



RHB Bank Thailand Operations

Basel II Pillar 3 Disclosures

31st December 2012

Statement by Country Head, RHB Bank Thailand Operations

In accordance with the requirements set forth in the Bank of Thailand's Notification No. SorNorSor 25/2552 Re: Disclosure of Information on Capital Fund Maintenance for Commercial Banks, dated 14th December 2009, and 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 year ended 31st December 2012 are accurate and complete.

Thiti Musuwan
Country Head
RHB Bank, Thailand Operations

RHB Bank Thailand Operations

Basel II Pillar 3 Disclosures

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RHB Bank Thailand Operations Basel II Pillar 3 Disclosures

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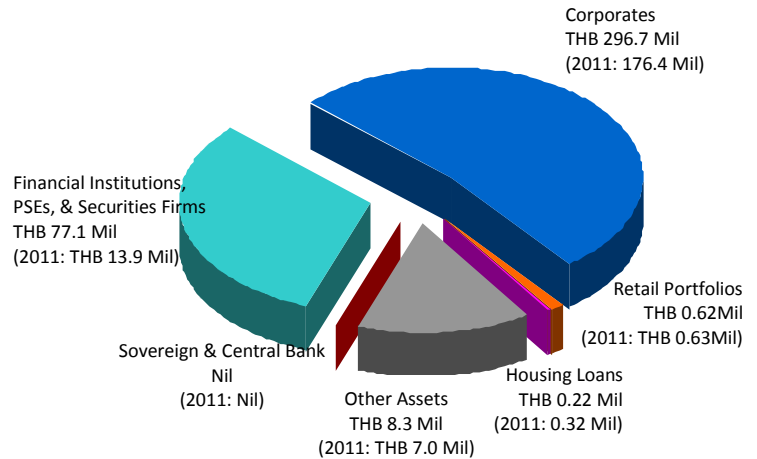
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Key Regulatory Data

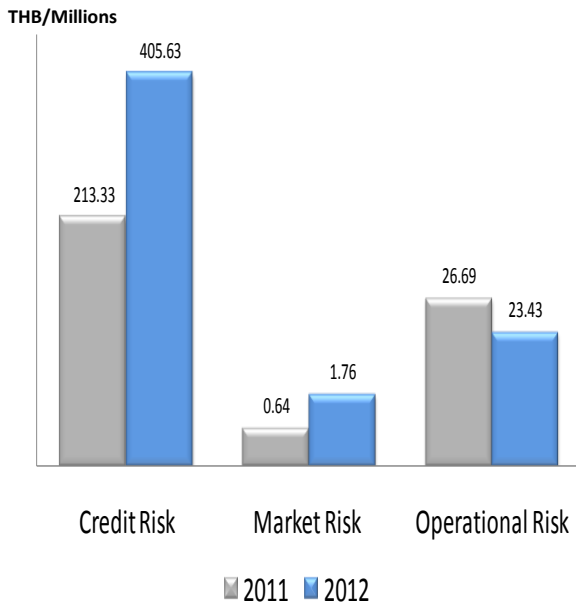
Capital Requirement Calculation Approaches by RHB Bank Thailand Operations

Type of Approaches		
Credit Risk	Market Risk	Operational Risk
<ul style="list-style-type: none"> Standardised Approach (SA) 	<ul style="list-style-type: none"> Standardised Approach (SA) 	<ul style="list-style-type: none"> Basic Indicator Approach (BIA)

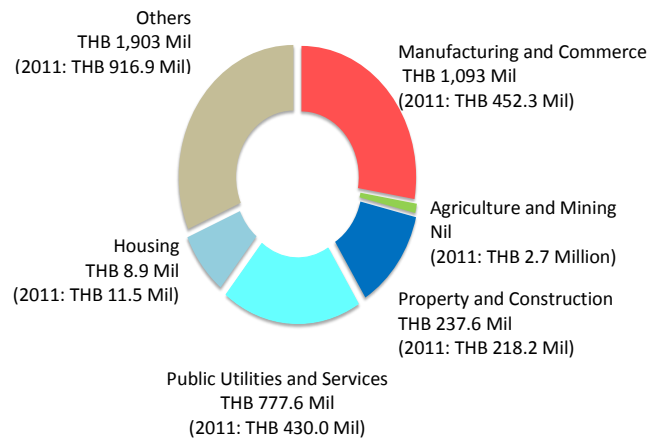
Minimum Capital Requirement for Credit Risk Classified by Type of Asset



Minimum Capital Requirement for Credit, Market and Operational Risk



Loans and Accrued Interest Receivables before Credit Risk Mitigation Classified by Type of Business as at 31st December 2012



1.0 Disclosure A

Scope of Application

The Basel II Pillar 3 Disclosures contained in this document relate to RHB Bank Thailand Operations for the year ended 31st December 2012 and is the annual disclosure prepared in compliance with the requirements set forth in Bank of Thailand's Notification No. SorNorSor 25/2552 Re: Disclosure of Information on Capital Fund Maintenance for Commercial Banks, dated 14th December 2009. This report also includes comparative quantitative information of the preceding year 2011.

RHB Bank Berhad in Thailand is a branch office of the RHB Banking Group with its Head Office in Malaysia. In operating the business, RHB Bank Thailand is guided by the Group Policies, Bank Negara Malaysia's Guidelines and Bank of Thailand's Guidelines, whichever is more stringent.

The quantitative disclosure herein relates to RHB Bank Thailand Operations only whereas the general qualitative disclosure under Section 3.0 : Disclosure C contains the RHB Banking Group Risk Management Framework, Policies and Guidelines, which are also applicable to RHB Bank Thailand Operations.

