60	20.08	8.5	12.98	15.06	8.5

## Credit Risk Policies

The financial group has established the credit risk policies and credit policies as the guidelines for credit approvals consideration to be within the portfolio risk tolerance of the financial group and the bank. The credit risk management policies comprise the lending to related parties policy, individual and group facility limits, the list of prohibited businesses lending, specific businesses lending and sectorial lending limits including other relevant policies to credit approval processes which are in line with the Bank of Thailand's regulations so that the financial group has appropriate control of credit risk and sufficient credit and portfolio risk management. The policies also incorporate the processes of credit risk assessment, monitoring, controlling and capital adequacy assessment as appropriate. .

### Definition of default and impairment of assets

The financial group has established the policy to define the default for the impairment of loan consideration whereby the incurrence of default corresponding to the overdue of either principal or interest of over 90 days after the due date or any loans qualitatively classified as non - performing.

### Guideline for setting general and specific provision

The financial group sets the allowance for the doubtful loans in full to be in line with the requirement set by the Bank of Thailand's guideline in Classification and Provisioning of the Financial Institution. For Non-performing loans, The Financial group and The Bank have set the provision of 100% for the difference between the loan outstanding and the present value of the expected cash flow from the collateral liquidation.

Moreover, the financial group sets additional allowance for doubtful account for individual loans as follows:

1. The financial group has set the additional allowance by considering the Expected loss for "Pass" and "Special Mention".
2. In case that the financial group has considered the credit approval, extension of facility or restructuring and found that it is possible that the loans cannot be repaid in both principal and interest according to the contract, the Risk Management Division will recommend additional specific allowance for each individual loan.
3. For some industry sectors, countries or portfolios which have higher risk profiles, the Credit Risk Department may recommend increases in the allowances for debtors in those sectors, countries or portfolios.
4. The Financial group may set additional allowances upon the recommendations of Industrial and Commercial Bank of China Limited, the parent company, the BOT or the Bank's management, internal auditors, and external auditors.
5. Since the difficulties to receive recovery from enforcement of machinery, the Bank shall not use the machinery placed as collateral as a deductible.

The Financial Group and the Bank have the outstanding balance of financial statement before considering the credit risk mitigation as of December 31, 2014 and 2013 as follows:

Items	(Unit: Thousand Baht)	
	The Financial group	
	31 December 2014	31 December 2013
On- Statements of financial position		
Total Net loans <sup>1/</sup>	155,851,929	142,206,417
Net investment in debt securities <sup>2/</sup>	35,157,181	30,577,763
Deposits (including accrued interest receivables)	1,570,876	1,485,709
Off- Statements of financial position <sup>3/</sup>		
Avals, Guarantee to loans and Letters of Credit	653,378	454,626
OTC derivatives	55,096,992	53,941,922
Undrawn committed lines	785,586	2,428,417

(Unit: Thousand Baht)

Items	The Bank	
	31 December 2014	31 December 2013
On- Statements of financial position		
Total Net loans <sup>1/</sup>	114,378,480	110,218,459
Net investment in debt securities <sup>2/</sup>	35,157,181	30,577,763
Deposits (including accrued interest receivables)	1,361,973	1,176,666
Off- Statements of financial position <sup>3/</sup>		
Avals, Guarantee to loans and Letters of Credit	16,153,378	6,054,626
OTC derivatives	55,096,992	53,941,922
Undrawn committed lines	785,586	2,428,417

<sup>1/</sup> Including accrued interest receivables and net amortization, allowances for doubtful debts, allowances for restructuring and net loans to interbank and money market

<sup>2/</sup> Excluding accrued interest receivables and net the allowances for amortization and impairment of assets

<sup>3/</sup> Before multiplying by the credit conversion factors (CCF)

The Financial group and the Bank have the outstanding balance of financial statement before considering the credit risk mitigation classified by country as of December 31, 2014 and 2013 as follows:

(Unit: Thousand Baht)

Customer's country of residence	The Financial Group							
	31 December 2014							
	Net Loans <sup>1/</sup>	Net investment in debt securities <sup>2/</sup>	Deposits (including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit	Over-the-counter derivatives	Undrawn Committed Line	Total
Thailand	107,698,177	30,517,156	1,189,176	139,404,509	551,488	38,580,252	595,024	39,726,764
Asia Pacific Rim excluding								
Thailand	42,747,748	4,640,025	188,561	47,576,334	101,890	3,818,321	190,562	4,110,773
North America and Latin America	2,289,581	-	189,153	2,478,734	-	4,853,489	-	4,853,489
Africa and Middle East	3,111,715	-	-	3,111,715	-	-	-	-
Europe	4,708	-	3,986	8,694	-	7,844,930	-	7,844,930
Total	155,851,929	35,157,181	1,570,876	192,579,986	653,378	55,096,992	785,586	56,535,956

(Unit: Thousand Baht)

Customer's country of residence	The Financial Group							
	31 December 2013							
	Net Loans <sup>1/</sup>	Net investment in debt securities <sup>2/</sup>	Deposits (including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit	Over-the-counter derivatives	Undrawn Committed Line	Total
Thailand	104,727,120	23,776,911	1,194,282	129,698,313	454,626	45,077,146	1,642,413	47,174,185
Asia Pacific Rim excluding								
Thailand	29,513,464	6,800,852	87,256	36,401,572	-	3,859,784	587,634	4,447,418
North America and Latin America	4,633,754	-	201,424	4,835,178	-	5,000,070	-	5,000,070
Africa and Middle East	3,323,287	-	-	3,323,287	-	-	198,370	198,370
Europe	8,792	-	2,747	11,539	-	4,922	-	4,922
Total	142,206,417	30,577,763	1,485,709	174,269,889	454,626	53,941,922	2,428,417	56,824,965

(Unit: Thousand Baht)

