



RHB Bank Thailand Operations

Basel III Pillar 3 Disclosures

30th June 2018

Statement by Country Head, RHB Bank Thailand Operations

In accordance with the requirements set forth in the Notification of the Bank of Thailand No. SorNorSor 4/2556 Re: Disclosure of Information on Capital Fund Maintenance for Commercial Banks, dated 2nd May 2013 and SorNorSor 2/2561 Re: Liquidity Coverage Ratio Disclosure Standard, dated 25th January 2018. On behalf of the Management of RHB Bank Thailand Operations, I am pleased to provide an attestation that the Pillar 3 disclosures of RHB Bank Thailand Operations for the six months ended 30th June 2018 are accurate and complete.

Wong Kee Poh
Country Head
RHB Bank, Thailand Operations

1.0 Disclosure A: Scope of Application

The Basel III Pillar 3 Disclosures contained in this document relate to RHB Bank Thailand Operations (the Bank) for the six months ended 30th June 2018 and is the semi-annual disclosure prepared in compliance with the requirements set forth in Bank of Thailand's Notification No. SorNorSor 4/2556 Re: Disclosure of Information on Capital Fund Maintenance for Commercial Banks, dated 2nd May 2013 and No.SorNorSor 2/2561 Re: Liquidity Coverage Ratio Disclosure Standard, dated 25th January 2018. This report also includes comparative quantitative information of the preceding financial year as at 31st December 2017.

Other details pertaining to the RHB Banking Group are available under the Corporate Profile: Investor Relations of the Bank's official website at www.rhbgroup.com

2.0 Disclosure B: Capital

Table 1: Capital of RHB Bank Thailand Operations

Unit: THB

No.	Items	30-Jun-2018	31-Dec-2017
1.	Assets Required to be Maintained under Section 32 of the Financial Institutions Businesses Act B.E. 2551	2,000,000,000	2,000,000,000
2.	Sum of Net Capital for Maintenance of Assets under Section 32 and Net Balance of Inter-office Accounts	2,000,000,000	2,000,000,000
2.1	Capital for Maintenance of Assets under Section 32	2,000,000,000	2,000,000,000
2.2	Net inter-office balance, where a foreign bank branch is a creditor of the head office or other branches that are the same entity, parent and subsidiary companies	-	-
3.	Total Regulatory Capital	2,000,000,000	2,000,000,000
3.1	Total Regulatory Capital Before Deduction	2,000,000,000	2,000,000,000
3.2	Deductions	-	-

3.0 Capital Adequacy

Table 2: Minimum Capital Requirement for Credit Risk Classified by Type of Assets under Standardised Approach (SA)

Unit: THB

		30-Jun-2018	31-Dec-2017
Performing Assets			
1.	Claims on sovereigns and central banks, multilateral development banks ('MDBs'), and non - central government public sector entities ('PSEs') treated as claims on sovereigns	-	-
2.	Claims on financial institutions, PSEs treated as claims on financial institutions, and securities firms	107,176,338	124,757,438
3.	Claims on corporates, and PSEs treated as claims on corporates	861,363,851	865,092,827
4.	Claims on retail portfolios	2,949,365	2,749,365
5.	Claims on housing loans	-	-
6.	Other assets	9,001,592	8,121,611
Non-performing Claims		22,029,852	33,350,691
First-to-default Credit Derivatives and Securitisation		-	-
Total Minimum Capital Requirement for Credit Risk under Standardised Approach		1,002,520,998	1,034,071,932

Table 3: Minimum Capital Requirement for Market Risk

Unit: THB

	30-Jun-2018	31-Dec-2017
Minimum Capital Requirement for Market Risk under Standardised Approach	19,318,847	1,346,996

Table 4: Minimum Capital Requirement for Operational Risk

Unit: THB

	30-Jun-2018	31-Dec-2017
Minimum Capital Requirement for Operational Risk under BIA	39,678,712	34,471,735

Table 5: Total Capital Ratio

Unit: %

	30-Jun-2018	31-Dec-2017
Total Capital Ratio	15.96	15.86

4.0 Disclosure C: Market Risk

Table 6: Minimum Capital Requirement for Each Type of Market Risk Under Standardised Approach