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

2.0 Disclosure B: Capital

2.1 Capital Structure

2.1.1 *Qualitative Disclosure*

Total capital of RHB Bank Thailand Operations consists of assets maintained under Section 32 of the Financial Institutions Businesses Act B.E. 2551, as set forth by the Bank of Thailand Notification's No. SorNorSor 89/2551 Re: Components of Capital of Branches of Foreign Commercial Banks, dated 27th November 2008.

As at 31st December 2012, total regulatory capital of RHB Bank Thailand Operations was THB 2,000 million.

Total assets maintained under Section 32 amounted to THB 2,000 million, and comprised two primary components, i.e. Treasury Bills and Central Bank bonds. Treasury Bills are short-term discounted government debt securities backed by the Thailand Government, whereas Central Bank bonds are short-term debt securities issued by the Bank of Thailand (BOT).

2.1.2 Quantitative Disclosure

Table 1: Capital of RHB Bank Thailand Operations

Unit: THB

No.	Items	31-Dec-2011	31-Dec-2012
1.	Assets Required to be Maintained under Section 32	2,000,000,000.00	2,000,000,000.00
2.	Sum of Net Capital for Maintenance of Assets under Section 32 and Net Balance of Inter-office Accounts	2,081,034,458.69	2,054,261,800.89
2.1	Capital for Maintenance of Assets under Section 32	2,000,000,000.00	2,000,000,000.00
2.2	Net Balance of Inter-office Accounts which the branch is the Debtor (the creditor) to the Head Office and Other Branches Located in Other Countries, the Parent Company and Subsidiaries of the Head Office	81,034,458.69	54,261,800.89
3.	Total Regulatory Capital	2,000,000,000.00	2,000,000,000.00
3.1	Total Regulatory Capital Before Deduction	2,000,000,000.00	2,000,000,000.00
3.2	Deductions	-	-

2.2 Capital Adequacy

2.2.1 Qualitative Disclosure

RHB Bank Thailand Operations calculates and reports its capital adequacy ratio for regulatory reporting purposes to Bank of Thailand on a monthly basis. In view of its small portfolio compared relatively to that of the overall portfolio of the Bank, RHB Bank Thailand Operations has adopted the Standardised Approach ('SA') for the calculation of its credit and market risks, and the Basic Indicator Approach ('BIA') for its operational risk.

Under the Bank of Thailand's Notification No. SorNorSor 87/2551 Re: Supervisory Guidelines on Capital Provision for Commercial Banks, dated 27th November 2008, and as a foreign bank branch, RHB Bank Thailand Operations is required to maintain a minimum capital adequacy ratio of 7.5%.

2.2.2 Quantitative Disclosures

Minimum Capital Requirement for Credit Risk Classified By Type of Assets Under Standardised Approach

RHB Bank Thailand Operations subscribes to the Bank of Thailand's Notification No. SorNorSor. 90/2551 Re: Regulations for Credit Risk Asset Calculations for Commercial Banks Using the Standardised Approach ('SA') for classification of its assets into the various asset categories for capital adequacy purposes.

External ratings provided by external credit assessment institutions ('ECAIs') are applied to assign risk weights to calculate the risk-weighted asset of the exposures. These ECAIs are Moody's, Standard & Poor's, Fitch, Fitch Thailand and TRIS. Exposures which are not rated by any of the eligible ECAIs are considered 'unrated exposures'.

As at 31st December 2012, the total credit risk-weighted assets amounted to THB 5,070.41 million and credit risk capital requirement was THB 405.63 million.

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

Unit: THB

Performing Assets		31-Dec-2011	31-Dec-2012
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, non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	13,963,552.43	77,120,534.93
3.	Claims on corporates, non-central government public sector entities (PSEs) treated as claims on corporate	176,401,730.22	296,709,923.62
4.	Claims on retail portfolios	630,499.35	615,623.86
5.	Claims on housing loans	321,323.81	219,486.90
6.	Other assets	7,005,158.07	8,322,205.66
Non-performing Claims		15,007,661.70	22,644,706.18
First –to-default Credit Derivatives and Securitisation		-	-
Total Minimum Capital Requirement for Credit Risk under Standardised Approach		213,329,925.58	405,632,481.15

Minimum Capital Requirement for Market Risk for Positions in the Trading Book

RHB Bank Thailand Operations applies the Standardised Approach as per the Bank of Thailand's Notification No. SorNorSor 94/2551 Re: Guideline on Supervision of Market Risk and Capital Requirement for Market Risk of Financial Institutions dated 27th November 2008, for exposures in the trading book to measure the market risk capital charge.

As at 31st December 2012, the market risk capital requirement was THB 1.76 million. Total risk-weighted assets amounted to THB 21.96 million.

Table 3: Minimum Capital Requirement for Market Risk

Unit: THB

	31-Dec-2011	31-Dec-2012
Minimum Capital Requirement for Market Risk under Standardised Approach	636,140.57	1,756,938.15

Minimum Capital Requirement for Operational Risk

RHB Bank Thailand Operations calculates its capital charge for operational risk by using the Basic Indicator Approach ('BIA') as per Bank of Thailand's Notification No. SorNorSor. 95/2551 Re: Regulations on Minimum Capital Requirement for Operational Risk, dated 27th November 2008.

By applying the Basic Indicator Approach to measure operational risk, RHB Bank Thailand Operations uses its gross income, which includes net interest income and non-interest income, as a proxy. For the year ended 31st December 2012, the operational risk capital requirement was THB 23.43 million.