The Bank								
31 December 2014								
Customer's country of residence	Net Loans <sup>1/</sup>	Net investment in debt securities <sup>2/</sup>	Deposits (including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit	Over-the-counter derivatives	Undrawn Committed Line	Total
Thailand	66,293,621	30,517,156	980,273	97,791,050	16,051,488	38,580,252	595,024	55,226,764
Asia Pacific Rim excluding Thailand	42,688,515	4,640,025	377,714	47,706,254	101,890	3,818,321	190,562	4,110,773
North America and Latin America	2,287,540	-	-	2,287,540	-	4,853,489	-	4,853,489
Africa and Middle East	3,108,721	-	-	3,108,721	-	-	-	-
Europe	83	-	3,986	4,069	-	7,844,930	-	7,844,930
<b>Total</b>	<b>114,378,480</b>	<b>35,157,181</b>	<b>1,361,973</b>	<b>150,897,634</b>	<b>16,153,378</b>	<b>55,096,992</b>	<b>785,586</b>	<b>72,035,956</b>

(Unit: Thousand Baht)

The Bank								
31 December 2013								
Customer's country of residence	Net Loans <sup>1/</sup>	Net investment in debt securities <sup>2/</sup>	Deposits (including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit	Over-the-counter derivatives	Undrawn Committed Line	Total
Thailand	72,836,531	23,776,911	877,049	97,490,491	6,054,626	45,077,146	1,642,413	52,774,185
Asia Pacific Rim excluding Thailand	29,433,105	6,800,852	100,382	36,334,339	-	3,859,784	587,634	4,447,418
North America and Latin America	4,629,782	-	198,898	4,828,680	-	5,000,070	-	5,000,070
Africa and Middle East	3,319,041	-	-	3,319,041	-	-	198,370	198,370
Europe	-	-	337	337	-	4,922	-	4,922
<b>Total</b>	<b>110,218,459</b>	<b>30,577,763</b>	<b>1,176,666</b>	<b>141,972,888</b>	<b>6,054,626</b>	<b>53,941,922</b>	<b>2,428,417</b>	<b>62,424,965</b>

<sup>1/</sup> Including accrued interest receivables and net amortization, allowances for doubtful debts, allowances for restructuring and net loans to interbank and money market<sup>2/</sup> Excluding accrued interest receivables and net the allowances for amortization and impairment of assets<sup>3/</sup> Before multiplying by the credit conversion factors (CCF)

The Financial group and the Bank have the outstanding balance of financial statement before considering the credit risk mitigation classified by remaining maturities as of December 31, 2014 and 2013 as follows:

(Unit: Thousand Baht)

Items	The Financial Group		
	31 December 2014		
	Up to 1 year	Over 1 year	Total
<b>On-Statements of financial position</b>			
Total Net loans <sup>1/</sup>	66,756,795	89,095,134	155,851,929
Net investment in debt securities <sup>2/</sup>	15,194,149	19,963,032	35,157,181
Deposit (including accrued interest receivables)	1,570,876	-	1,570,876
<b>Off- Statements of financial position <sup>3/</sup></b>			
Avals, Guarantees to loans and Letters of Credit	551,488	101,890	653,378
Over-the-counter derivatives	52,866,251	2,230,741	55,096,992
Undrawn committed line	446,369	339,217	785,586



(Unit: Thousand Baht)

Items	The Financial Group		
	31 December 2013		
	Up to 1 year	Over 1 year	Total
On-Statements of financial position			
Total Net loans <sup>1/</sup>	45,455,790	96,750,627	142,206,417
Net investment in debt securities <sup>2/</sup>	17,853,836	12,723,927	30,577,763
Deposit (including accrued interest receivables)	1,485,709	-	1,485,709
Off- Statements of financial position <sup>3/</sup>			
Avals, Guarantees to loans and Letters of Credit	454,626	-	454,626
Over-the-counter derivatives	49,412,227	4,529,695	53,941,922
Undrawn committed line	1,816,768	611,649	2,428,417

(Unit: Thousand Baht)

Items	The Bank		
	31 December 2014		
	Up to 1 year	Over 1 year	Total
On- Statements of financial position			
Total Net loans <sup>1/</sup>	67,622,312	46,756,168	114,378,480
Net investment in debt securities <sup>2/</sup>	15,194,149	19,963,032	35,157,181
Deposit (including accrued interest receivables)	1,361,973	-	1,361,973
Off- Statements of financial position <sup>3/</sup>			
Avals, Guarantees to loans and Letters of Credit	3,151,488	13,001,890	16,153,378
Over-the-counter derivatives	52,866,251	2,230,741	55,096,992
Undrawn committed line	446,369	339,217	785,586

(Unit: Thousand Baht)

Items	The Bank		
	31 December 2013		
	Up to 1 year	Over 1 year	Total
On- Statements of financial position			
Total Net loans <sup>1/</sup>	63,646,890	46,571,569	110,218,459
Net investment in debt securities <sup>2/</sup>	17,853,836	12,723,927	30,577,763
Deposit (including accrued interest receivables)	1,176,666	-	1,176,666
Off- Statements of financial position <sup>3/</sup>			
Avals, Guarantees to loans and Letters of Credit	454,626	5,600,000	6,054,626
Over-the-counter derivatives	49,412,227	4,529,695	53,941,922
Undrawn committed line	1,816,768	611,649	2,428,417

<sup>1/</sup> Including the interest receivables and net amortization, allowances for doubtful debts, allowances for restructuring and net loans to interbank and money market

<sup>2/</sup> Excluding the interest receivables and net the allowances for amortization and impairment of assets

<sup>3/</sup> Before multiplying by the credit conversion factors (CCF)

The Financial group and the Bank have the outstanding loans including the accrued interest receivable and investment in debt instruments before considering the credit risk mitigation classified by country of borrowers according to the Bank of Thailand's guideline as of December 31, 2014 and 2013 as follows:

(Unit: Thousand Baht)