Unit: THB

Minimum Capital Requirement for Each Type of Market Risk Under Standardised Approach	30-Jun-2018	31-Dec-2017
Interest Rate Risk	18,683,018	797,336
Equity Position Risk	-	-
Foreign Exchange Rate Risk	635,829	549,660
Commodity Risk	-	-
Total Minimum Capital Requirements	19,318,847	1,346,996

5.0 Disclosure D: Additional Disclosure of Capital Information Under The Basel Committee on Banking Supervision (BCBS) Guideline

Table 7: Disclosure of Capital Information

Unit: THB

Value of Capital, Inclusions, Adjustments and Deductions for the six months ended 30 June 2018	
Capital of RHB Bank Thailand Operations	2,000,000,000
Net amount of item to be included in or deducted from capital under Basel III	-
Total Capital of RHB Bank Thailand Operations	2,000,000,000

6.0 Disclosure E: Liquidity coverage Ratio Disclosure Standard

Table 8: Liquidity Coverage Ratio (LCR)

Unit: THB mil

	Quarter 2/2018 (average)	Quarter 2/2017 (average)
(1) Total high-quality liquid assets (HQLA)	6,881	7,748
(2) Total net cash outflows within the 30-day time horizon	6,304	8,579
(3) LCR (%) <i>Minimum LCR as specified by the Bank of Thailand (%)</i>	109% 80%	91% 70%

Table 9: LCRs of the preceding quarters (for comparison)

Unit: %

	2018 (average)	2017 (average)
1st quarter	114%	96%
2nd quarter	109%	91%

Commercial banks are required to maintain the liquidity coverage ratio in accordance with the guidelines as specified by the Bank of Thailand. The LCR is expected to encourage commercial banks to have robust and adequate liquidity position so that they can survive short-term severe liquidity stress. The minimum LCR, which is the ratio of high-quality liquid assets to total net cash outflows within the 30-day time horizon, of 60% was introduced on 1st January 2016 and increased by 10% each year until it reaches 100% in 2020.

$$\text{LCR} = \frac{\text{High Quality Liquid Assets (HQLA)}}{\text{Total net cash outflows within the 30-day time horizon under stressed scenarios}}$$

The average LCR for the 2nd quarter of 2018 of the Bank is 109%, which is 29% higher than the minimum LCR as specified by the Bank of Thailand. This LCR is the average of LCRs as at the end of April – 106%, May – 103% and June – 120%. The LCR consists of 2 main components, namely:

1. High-quality liquid assets (HQLA) include unencumbered high-quality assets with low risk and low volatility that can be easily monetized without any significant changes to their values, even in times of liquidity stress. The value of each type of HQLA is after the application of both haircuts and any applicable caps as specified by the Bank of Thailand.

The average HQLA of the Bank for the 2nd quarter of 2018 is 6,881 million Baht (70% of which is Level 1 assets, namely government bonds and cash), which is the average of HQLA as at the end of April – June. On this, the “Bank” holds several types of high-quality liquid assets to ensure the diversification of the stock of HQLA.

2. The amount of net cash outflows (net COF) is equal to expected cash outflows within the 30-day time horizon minus expected cash inflows within the 30-day time horizon under liquidity stress scenarios; but the expected cash inflows must not exceed 75% of the expected cash outflows.

The average net COF of the Bank for the 2nd quarter of 2018

is 6,304 million Baht, which is the average of net cash outflows within the 30-day time horizon as at the end of April – June. The expected cash outflows on which the Bank focuses under the severe liquidity stress scenarios are the run-off of retail deposits and borrowings, repayments of secured borrowings under repurchase agreements (repos), to which the run-off rates as specified by the Bank of Thailand have been assigned. On the other hand, expected cash inflows are mostly from loan repayments from high-quality customers, deposits from high-quality counterparties, and maturing debt securities, to which the inflow rates as specified by the Bank of Thailand have been assigned.

In addition, the Bank also regularly examines its liquidity gaps and funding concentrations, which is part of the assessment and analysis of liquidity risk, to ensure that it has adequate liquidity to support the business. Liquidity risk is measured daily and effectively managed in accordance to the Bank's liquidity risk appetite.