Table 4: Minimum Capital Requirement for Operational Risk

Unit: THB

	31-Dec-2011	31-Dec-2012
Minimum Capital Requirement for Operational Risk under BIA	26,694,069.45	23,434,438.02

Risk-Weighted Capital Ratio

As at 31st December 2012, the risk-weighted capital ratio or capital adequacy ratio ('CAR') of RHB Bank Thailand Operations was 37.14% on total risk-weighted assets of THB 5,385.30 million, against a total regulatory capital of THB 2,000 million, and which was above the minimum CAR of 7.5% required of a foreign bank branch.

Table 5: Risk-Weighted Capital Ratio

Unit: %

	31-Dec-2011	31-Dec-2012
Risk-Weighted Capital Ratio	67.40	37.14

3.0 Disclosure C: Risk Exposures and Assessment

The risk management objectives and policies of the RHB Banking Group also apply to RHB Bank Thailand Operations. However, since RHB Bank Thailand Operations is a local branch in Thailand, its operations are also subject to the regulatory requirements of the Bank of Thailand, and these are indicated accordingly.

3.1 Risk Management

Risk is inherent in the Bank's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Bank is exposed to a range of other risk types such as market, liquidity, operational, legal, and strategic and cross border, as well as other forms of risk inherent to its strategy, product range and geographical coverage.

Effective risk management is fundamental to being able to generate profits consistently while sustaining competitive advantage, and is thus a central part of the financial and operational management of the Bank.

To this extent, the RHB Group Risk Management Framework governs the management of risks in the RHB Banking Group. The framework operates as two interlocking layers:

- It provides a holistic overview of the risk and control environment of the Group, with risk management moving towards loss minimization and mitigation against losses which may occur through, principally, the failure of effective checks and balances in the organisation.
- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is effected through building up capabilities and infrastructure in risk management sophistication, and using the improvement in risk quantification to optimise risk-adjusted (or economic) returns.

The following sections describe some of these risk management content areas.

OVERARCHING RISK MANAGEMENT PRINCIPLES

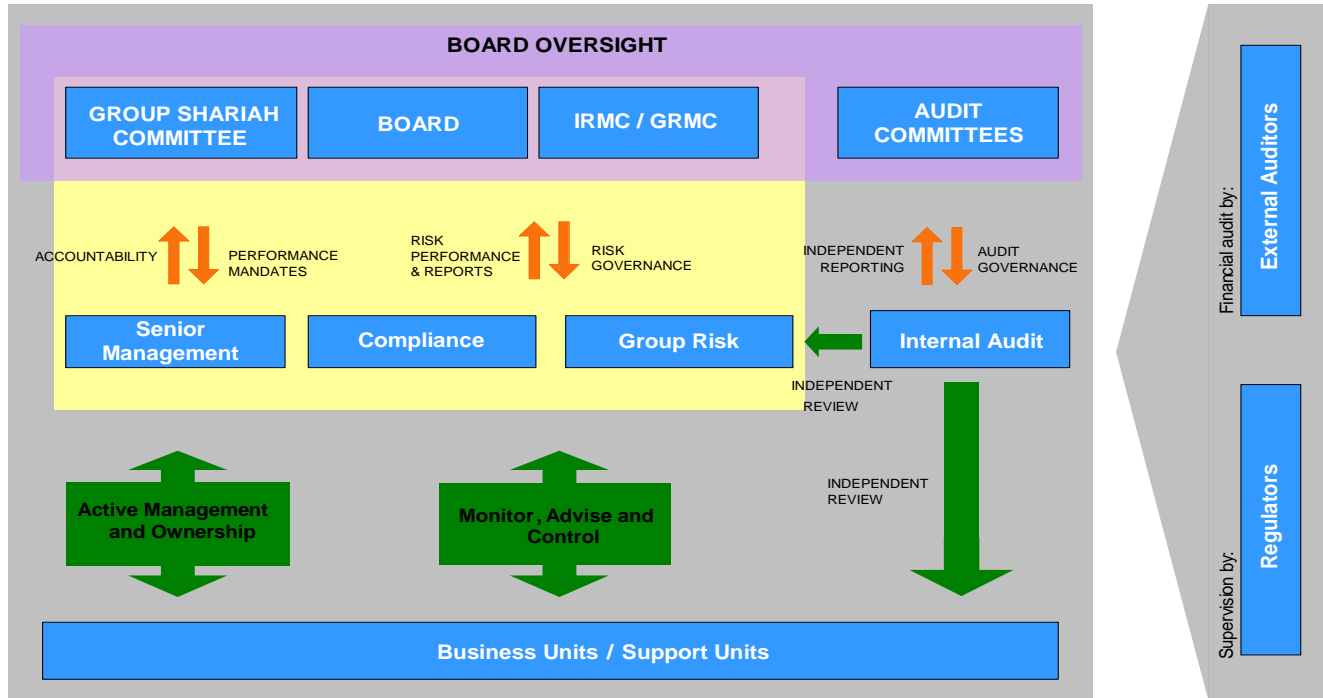
The Risk Management Framework contains five fundamental principles that drive the philosophy of risk management in the Group. They are:-

- Risk governance from the Boards of Directors of companies within the Group,
- Clear understanding of risk management ownership,
- Institutionalisation of a risk focused organisation,
- Alignment of risk management to business strategies, and
- Optimisation of risk-adjusted economic and financial returns.