The Financial group							
31 December 2014							
Customer's country of residence	Loans and accrued interest receivables <sup>1/</sup>					Total	Investment in doubtful loss debt securities
	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful Loss		
Thailand	108,342,372	4,864,942	1,088,155	523,708	1,160,922	115,980,099	-
Asia Pacific Rim excluding Thailand	42,774,782	4,784	1,008	-	-	42,780,574	-
North America and Latin America	2,289,676	7	-	-	-	2,289,683	-
Africa and Middle East	3,111,718	322	-	-	-	3,112,040	-
Europe	5,039	40	-	-	-	5,079	-
<b>Total</b>	<b>156,523,587</b>	<b>4,870,095</b>	<b>1,089,163</b>	<b>523,708</b>	<b>1,160,922</b>	<b>164,167,475</b>	<b>-</b>

(Unit: Thousand Baht)

The Financial group							
31 December 2013							
Customer's country of residence	Loans and accrued interest receivables <sup>1/</sup>					Total	Investment in doubtful loss debt securities
	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful Loss		
Thailand	105,848,658	5,945,953	1,205,514	497,607	1,347,288	114,845,020	-
Asia Pacific Rim excluding Thailand	29,571,425	7,095	-	881	-	29,579,401	-
North America and Latin America	4,633,900	94	-	-	-	4,633,994	-
Africa and Middle East	3,323,693	159	44	107	-	3,324,003	-
Europe	8,471	1,115	-	-	-	9,586	-
<b>Total</b>	<b>143,386,147</b>	<b>5,954,416</b>	<b>1,205,558</b>	<b>498,595</b>	<b>1,347,288</b>	<b>152,392,004</b>	<b>-</b>

(Unit: Thousand Baht)

The Bank							
31 December 2014							
Customer's country of residence	Loans and accrued interest receivables <sup>1/</sup>					Total	Investment in doubtful loss debt securities
	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful Loss		
Thailand	65,801,397	709,891	31,750	184	1,158,514	67,701,736	-
Asia Pacific Rim excluding Thailand	42,714,576	-	-	-	-	42,714,576	-
North America and Latin America	2,287,541	-	-	-	-	2,287,541	-
Africa and Middle East	3,108,721	-	-	-	-	3,108,721	-
Europe	83	-	-	-	-	83	-
<b>Total</b>	<b>113,912,318</b>	<b>709,891</b>	<b>31,750</b>	<b>184</b>	<b>1,158,514</b>	<b>115,812,657</b>	<b>-</b>

<sup>1/</sup> Including net loans to interbank and money market

(Unit: Thousand Baht)

The Bank							
31 December 2013							
Customer's country of residence	Loans and accrued interest receivables <sup>1/</sup>					Total	Investment in doubtful loss debt securities
	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful Loss		
Thailand	71,448,708	1,218,594	5,107	4,075	1,347,288	74,023,772	-
Asia Pacific Rim excluding Thailand	29,489,507	-	-	-	-	29,489,507	-
North America and Latin America	4,629,782	-	-	-	-	4,629,782	-
Africa and Middle East	3,319,042	-	-	-	-	3,319,042	-
Europe	-	-	-	-	-	-	-
<b>Total</b>	<b>108,887,039</b>	<b>1,218,594</b>	<b>5,107</b>	<b>4,075</b>	<b>1,347,288</b>	<b>111,462,103</b>	<b>-</b>

<sup>1/</sup> Including net loans to interbank and money market

General provision ,Specific provision and bad debt write-off loans including the interest receivable and the investments in debt instruments as of December 31, 2014 and 2013 are classified by country of borrowers as follows:

(Unit: Thousand Baht)

The Financial Group				
31 December 2014				
Customer's country of residence	Loans and accrued interest receivables <sup>1/</sup>			Specific provision for investment in debt securities
	General provision	Specific provision	Bad debt written-off	
Thailand		1,764,284	783,999	114,372
Asia Pacific Rim excluding Thailand		524	-	11,598
North America and Latin America		-	-	-
Africa and Middle East		1	-	-
Europe		1	-	-
<b>Total</b>	<b>1,531,641</b>	<b>1,764,810</b>	<b>783,999</b>	<b>125,970</b>

(Unit: Thousand Baht)

The Financial Group				
31 December 2013				
Customer's country of residence	Loans and accrued interest receivables <sup>1/</sup>			Specific provision for investment in debt securities
	General provision	Specific provision	Bad debt written-off	
Thailand		1,957,355	549,974	157,775
Asia Pacific Rim excluding Thailand		353	-	4,169
North America and Latin America		1	-	-
Africa and Middle East		118	-	-
Europe		2	-	-
<b>Total</b>	<b>1,504,133</b>	<b>1,957,829</b>	<b>549,974</b>	<b>161,944</b>

(Unit : Thousand Baht)

The Bank				
31 December 2014				
Customer's country of residence	Loans and accrued interest receivables <sup>1/</sup>			Specific provision for
	General provision	Specific provision	Bad debt written-off	investment in debt securities
Thailand		1,406,618	7,229	114,372
Asia Pacific Rim excluding Thailand		-	-	11,598
North America and Latin America		-	-	-
Africa and Middle East		-	-	-
Europe		-	-	-
<b>Total</b>	<b>1,135,439</b>	<b>1,406,618</b>	<b>7,229</b>	<b>125,970</b>

(Unit : Thousand Baht)

The Bank				
31 December 2013				
Customer's country of residence	Loans and accrued interest receivables <sup>1/</sup>			Specific provision for
	General provision	Specific provision	Bad debt written-off	investment in debt securities
Thailand		1,187,241	75,197	157,775
Asia Pacific Rim excluding Thailand		-	-	4,169
North America and Latin America		-	-	-
Africa and Middle East		-	-	-
Europe		-	-	-
<b>Total</b>	<b>1,300,426</b>	<b>1,187,241</b>	<b>75,197</b>	<b>161,944</b>

<sup>1/</sup> Total provision and during the period write-off for loans and accrued interest receivable to interbank and money market

The Financial group and the Bank have the total outstanding loans including interest receivable before considering credit risk mitigation classified by type of businesses of borrowers and by the Bank of Thailand's guideline for loan classification as of December 31, 2014 and 2013 as follows:

(Unit: Thousand Baht)