Principle 1: Risk Governance from the Boards of Directors of Companies in the Group

The ultimate responsibility of the Boards of Directors in the RHB Banking Group is to ensure that an effective risk management strategy is in place and uniformly understood across the Group. The Group has a structured framework to support the Board’s oversight responsibilities which is depicted in the accompanying diagram:

Structured Framework to Support Board’s Oversight Role in Risk Management



RISK GOVERNANCE AND ORGANISATION

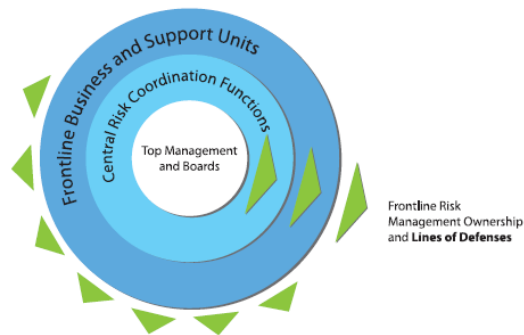
The Board of Directors (‘Board’) through the Group Risk Management Committee (‘GRMC’) and the Group Risk Management function (‘GRM function’) establishes the Group’s risk appetite and risk principles. The GRMC is the principal Board Committee that provides oversight on risk management for the Group to ensure that the risk management process of the Group is in place and functional. GRMC also assists the Board to review the Group’s overall risk management philosophy; risk management framework, risk management policies and risk management models.

Principle 2: Clear Understanding of Risk Management Ownership

Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the RHB Banking Group. The business and functional units of the Group are collectively responsible for identifying, managing and reporting their risks. The business units manage certain defined risks through the use of facilities and services provided by the functional units.

Risk management processes are a collective responsibility and warrant the cooperation of the Group's business and functional units, risk management units, top management and the Board. This leads to risk management ownership with differing levels of focus established across the RHB Banking Group as shown below.

Risk Management Ownership and Lines of Defence



Principle 3 : Institutionalization of a Risk-Focused Organisation

In addition to risk ownership, a risk-focused culture is promoted throughout the organisation through a number of measures. Two of these are:-

- Strengthening of the central risk coordination functions, and
- Continuous reinforcing of a risk and control environment within the Group.

They are described in further detail in the succeeding sections:

Central Risk Coordination Functions

The following summarises the key differences in perspectives (which are also strategically complementary) between the Risk Management, Compliance and Internal Audit functions.

The **Risk Management function** is independent of the origination and business functions to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. This risk management function is responsible for formulating risk related policies, and presents risk performance and reports to GRMC for recommendation to the Board.

The risk management function is headed by the Director of Group Risk Management, who reports to the Group Managing Director. Among the roles and responsibilities of the Director of Group Risk Management are:-

- Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Group;

- Ensuring industry best practice risk management disciplines are adopted across the Group, including the setting of risk management parameters and risk underwriting models;
- Developing a pro-active, balanced and risk attuned culture within the Group;
- Advising senior management, the GRMC and the Board on risk issues and impacts on the Group, and
- Administering the delegation of discretionary powers to management personnel within the Group.

The **Compliance** function is centrally managed and provides assurance to management that the Group's activities are in compliance with external requirements and internal policies and procedures.

The **Audit** function independently reviews and reports on the adequacy and integrity of the Group's internal control systems and information management systems, including compliance with applicable laws, regulations, rules, directives and guidelines.

Risk and Control Environment

Business and functional heads are accountable for risk management in their businesses and functions, and for countries where they have governance responsibilities. The business and functional units have a clear segregation of duties with sufficient check and balance to ensure that business processes are functioning effectively. There is accountability and authority delegated to the appropriate authority to execute their respective authorities in meeting the business strategies without compromising the risk management strategies.

The primary responsibility for managing risks, therefore, rests with the business managers who are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits.

Principle 4: Alignment of Risk Management to Business Strategies

A statement of intent of the Group Risk Management Framework is to align the Group's business strategy to risk strategy, and vice-versa. This is articulated through the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in economic capital management. It is also implemented through the Group's construction of a sustaining risk-focused organisation as described in the preceding sections where business and functional units are required to be responsible and accountable for risk management.

Principle 5: Optimization of Risk-Adjusted Economic and Financial Returns

An objective of economic capital management is to reflect a risk-adjusted return assumed by businesses throughout the RHB Banking Group. By linking risk to capital, the risk-adjusted returns measure contributes to the creation of shareholder value by facilitating the allocation

of capital to the businesses whose value creation exceeds the internal targeted threshold. The medium to long-term strategy and principle of risk management of the Group is to deepen the integration of economic capital management within the Group. The Group has implemented a risk-adjusted returns based framework for allocation of capital to business units and for performance measurement and management.

3.2 Credit Risk

Credit risk is defined as the likelihood that a customer or counterparty is unable to meet the contracted financial or counterparty is unable to meet the contracted financial obligations resulting in a default situation and/or financial loss.

Credit risk management in the RHB Banking Group is conducted in a holistic manner. During the assessment of credit risk at transactional level, credit underwriting standards are dictated in approved credit risk policies which are developed for the assurance of asset quality that are in line with the Group's risk appetite. Industry best practices are instilled in the continual updating of credit risk policies.

3.2.1 Credit Concentration Risk

The analysis of large customer group exposures is regularly conducted and the lending units undertake account updates, monitoring and management of these exposures. Industry and sectoral analysis are also incorporated within the overall credit risk management regiment. This facilitates the better management of credit concentration risk.

RHB Bank Thailand Operations is guided by the lending direction and internal management action triggers limits, as well as the Bank of Thailand's Notification No. SorNorSor. 35/2551 Re. Supervisory Guidelines on Large Exposure (Single Lending Limit) dated 3rd August 2008.

3.2.2 Credit Risk Mitigation

RHB Bank Thailand Operations uses a variety of techniques to reduce credit risk on its lending; one important credit risk mitigation technique is accepting guarantee and collateral with appropriate coverage, sufficiently liquid, legally effective and regularly valued. The main types of collateral/security support accepted are:

- i) Landed properties,
- ii) Cash collateral, and
- iii) Corporate and Bank Guarantees.

In accordance with the RHB Banking Group Credit Policy, banks, creditworthy companies and individuals with high net worth are accepted as guarantor counterparties, subject to credit assessment. From the above collaterals, only cash collateral and corporate guarantors with good external ratings are recognized for capital adequacy purposes. In cases of corporate guarantees, a simple substitution of the risk weight is applied.

3.2.3 Impaired Loans and Impairment Provisioning

RHB Bank Thailand Operations follows the general guideline on the management of impaired loans as prescribed by the Bank's Non-Performing Loans/Impaired Loans Policy. For asset classification, classification for case of debt restructuring, making provision and write-offs of impaired assets, the Bank of Thailand's Notification No. SorNorSor. 31/2008 Re: Classification and Provision of the Financial Institutions, dated 3rd August 2008, is being adhered to.

RHB Bank Thailand Operations categorises its loan portfolio into six categories, i.e. Loss, Doubtful of Loss, Doubtful, Substandard, Special Mention and Acceptable.

Allowance for provision for loans classified as normal (Acceptable) and Special Mention is calculated based on the minimum percentage of 1% and 2% respectively in accordance with the Bank of Thailand's Guidelines. For loans classified as Substandard, Doubtful and Doubtful of Loss, the allowance rate is the full amount of the difference between the outstanding loan value and present value of expected cash flow from proceeds of collaterals.

3.2.6 Quantitative Disclosures

Table 6: Outstanding Amounts of Significant On-balance Sheet Assets and Off-Balance Sheet Items Before Adjusted by Credit Risk Mitigation

Unit: THB

Item		31-Dec-2011	31-Dec-2012
1.	On-balance Sheet Items	2,092,046,492.41	4,024,992,840.65
1.1	Net Loans	2,031,796,492.41	4,020,992,840.65
1.2	Net investment in Debt Securities	60,250,000.00	4,000,000.00
1.3	Deposits (including accrued interest receivables)	-	-
2.	Off-balance Sheet Items	2,262,506,364.93	3,809,379,696.74
2.1	Aval of Bills, Guarantees, and Letter of Credits	807,359,114.90	554,483,240.71
2.2	OTC Derivatives	53,148,261.77	1,258,628,782.40
2.3	Undrawn Committed Lines	1,401,998,988.26	1,996,267,673.63

Table 7.1 : Outstanding Amounts of Significant On-balance Sheet Assets and Off-balance Sheet Items Before Credit Risk Mitigation Classified by Country or Geographic Area of Debtor as at 31st December 2012

Unit: THB

Country or Geographic Area of Debtor	On-balance Sheet Assets			Off-balance Sheet Items			
	Total	Net Loans	Net Investment in Debt Securities	Total	Undrawn committed Lines	OTC Derivatives	Aval of Bills, Guarantees of Borrowings, and Letter of Credits
Thailand	4,024,992,840.65	4,020,992,840.65	4,000,000.00	3,804,955,993.84	1,996,267,673.63	1,258,628,782.40	550,059,537.81
Asia Pacific (exclude Thailand)	-	-	-	4,423,702.90	-	-	4,423,702.90
North America and Latin America	-	-	-	-	-	-	-
Africa and Middle East	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-
Total	4,024,992,840.65	4,020,992,840.65	4,000,000.00	3,809,379,696.74	1,996,267,673.63	1,258,628,782.40	554,483,240.71

Table 7.2 : Outstanding Amounts of Significant On-balance Sheet Assets and Off-balance Sheet Items Before Credit Risk Mitigation Classified by Country or Geographic Area of Debtor as at 31st December 2011

Unit: THB

Country or Geographic Area of Debtor	On-balance Sheet Assets			Off-balance Sheet Items			
	Total	Net Loans	Net Investment in Debt Securities	Total	Undrawn committed Lines	OTC Derivatives	Aval of Bills, Guarantees of Borrowings, and Letter of Credits
Thailand	2,092,046,492.41	2,031,796,492.41	60,250,000.00	2,260,066,085.69	1,401,998,988.26	53,148,261.77	804,918,835.66
Asia Pacific (exclude Thailand)	-	-	-	2,440,279.24	-	-	2,440,279.24
North America and Latin America	-	-	-	-	-	-	-
Africa and Middle East	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-
Total	2,092,046,492.41	2,031,796,492.41	60,250,000.00	2,262,506,364.93	1,401,998,988.26	53,148,261.77	807,359,114.90

Table 8.1 : Outstanding Amounts of On-balance Sheet Assets and Off-balance Sheet Items Before Credit Risk Mitigation Classified by Residual Maturity as at 31st December 2012

Unit: THB

Item	Maturity Not Exceeding 1 year	Maturity Exceeding 1 year	Total
1. On-balance Sheet Assets			
1.1 Net Loans (include inter-bank and money market item)	2,605,437,193.55	1,415,555,647.10	4,020,992,840.65
1.2 Net Investment in Debt Securities	-	4,000,000.00	4,000,000.00
1.3 Deposit (include accrued interest receivables)	-	-	-
2. Off-balance Sheet Items			
2.1 Aval of Bills, Guarantees of Borrowings, and Letter of Credits	67,500,144.02	486,983,096.69	554,483,240.71
2.2 OTC Derivatives	1,258,628,782.40	-	1,258,628,782.40
2.3 Undrawn Committed Lines	1,996,267,673.63	-	1,996,267,673.63