The Financial Group						
31 December 2014						
Type of business	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	1,663,476	264,007	56,592	33,588	-	2,017,663
Manufacturing and commerce	58,823,109	1,088,245	268,745	146,098	536,826	60,863,023
Real estate and construction	11,156,310	179,745	48,349	23,886	568,348	11,976,638
Public utility and services	41,105,127	1,249,968	207,151	101,339	35,528	42,699,113
Housing loans	41,898	5,800	-	184	2,067	49,949
Others	43,733,667	2,082,330	508,326	218,613	18,153	46,561,089
<b>Total</b>	<b>156,523,587</b>	<b>4,870,095</b>	<b>1,089,163</b>	<b>523,708</b>	<b>1,160,922</b>	<b>164,167,475</b>

The Financial Group						
31 December 2013						
Type of business	Pass	Special	Sub-standard	Doubtful	Doubtful of loss	Total
	Mentioned					
Agriculture and mining	306,098	106,882	-	-	-	412,980
Manufacturing and commerce	42,867,493	473,759	12,393	3,750	703,033	44,060,428
Real estate and construction	9,069,475	116,200	14,618	1,919	590,848	9,793,060
Public utility and services	29,100,654	462,262	25,712	4,024	34,870	29,627,522
Housing loans	30,356	6,200	-	2,507	1,499	40,562
Others	62,012,071	4,789,113	1,152,835	486,395	17,038	68,457,452
<b>Total</b>	<b>143,386,147</b>	<b>5,954,416</b>	<b>1,205,558</b>	<b>498,595</b>	<b>1,347,288</b>	<b>152,392,004</b>

(Unit: Thousand Baht)

The Bank						
31 December 2014						
Type of business	Pass	Special	Sub-standard	Doubtful	Doubtful of loss	Total
	Mentioned					
Agriculture and mining	114,217	94,768	-	-	-	208,985
Manufacturing and commerce	48,591,139	143,413	17,487	-	536,335	49,288,374
Real estate and construction	8,963,741	39,381	3,759	-	568,162	9,575,043
Public utility and services	25,966,967	309,489	10,225	-	34,906	26,321,587
Housing loans	41,898	5,800	-	184	2,067	49,949
Others	30,234,356	117,040	279	-	17,044	30,368,719
<b>Total</b>	<b>113,912,318</b>	<b>709,891</b>	<b>31,750</b>	<b>184</b>	<b>1,158,514</b>	<b>115,812,657</b>

(Unit: Thousand Baht)

The Bank						
31 December 2013						
Type of business	Pass	Special	Sub-standard	Doubtful	Doubtful of loss	Total
	Mentioned					
Agriculture and mining	235,377	90,806	-	-	-	326,183
Manufacturing and commerce	39,284,603	412,160	-	1,567	703,033	40,401,363
Real estate and construction	7,325,266	68,317	5,107	-	590,848	7,989,538
Public utility and services	22,195,493	284,313	-	-	34,870	22,514,676
Housing loans	30,356	6,200	-	2,508	1,499	40,563
Others	39,815,944	356,798	-	-	17,038	40,189,780
<b>Total</b>	<b>108,887,039</b>	<b>1,218,594</b>	<b>5,107</b>	<b>4,075</b>	<b>1,347,288</b>	<b>111,462,103</b>

General provision, Specific provision and bad debt write-off loan including the accrued interest receivable and the investments in debt instruments are classified by the type of businesses of the borrowers as of December 31, 2014 and 2013 as follows:

(Unit: Thousand Baht)

Type of business	The Financial Group					
	31 December 2014			31 December 2013		
	General provision	Specific provision	Bad debt written –off	General provision	Specific provision	Bad debt written –off
Agriculture and mining		78,089	92,937		39,038	-
Manufacturing and commercial		630,198	335,293		515,237	5,556
Real estate and construction		93,969	63,662		56,217	2,565
Public utility and services		245,023	235,678		108,697	20,546
Housing loans		2,127	-		2,271	1,811
Others		715,404	56,429		1,236,369	519,496
<b>Total</b>	<b>1,531,641</b>	<b>1,764,810</b>	<b>783,999</b>	<b>1,504,133</b>	<b>1,957,829</b>	<b>549,974</b>

(Unit: Thousand Baht)

Type of business	The Bank					
	31 December 2014			31 December 2013		
	General provision	Specific provision	Bad debt written –off	General provision	Specific provision	Bad debt written –off
Agriculture and mining		28,430	-		27,242	-
Manufacturing and commercial		417,730	3,474		481,847	75,194
Real estate and construction		58,818	2,873		52,225	-
Public utility and services		96,732	-		94,327	-
Housing loans		2,127	-		2,271	3
Others		802,781	882		529,329	-
<b>Total</b>	<b>1,135,439</b>	<b>1,406,618</b>	<b>7,229</b>	<b>1,300,426</b>	<b>1,187,241</b>	<b>75,197</b>

Changes in the general provision and specific provision for the loans including the accrued interest receivable<sup>1/</sup> as of December 31, 2014 and 2013 were as follows:

(Unit: Thousand Baht)

Items	The Financial Group					
	31 December 2014			31 December 2013		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Beginning balance of year	1,504,133	1,957,829	3,461,962	706,565	1,451,234	2,157,799
Bad debt written off	-	(783,999)	(783,999)	-	(549,974)	(549,974)
Increase (decrease) in provision during the period	27,508	590,980	618,488	797,568	1,056,569	1,854,137
<b>Ending balance of year</b>	<b>1,531,641</b>	<b>1,764,810</b>	<b>3,296,451</b>	<b>1,504,133</b>	<b>1,957,829</b>	<b>3,461,962</b>

<sup>1/</sup> Including loans and accrued interest receivables to interbank and money market

(Unit: Thousand Baht)

Items	The Bank					
	31 December 2014			31 December 2013		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Beginning balance of year	1,300,426	1,187,241	2,487,667	664,032	1,099,495	1,763,527
Bad debt written off	-	(7,229)	(7,229)	-	(75,197)	(75,197)
Increase (decrease) in provision during the period	(164,987)	226,606	61,619	636,394	162,943	799,337
Ending balance of year	1,135,439	1,406,618	2,542,057	1,300,426	1,187,241	2,487,667