Table 8.2 : Outstanding Amounts of On-balance Sheet Assets and Off-balance Sheet Items Before Credit Risk Mitigation Classified by Residual Maturity as at 31st December 2011

Unit: THB

Item	Maturity Not Exceeding 1 year	Maturity Exceeding 1 year	Total
1. On-balance Sheet Assets			
1.1 Net Loans (include inter-bank and money market item)	1,257,874,627.82	773,921,864.59	2,031,796,492.41
1.2 Net Investment in Debt Securities	28,125,000.00	32,125,000.00	60,250,000.00
1.3 Deposit (include accrued interest receivables)	-	-	-
2. Off-balance Sheet Items			
2.1 Aval of Bills, Guarantees of Borrowings, and Letter of Credits	807,359,114.90	-	807,359,114.90
2.2 OTC Derivatives	53,148,261.77	-	53,148,261.77
2.3 Undrawn Committed Lines	1,401,998,988.26	-	1,401,998,988.26

**Table 9.1 : Loans and Accrued Interest Receivables and Investments in Debt Securities Before Credit Risk Mitigation
Classified By Country or Geographic Area of Debtors and By Asset Classification Specified by the Bank of Thailand
as at 31st December 2012**

Unit: THB

Country or Geographic Area of Debtor	Loans and Accrued Interest Receivables							Investment in Debt Securities Classified as Doubtful loss
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Loss	Total	
Thailand	3,365,719,671.09	387,439,370.31	-	-	267,833,799.25	-	4,020,992,840.65	4,000,000.00
Asia Pacific (excluding Thailand)	-	-	-	-	-	-	-	-
North America and Latin America	-	-	-	-	-	-	-	-
Africa and Middle East	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-
Total	3,365,719,671.09	387,439,370.31	-	-	267,833,799.25	-	4,020,992,840.65	4,000,000.00

Table 9.2 : Loans and Accrued Interest Receivables and Investments in Debt Securities Before Credit Risk Mitigation Classified By Country or Geographic Area of Debtors and By Asset Classification Specified by the Bank of Thailand as at 31st December 2011

Unit: THB

Country or Geographic Area of Debtor	Loans and Accrued Interest Receivables							Investment in Debt Securities Classified as Doubtful loss
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Loss	Total	
Thailand	1,196,549,062.76	576,486,299.11	1,200,483.97	-	257,560,646.57	-	2,031,796,492.41	4,000,000.00
Asia Pacific (excluding Thailand)	-	-	-	-	-	-	-	-
North America and Latin America	-	-	-	-	-	-	-	-
Africa and Middle East	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-
Total	1,196,549,062.76	576,486,299.11	1,200,483.97	-	257,560,646.57	-	2,031,796,492.41	4,000,000.00

Table 10.1 : Provisions and Bad Debts Written-off During the Period For Loans Including Accrued Interest Receivables and Investments in Debt Securities Classified by Country or Geographic Area as at 31st December 2012

Unit: THB

Country or Geographic Area of Debtor	Loans and Accrued Interest Receivables			Specific Provision for Investment in Debt Securities
	General Provision	Specific Provision	Bad Debt Written-Off / (written back) During Period	
Thailand	60,207,340.71	88,039,979.83	(735,665.39)	4,000,000.00
Asia Pacific (exclude Thailand)				
North America and Latin America				
Africa, Middle East and Europe				
Total	60,207,340.71	88,039,979.83	(735,665.39)	4,000,000.00

Table 10.2 : Provisions and Bad Debts Written-off During the Period For Loans Including Accrued Interest Receivables and Investments in Debt Securities Classified by Country or Geographic Area as at 31st December 2011

Unit: THB

Country or Geographic Area of Debtor	Loans and Accrued Interest Receivables			Specific Provision for Investment in Debt Securities
	General Provision	Specific Provision	Bad Debt Written-Off During Period	
Thailand	31,394,425.43	94,853,291.08	(803,952.16)	4,000,000.00
Asia Pacific (exclude Thailand)	-	-	-	-
North America and Latin America	-	-	-	-
Africa, Middle East and Europe	-	-	-	-
Total	31,394,425.43	94,853,291.08	(803,952.16)	4,000,000.00

Table 11.1 : Loans and Accrued Interest Receivables Before Credit Risk Mitigation Classified by Type of Business as at 31st December 2012

Unit: THB

Type of Business	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Loss	Total
Agriculture and Mining	-	-	-	-	-	-	-
Manufacturing and Commerce	1,057,533,221.01	-	-	-	36,009,270.49	-	1,093,542,491.50
Property and Construction	10,010,146.26	-	-	-	227,588,385.93	-	237,598,532.19
Public Utilities and Services	390,134,153.63	387,439,370.31	-	-	-	-	777,573,523.94
Housing	7,838,818.03	-	-	-	1,134,696.42	-	8,973,514.45
Others	1,900,203,332.16	-	-	-	3,101,446.41	-	1,903,304,778.57
Total	3,365,719,671.09	387,439,370.31	-	-	267,833,799.25	-	4,020,992,840.65

Table 11.2 : Loans and Accrued Interest Receivables Before Credit Risk Mitigation Classified by Type of Business as at 31st December 2011

Unit: THB

Type of Business	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Loss	Total
Agriculture and Mining	2,772,430.98	-	-	-	-	-	2,772,430.98
Manufacturing and Commerce	406,119,096.96	-	-	-	46,229,794.21	-	452,348,891.17
Property and Construction	9,981,443.08	-	-	-	208,237,965.95	-	218,219,409.03
Public Utilities and Services	37,010,071.83	393,005,530.91	-	-	-	-	430,015,602.74
Housing	9,305,716.78	2,170,133.70	-	-	-	-	11,475,850.48
Others	731,360,303.13	181,310,634.50	1,200,483.97	-	3,092,886.41	-	916,964,308.01
Total	1,196,549,062.76	576,486,299.11	1,200,483.97	-	257,560,646.57	-	2,031,796,492.41

Table 12.1 : Provisions and Bad Debt Written-off During Period of Loans Including Accrued Interest Receivables Classified by Types of Business as at 31st December 2012

Unit: THB

Type of Business	General Provision	Specific Provision	Bad Debt Written-off/Written-back) During Period
Agriculture and Mining		-	-
Manufacturing and Commerce		9,766,576.02	9,063,661.96
Property and Construction		77,780,860.91	-
Public Utilities and Services		-	-
Housing		-	-
Others		492,542.90	1,972,690.04
Total	60,207,340.71	88,039,979.83	11,036,352.00

Table 12.2 : Provisions and Bad Debt Written-off During Period of Loans Including Accrued Interest Receivables Classified by Types of Business as at 31st December 2011

Unit: THB

Type of Business	General Provision	Specific Provision	Bad Debt Written-off/Written-back) During Period
Agriculture and Mining		-	-
Manufacturing and Commerce		17,893,490.40	(803,952.16)
Property and Construction		74,503,127.74	-
Public Utilities and Services		-	-
Housing		-	-
Others		2,456,672.94	-
Total	31,394,425.43	94,853,291.08	(803,952.16)

Table 13.1 : Reconciliation of Changes in Provisions for Classified Assets as at 31st December 2012

Unit: THB

Item	General Provision	Specific Provision	Total
Provisions at the beginning of the period	31,394,425.43	94,853,291.08	126,247,716.51
Bad Debts written-off/(written back) during the period	-	(11,036,352.00)	(11,036,352.00)
Increases or (decreases) of provisions during the period	28,812,915.28	4,223,040.75	33,035,956.03
Other provisions (provisions for losses from foreign exchange, provisions for merger and sale of businesses)	-	-	-
Provisions at the end of the period	60,207,340.71	88,039,979.83	148,247,320.54

Table 13.2 : Reconciliation of Changes in Provisions for Classified Assets as at 31st December 2011

Unit: THB

Item	General Provision	Specific Provision	Total
Provisions at the beginning of the period	37,700,827.64	91,459,560.81	129,160,388.45
Bad Debts written-off/(written back) during the period	-	(803,952.16)	(803,952.16)
Increases or (decreases) of provisions during the period	(6,306,402.21)	4,197,682.43	(2,108,719.78)
Other provisions (provisions for losses from foreign exchange, provisions for merger and sale of businesses)	-	-	-
Provisions at the end of the period	31,394,425.43	94,853,291.08	126,247,716.51

Table 14.1 : Outstanding Amounts of On-balance Sheet Assets and Off-balance Sheet Items By Type of Assets Under Standardised Approach as at 31st December 2012

Unit: THB

Type of Asset	On-balance Sheet Assets	Off-balance Sheet Item	Total
1. Performing Claims			
1.1 Claims on sovereigns and central banks	3,331,297,465.97	-	3,331,297,465.97
1.2 Claims on non-central government public sector entities	401,817,402.62	-	401,817,402.62
1.3 Claims on multilateral development banks	-	-	-
1.4 Claims on banks	230,147,886.62	165,185.38	230,313,072.00
1.5 Claims on securities companies	512,045,309.60	4,000,000.00	516,045,309.60
1.6 Claims on corporate	3,212,345,331.77	663,421,386.48	3,875,766,718.25
1.7 Claims on retail portfolios	20,929,582.00	2,434,839.01	23,364,421.01
1.8 Residential mortgage exposures	7,838,818.03	-	7,838,818.03
1.9 Other assets	116,109,050.77	-	116,109,050.77
2. Non-Performing Claims	193,945,699.90	4,916,485.44	198,862,185.34
3. First -to- default Credit Derivatives and Securitizations	-	-	-
Total	8,026,476,547.28	674,937,896.31	8,701,414,443.59

Table 14.2 : Outstanding Amounts of On-balance Sheet Assets and Off-balance Sheet Items By Type of Assets Under Standardised Approach as at 31st December 2011

Unit: THB

Type of Asset	On-balance Sheet Assets	Off-balance Sheet Item	Total
1. Performing Claims			
1.1 Claims on sovereigns and central banks	2,959,095,742.73	-	2,959,095,742.73
1.2 Claims on non-central government public sector entities	300,113,957.00	-	300,113,957.00
1.3 Claims on multilateral development banks	-	-	-
1.4 Claims on banks	21,832,881.03	197,453.35	22,030,334.38
1.5 Claims on securities companies	-	20,000,000.00	20,000,000.00
1.6 Claims on corporate	1,715,926,342.63	660,039,871.59	2,375,966,214.22
1.7 Claims on retail portfolios	13,458,027.37	2,175,982.92	15,634,010.29
1.8 Residential mortgage exposures	11,475,850.48	-	11,475,850.48
1.9 Other assets	106,650,341.03	-	106,650,341.03
2. Non-Performing Claims	129,889,629.15	1,057,724.25	130,947,353.40
3. First -to- default Credit Derivatives and Securitizations	-	-	-
Total	5,258,442,771.42	683,471,032.11	5,941,913,803.53