<sup>1/</sup> Including loans and accrued interest receivables to interbank and money market

The outstanding balance of financial statement equivalence items classified by the type of assets by Standardized Approach as of December 31, 2014 and 2013 were as follows:

(Unit: Thousand Baht)

Type of assets	The Financial Group		
	31 December 2014		
	On-Statement of financial position	Off- Statement of financial position <sup>1/</sup>	Total
<b>Performing loans</b>			
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	9,813,372	-	9,813,372
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	30,765,878	3,628,951	34,394,829
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	117,577,929	1,295,956	118,873,885
Claims in the Retails Portfolio	33,260,560	328	33,260,888
Residential Mortgage Loans	42,620	-	42,620
Other assets	3,741,262	-	3,741,262
<b>Non-performing loans</b>	1,455,733	2,121	1,457,854
<b>Total</b>	196,657,354	4,927,356	201,584,710

<sup>1/</sup> After multiplying by the credit conversion factor (CCF) and deducting specific provision

(Unit: Thousand Baht)

Type of assets	The Financial Group		
	31 December 2013		
	On-Statement of financial position	Off- Statement of financial position <sup>1/</sup>	Total
<b>Performing loans</b>			
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	16,608,662	-	16,608,662
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	14,187,644	1,401,321	15,588,965
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	100,271,937	1,619,217	101,891,154
Claims in the Retails Portfolio	41,764,118	-	41,764,118
Residential Mortgage Loans	34,324	-	34,324
Other assets	3,670,608	-	3,670,608
<b>Non-performing loans</b>	1,680,908	2,166	1,683,074
<b>Total</b>	<b>178,218,201</b>	<b>3,022,704</b>	<b>181,240,905</b>

(Unit: Thousand Baht)

Type of assets	The Bank		
	31 December 2014		
	On-Statement of financial position	Off- Statement of financial position <sup>1/</sup>	Total
<b>Performing loans</b>			
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	9,813,372	-	9,813,372
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	30,556,975	3,628,951	34,185,926
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	109,608,124	16,795,956	126,404,080
Claims in the Retails Portfolio	391,581	328	391,909
Residential Mortgage Loans	42,620	-	42,620
Other assets	7,091,669	-	7,091,669
<b>Non-performing loans</b>	821,072	2,121	823,193
<b>Total</b>	<b>158,325,413</b>	<b>20,427,356</b>	<b>178,752,769</b>

<sup>1/</sup> After multiplying by the credit conversion factor (CCF) and deducting specific provision



(Unit: Thousand Baht)

Type of assets	The Bank		
	31 December 2013		
	On-Statement of financial position	Off- Statement of financial position <sup>1/</sup>	Total
<b>Performing loans</b>			
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	16,608,662	-	16,608,662
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	13,878,602	1,401,320	15,279,922
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	110,557,441	7,219,217	117,776,658
Claims in the Retails Portfolio	188,101	-	188,101
Residential Mortgage Loans	34,324	-	34,324
Other assets	7,168,516	-	7,168,516
<b>Non-performing loans</b>	983,462	2,166	985,628
<b>Total</b>	<b>149,419,108</b>	<b>8,622,703</b>	<b>158,041,811</b>

<sup>1/</sup> After multiplying by the credit conversion factor (CCF) and deducting specific provision

### Credit Risk Exposures Classified by Credit Risk Weighted Asset Calculation Methods

- The list of the External Credit Rating Institutions (ECAI) that the financial group chooses to determine the risk weight for the borrowers in each type of the assets is as follows:
  - Sovereigns, provincial organizations, governmental entities, state enterprises, securities companies which the Bank of Thailand assigns the rating equal to loans to financial institutions are based on 3 ECAIs including Fitch Ratings, Moody's Investor Services and Standard and Poor's Rating Services.
  - Corporate borrowers

The financial group assigns the risk weight of 100% for every corporate borrower without considering its credit rating from the ECAI since the number of the Bank's current customers rated by the ECAI is not high and most of them have the risk weight of 100%, therefore, assigning all corporate borrowers at the risk weight of 100% for the credit risk capital calculation would not much different from the method of using the credit rating from ECAI .
- The process of assigning the ECAI credit rating to the borrowers.
  - For sovereigns, provincial organizations, governmental entities, state enterprises, securities companies that the Bank of Thailand treats their risk weight as the financial institutions. The financial group designates the risk weights in compliance with the Bank of Thailand's guidelines corresponding to the type of borrowers.

The financial group and the bank have the outstanding balance of financial statement equivalence items<sup>1/</sup> after considering the credit risk mitigation for each type of asset categorized by the risk weight through Standardized Approach as of December 31, 2014 and 2013 as follows:

(Unit: Thousand Baht)

Type of Assets	The Financial Group											
	31 December 2014											
	Rating				No Rating							
Risk weight (%)	0 %	20 %	50 %	100 %	0 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %
<b>Performing loans</b>												
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	27,831,046	-	21,144									
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,830,362	46,531,463	1,046,394	6,044,697								
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates										76,707,242		
Claims in the Retails Portfolio									32,874,085	375,337		
Residential Mortgage Loans							25,272		-	291		
Other assets					4,495,911	(577)				1,826,756		517,433
<b>Non-performing loans</b>								121,114		552,082	784,657	

(Unit: Thousand Baht)

Type of Assets	The Financial Group											
	31 December 2013											
	Rating				No Rating							
Risk weight (%)	0 %	20 %	50 %	100 %	0 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %
<b>Performing loans</b>												
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	20,427,623	-	106									
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	2,095,129	37,970,255	161,611	3,322,854								
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates.										70,146,605		
Claims in the Retails Portfolio									41,564,133	186,253		
Residential Mortgage Loans							33,995		-	329		
Other assets					3,950,482	(2,834)				1,976,888		463,197
<b>Non-performing loans</b>								61,287		733,358	888,429	

<sup>1/</sup> After multiplying by the credit conversion factor (CCF)

(Unit: Thousand Baht)

Type of Assets	The Bank											
	31 December 2014											
	Rating				No Rating							
Risk weight (%)	0 %	20 %	50 %	100 %	0 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %
<b>Performing loans</b>												
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	27,831,046	-	21,144									
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,830,362	46,322,560	1,046,394	6,044,695								
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates										84,356,898		
Claims in the Retails Portfolio									12,241	375,337		
Residential Mortgage Loans							25,272		-	291		
Other assets					3,950,482	(577)				5,808,555		304,875
<b>Non-performing loans</b>										-	117,599	705,595

(Unit: Thousand Baht)

Type of Assets	The Bank											
	31 December 2013											
	Rating				No Rating							
Risk weight (%)	0 %	20 %	50 %	100 %	0 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %
<b>Performing loans</b>												
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	20,427,623	-	106									
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	2,095,129	37,661,213	161,613	3,322,854								
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates										86,114,061		
Claims in the Retails Portfolio									-	185,101		
Residential Mortgage Loans							33,994		-	329		
Other assets					881,050	-				5,930,877		304,875
<b>Non-performing loans</b>										-	132,143	853,485

<sup>1/</sup> After multiplying by the credit conversion factor (CCF)

## 1. Credit Risk Mitigation by Standardized Approach

The financial group has established the policy in mitigating the credit risk of financial statement items for the purposes of capital maintenance and credit risk reduction in accordance with the Bank of Thailand's guidelines in the credit risk mitigation by Standardized Approach where the financial group has formulated the guidelines and working process on the document, contracts, or legal terms relating to the credit risk mitigation as follows:

- Shall maintain the document or contract relating to such credit risk mitigation obligating to and enforceable to all relevant parties.
- Shall have the processes and systems in considering the legal terms.
- Shall revise all relevant documents and contracts to be continuously enforceable
- Shall have the processes in controlling other potential risks that are caused by employing the credit risk mitigation.
- Shall comply with the Bank of Thailand's guideline in information disclosure according to Pillar III
- Shall consider the contractual maturities and remaining maturities in the credit risk mitigation process to ensure that there would be no maturity mismatch between the exposures and the credit risk mitigation .

The credit risk mitigation by Simple Approach consists of:

- Risk mitigation by the eligible financial collaterals
- Risk mitigation by the on-balance sheet netting
- Risk mitigation by guarantee and credit derivatives

**The financial group has formulated the policy for the credit risk mitigation by means of on-balance sheet netting as follows.**

- Shall have legal consideration regarding the enforceable on-balance netting contract in specifying which assets and liabilities are eligible in netting at any time.
- Shall be capable of monitoring and controlling the risks from maturity mismatch between the assets and liabilities for netting or roll-off risk.
- Shall be capable of monitoring and controlling the exposures on the netting basis.

## 2. Policys and processes for collateral management and assessment

Under the credit risk mitigation policy, the eligible financial collateral including those traded in the exchange and over-the-counter markets are subject to valuation at least semi-annually.

## 3. Major types of collaterals of the financial group

The main eligible financial collateral is deposit at bank; however, other eligible financial collaterals for credit risk mitigation before risk weighted assets and credit risk capital calculation include:

1. Cash, deposits at bank or deposit receipts issued by banks
2. Gold bullions

3. Debt instrument issued by the issuers rated by the ECAs as follows:

- Short-term debt instruments with the rating better or equal to A-3/P-3, sovereigns, central banks, provincial organizations, governmental entities, and state enterprises which the supervisory authority treats the risk weight as that of sovereigns and the rating of equivalent to BB- or higher.
- Other issuers, e.g. financial institutions, securities companies, corporate, provincial organizations, governmental entities, and state enterprises which the supervisory authority treats the risk weight as that of financial institutions and the rating of equivalent to BBB- or higher.
- Short-term debt instrument with rating better or equivalent to A-3/P-3

4. Non-rated by ECAs debt instruments with all characteristics as follows:

- Issuers are financial institutions and
- Listed in acceptable exchange bond market and
- Senior debt and other debt instruments issued by the financial group with rating better or equivalent to BBB- or A-3/P-3 and the same seniority as that with no rating
- No objective evidence for the financial group to revise the rating to below BBB- or A-3/P-3

5. Equity instruments including the convertible bonds listed in the main stock exchange.

6. Unit trust invested in the eligible financial collaterals and marked to market on a daily basis

#### **4. Main types of guarantors and protection sellers of credit derivative**

The major current guarantors of the financial group are the Ministry of Finance mainly guaranteeing the state enterprise bond. Other guarantors and the protection sellers can be reckoned in the credit risk mitigation before risk weighted assets and credit risk capital calculations under the Credit Risk Mitigation Policy are:

- Sovereign, Multilateral Development Banks (MDBs), provincial organizations, and governmental entities
- State enterprises, financial institutions, and securities companies with the risk weight below that of the guaranteed counterparties Corporate including the parent and subsidiary companies and the joint guarantee of credit risk must be rated higher or assigned with the risk weight lower than the guaranteed counterparties. The credit guarantors must be rated higher or equal to A- or A3.

#### **5. Concentration of credit and market risk in each type of collaterals, guarantors, protection sellers of the credit derivative for the credit risk mitigation**

Most credit risk mitigation by the eligible financial collaterals method is in forms of deposits at bank for reducing the credit risk in general loans, while the credit risk mitigation by guarantee of loan method is in forms of guarantee by the Ministry of Finance on the investment in debt instruments.

The financial group and the bank have the outstanding collateralized exposures in each type of asset by Standardized Approach classified by the types of collaterals as of December 31, 2014 and 2013 as follows:

		(Unit: Thousand Baht)	
		The Financial Group	
		31 December 2014	
Type of Assets	Eligible financial collaterals	Guarantees and Credit derivatives	
<b>Performing loans</b>			
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	-	-	
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	8,357,055	12,603,878	
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	2,232,127	39,934,515	
Claims in the Retails Portfolio	11,467	-	
Residential Mortgage Loans	17,057	-	
Other assets	21,930	-	
<b>Non-performing loans</b>	-	-	
<b>Total</b>	<b>10,639,636</b>	<b>52,538,393</b>	

  

		(Unit: Thousand Baht)	
		The Financial Group	
		31 December 2013	
Type of Assets	Eligible financial collaterals	Guarantees and Credit derivatives	
<b>Performing loans</b>			
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	1,450,445	-	
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	-	3,605,770	
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	2,360,929	29,417,345	
Claims in the Retails Portfolio	13,732	-	
Residential Mortgage Loans	-	-	
Other assets	-	51,714	
<b>Non-performing loans</b>	-	-	
<b>Total</b>	<b>3,825,106</b>	<b>33,074,829</b>	

(Unit: Thousand Baht)

The Bank

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31 December 2014

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Type of Assets	Eligible financial collaterals	Guarantees and Credit derivatives
<b>Performing loans</b>		
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	-	-
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	8,357,055	12,603,878
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	2,316,701	39,730,480
Claims in the Retails Portfolio	4,331	-
Residential Mortgage Loans	17,057	-
Other assets	21,930	-
<b>Non-performing loans</b>	-	-
<b>Total</b>	<b>10,717,074</b>	<b>52,334,358</b>

(Unit :Thousand Baht)

The Bank

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31 December 2013

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Type of Assets	Eligible financial collaterals	Guarantees and Credit derivatives
<b>Performing loans</b>		
Claims on Sovereigns and Central Bank and claims on non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Sovereigns and Central Bank	1,450,445	-
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	-	3,605,770
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	2,274,306	29,417,345
Claims in the Retails Portfolio	3,000	-
Residential Mortgage Loans	-	-
Other assets	-	51,714
<b>Non-performing loans</b>	-	-
<b>Total</b>	<b>3,727,751</b>	<b>33,074,829</b>

## Market risk in Trading Book

Market risk means the risks potentially from the changes in market prices or values caused by interest rates, exchange rates, equity and commodity price movements impacting net interest income and capital of financial institutions. Such changes have an impact through both general market risk and specific risk. The transactions with the market risk can be categorized as follows:

- 1. Transactions in the Trading Book** include the positions of financial instruments and commodities with the intents of trading or hedging of other positions in the trading book and all types of financial derivatives with non-hedging intents for Banking Book positions. The transactions must be non-obligated in buying, selling or hedging with the holding period of no longer than 6 months.
- 2. Transactions in the Banking Book** include the positions of financial instruments or other types of transactions with the intents of not for trading or the financial instrument with the initial intention to hold for long period of time or hold to maturity. The holding period must be at least 1 month.

The financial group has the Market Risk Management Policy to identify, measure, control and monitor the market risk both in Trading Book and the interest rate in Banking Book so as to efficiently manage the risk and comply with the Bank of Thailand's guideline in market risk management. The relevant market risks include:

1. Interest Rate Risk is the risk stemming from changes in interest rates resulting in the changes of values of assets, liabilities and off-balance sheet items especially in the medium- to long-term.
2. FX Risk is the risk stemming from negative impact caused by the changes of FX aggregate positions which may incur from the FX transactions for trading, partly hedging for Trade Finance customers, partly hedging for investment in FCY debentures, etc.
3. Price Risk is the risk stemming from the change in prices of equity or equity derivatives in the Proprietary Portfolio.

In managing market risk, the Portfolio Risk Management Department under Risk Management Division is responsible for monitoring and controlling any potential market risk incurred by the operation of Treasury Division where the Asset and Liability Committee (ALCO) determines the market risk limits which are approved by the Executive Committee (EXCOM). ALCO meeting is organized at least once a month to review the market risk and formulate the risk management strategies under changes in financial market environment. For the Market Risk Management Policy, the Portfolio Risk Management Department shall propose through the Group Risk Committee while the policy shall be approved by the Board of Directors (BOD).

The measurement of market risk in the Trading Book embraces all types of market risk including interest rate risk, FX risk, and price risk. Besides, the financial group assesses the risk and capital adequacy on a regular basis both in normal and crisis situations by means of assessing the Trading Book position at least on a daily basis based on marking to market, marking to model or other appropriate prices. The gain/loss from each transaction in the Trading Book is subject to the stop loss limits. Moreover, the financial group conducts the stress test on the Trading book for all relevant risks while stress test assumptions shall be revised to be in line with economic and financial market condition and to encompass the possibility of negative impacts on the net interest income and the financial group's capital on a regular basis.

The risk management tools include control limits, which curb the maximum amounts that the Treasury Division can invest, and stop loss limits, restraining the maximum loss acceptable to the financial group in consistent with the Business plan, strategies of the financial group and economic, political, financial market conditions domestically and internationally.



The financial group has calculated the market risk capital by using the Standardized Approach which is appropriate to the characteristics of investment portfolio of the financial group. Even though the volumes in the Trading Book of the financial group tend to rise, the transactions are not complicated and most of them are to serve the customers while the financial group's own positions are not composed at large proportion. The market risk capital requirements as of December 31, 2014 and 2013 were as follows:

(Unit: Thousand Baht)

Market Risk Capital Requirement	The Financial Group and The Bank	
	31 December 2014	31 December 2013
Interest Rate Risk	2,139	4,674
Equity Price Risk	-	-
Foreign Exchange Risk	6,408	27,120
Commodity Price Risk	-	-
Market risk capital requirement (BIS 8% )	8,547	31,794
Market risk capital requirement (BIS 8.5%)	9,081	33,781

## Operational Risk

Operational risk is the risks from damages caused by the lack of good corporate governance in the organization and the appropriate controls. It may relate to the internal processes, human, working systems, or external events and have the negative impact on the interest income and the financial group's capital.

The policy of the financial group specifies the guideline to prevent and manage the relevant risks and includes the definitions, objectives, sources of risk, operational risk management principles and operational risk working procedures which encompasses risk identification, assessment, analysis, designation of risk control processes, application of risk controlling and monitoring.

At present, the financial group use Basic Indicator Approach (BIA) corresponding to the characteristics and complexity of the financial group's business operation.

## Equity related exposures

Most of the equity in the Banking Book were obtained from debt restructuring and can be classified into two categories, Marketable Securities – the equity exposures of which the market prices are available and are free from selling limitation, therefore, they can be classified as Available-for-Sale securities and must be marked to market at least once a month where the gain/loss shall be recorded in the equity while the recognized realized gain/loss when selling is recorded in the income statement, and General Investment Securities – the equity obtained from debt restructuring or with inability to sell condition, therefore, the exposures are recognized at the historical cost on the balance sheet and deducted by provision and subject to the impairment test at the occurrence of objective evidence of impairment according to the Accounting Standard.

The investments in equity for other purposes which can be classified as either Marketable Securities portfolio, subject to marking to market regularly, or General Investment portfolio, recorded on the balance sheet at historical cost and subject to impairment test, are in Banking Book of which the holding period shall be at least 1 month, according to the financial group's policy in Banking Book. Profit/loss is not strongly affected as they are recorded only when selling exists. Thus, equity risk management in Banking Book has no need to set the investment limit and stop loss limit.

The valuation according to the Accounting Standard shall be carried out based on the book type of the equity aforementioned. Firstly, the latest bid price shall be considered. If it is not available, the price estimated from the model used widespread among major players in the market and employed the market inputs as much as possible while using the inputs internally from the financial group the least shall be used. Nonetheless, if the price cannot be obtained from the market or model, the historical cost could possibly be used as the last preference.

The financial group and the Bank have the outstanding equity related exposures in the Banking Book as of December 31, 2014 and 2013 as follows:

(Unit: Thousand Baht)		
The Financial Group		
Equity position	31 December 2014	31 December 2013
1. Equity related position		
1.1 Equity listed in the Stock Exchange of Thailand:-		
• Historical Cost	87,424	87,424
• Market Values	225,686	161,720
1.2 Other equity values	610,081	555,845
2. Gain (Loss) from selling of the equity in this period	(265)	3,829
3. Gain (Loss) from marking to market of the Available-for-Sale equity	146,476	95,302
4. Minimum capital requirement under Standardized Approach	71,040	60,993

(Unit: Thousand Baht)		
The Bank		
Equity position	31 December 2014	31 December 2013
1. Equity related position		
1.1 Equity listed in the Stock Exchange of Thailand :-		
• Historical Cost	87,424	87,424
• Market Values	225,686	161,720
1.2 Other equity values	4,647,522	4,647,522
2. Gain (Loss) from selling of the equity in this period	(265)	3,829
3. Gain (Loss) from marking to market of the Available-for-Sale equity	146,476	95,302
4. Minimum capital requirement under Standardized Approach	414,223	408,786

### Interest rate risk in the Banking Book

The interest rate risk on the financial group's balance sheet items are from the mismatch of the repricing periods of assets and liabilities both of the financial statement. Such a difference indicates the level of risk or the magnitude of impact of the change in an interest rate that the financial group encounters.

Owing to no trading position in debt instrument, the interest rate risk of the financial group mainly comes from the Banking Book where the financial group assesses the impact of the interest rates of assets and liabilities through both Net Interest Income (NII), measuring the impact of a change in interest rate on the net interest income in the next 12 months, and Economic Value of Equity

(EVE), measuring the impact of a change in interest rate on all assets and liabilities to perceive the impact on the overall portfolio of the financial group.

However, the financial group has engaged in the interest rate swaps, comprising the swap transactions that receive floating rate and pay fixed and some of the swap transactions that receive fixed and pay floating rates in order to partly hedge the interest rate risk.

The financial group employs Repricing Gap Report in measuring and managing the interest rate in the Banking Book in which the control limit has been set at the acceptable level. The Portfolio Risk Management Department is responsible for arranging the gap report and reporting to the relevant sub-committees/committees as well as the Bank of Thailand on a regular basis.

In addition, the financial group conducts the stress test on the interest rate risk in the Banking Book based on the assumptions in line with the principle of extreme but plausible scenarios and divided into individual currencies in a quarterly basis in order to report to the Group Risk Committee for consideration and revision of risk management strategy and the action plans to handle any adverse outcomes of the stress tests.

At present, the financial group does not have the behavioral adjustments on both assets and liabilities, e.g. behavioral adjustment on prepayment schedule and the rollover of the deposit.

The Repricing Gap report in Banking Book by currency is reported to the Asset and Liabilities Committee on a monthly basis, and a report on interest rate risk to the Bank of Thailand on a quarterly basis.

The impacts of a change in interest rate on earnings of the financial group and the bank for the years ended 31 December 2014 and 2013 were as follows:

(Unit : Thousand Baht)

**The Financial Group**

Currency	Year end 2014		Year end 2013	
	+1.00%	-1.00%	+1.00%	-1.00%
Thai Baht	82,649	-82,649	-111,553	111,553
US Dollar	-30,770	30,770	-100,378	100,378
CNY	1,499	-1,499	-314	314
EUR	33	-33	28	-28
JPY	98	-98	112	-112
Total impact of the change in interest rate	53,509	-53,509	-212,105	212,105
Expected net interest income in the next year	<b>4,836,270</b>		<b>4,348,000</b>	
% of the expected net interest income in the next year	1.106%	-1.106%	-4.878%	4.878%
% of current capital funds	0.233%	-0.233	-1.344%	1.344%

(Unit : Thousand Baht)

The Bank

Currency	Year end 2014		Year end 2013	
	+1.00%	-1.00%	+1.00%	-1.00%
Thai Baht	137,284	-137,284	60,584	-60,584
US Dollar	-30,763	30,763	-100,421	100,421
CNY	1,499	-1,499	-314	314
EUR	33	-33	28	-28
JPY	98	-98	112	-112
Total impact of the change in interest rate	108,151	-108,151	-40,011	40,011
Expected net interest income in the next year	<b>2,670,420</b>		<b>2,557,000</b>	
% of the expected net interest income in the next year	4.05%	-4.05%	-1.565%	1.565%
% of current capital funds	0.478%	-0.478%	-0.269%	0.269%