Table 15.1 : Outstanding of On-balance Sheet Assets and Off-balance Sheet Items After Credit Risk Mitigation for Each Type of Assets Classified by Risk Weight as at 31st December 2012

Unit: THB

Type of Asset	Rated Outstanding					Unrated Outstanding		
	0	20	50	100	150	35	75	100
Performing Claims								
Claims on sovereigns and central banks	3,331,297,465.97	-	-	-	-	-	-	-
Claims on non-central government public sector entities	-	-	-	401,817,402.62	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-
Claims on banks	-	230,211,372.00	-	101,700.00	-	-	-	-
Claims on securities companies	-	-	-	512,045,309.60	-	-	-	4,000,000.00
Claims on corporate	-	-	-	619,888,117.26	-	-	-	3,088,985,928.05
Claims on retail portfolios	-	-	-	-	-	-	3,071,000.49	5,392,047.94
Claims on housing loans	-	-	-	-	-	7,838,818.03	-	-
Other assets	12,081,480.06 ^{Note 1}	-	-	-	-	-	-	104,027,570.71
Non-Performing Claims	-	-	-	-	-	-	-	198,862,185.34
Items which BOT allows to deduct from capital of FIs	-	-	-	-	-	-	-	-

Note¹ Cash in THB

Table 15.2 : Outstanding of On-balance Sheet Assets and Off-balance Sheet Items After Credit Risk Mitigation for Each Type of Assets Classified by Risk Weight as at 31st December 2011

Unit: THB

Type of Asset	Rated Outstanding					Unrated Outstanding		
	0	20	50	100	150	35	75	100
Performing Claims								
Claims on sovereigns and central banks	2,959,095,742.73	-	-	-	-	-	-	-
Claims on non-central government public sector entities	-	-	300,113,957.00	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-
Claims on banks	-	21,928,634.38	-	101,700	-	-	-	-
Claims on securities companies	-	-	-	-	-	-	-	20,000,000.00
Claims on corporate	-	-	-	455,300,630.13	-	-	-	1,721,590,255.68
Claims on retail portfolios	-	-	-	-	-	-	200,000	7,731,241.83
Claims on housing loans	-	-	-	-	-	11,475,850.48	-	-
Other assets	19,085,865.19 ^{Note 1}	-	-	-	-	-	-	87,564,475.84
Non-Performing Claims	-	-	-	-	-	-	-	130,947,353.40
Items which BOT allows to deduct from capital of FIs	-	-	-	-	-	-	-	-

Note¹ Cash in THB

Table 16.1 : Part of Outstanding that is Secured by Collateral under Standardised Approach Classified by Type of Assets and Collateral as at 31st December 2012

Unit: THB

Type of Asset		Eligible Financial Collateral	Guarantee and Credit Derivative
Performing Assets			
1.	Claims on sovereigns and central banks, multilateral development banks, and non-central government public sector entities treated as claims on sovereigns	-	-
2.	Claims on financial institutions , non-central government public sector entities treated as claims on financial institutions, and securities firms	-	-
3.	Claims on corporates, non-central government public sector entities treated as claims on corporates	302,627,524.23	496,839,183.25
4.	Claims on retail portfolios	1,272,105.93	-
5.	Claims on housing loans	-	-
6.	Other Assets	-	-
Substandard Assets		-	-
Total		303,899,630.16	496,839,183.25

Table 16.2 : Part of Outstanding that is Secured by Collateral under Standardised Approach Classified by Type of Assets and Collateral as at 31st December 2011

Unit: THB

Type of Asset		Eligible Financial Collateral	Guarantee and Credit Derivative
Performing Assets			
1.	Claims on sovereigns and central banks, multilateral development banks and non-central government public sector entities treated as claims on sovereigns	-	-
2.	Claims on financial institutions , non-central government public sector entities treated as claims on financial institutions, and securities firms	-	-
3.	Claims on corporate, non-central government public sector entities treated as claims on corporates	142,813,844.49	569,350,283.25
4.	Claims on retail portfolios	7,702,768.46	-
5.	Claims on housing loans	-	-
6.	Other Assets	-	-
Substandard Assets		-	-
Total		150,516,612.95	569,350,283.25

3.3 Market Risk

3.3.1 Qualitative Disclosure

Market risk refers to risk of losses arising from changes in both on and off-balance sheet positions as a result of any movement in market risk factors: exchange rates, interest rates, equity prices, credit spreads, and commodity prices. Market risk is derived from both banking book and trading book. The trading book comprises positions in financial instruments held for a short period, with the intention to sell to benefit from changes in prices.

Market risk management is the process by which the Bank identifies, measures, monitors, controls and reports its market risk exposures.

The Group Asset and Liabilities Committee ('Group ALCO') performs a critical role in the management of market risk and supports the Group Risk management Committee in the overall market risk management. The Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of market risk.

RHB Bank Thailand Operations' Treasury Head is responsible for managing all trading activities on a day-to-day basis within established trading limits.

For effective control of operations, defined management action triggers and risk limits are established and monitored. Market risk measures include conventional risk quantification methodologies such as risk factor sensitivity analysis and value-at-risk (VaR) measures.

3.3.2 Quantitative Disclosure

Table 17: 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	31-Dec-2011	31-Dec-2012
Interest Rate Risk	33,000.00	58,991.00
Equity Position Risk	-	-
Foreign Exchange Rate Risk	603,140.57	1,697,947.15
Commodity Risk	-	-
Total Minimum Capital Requirements	636,140.57	1,756,938.15

RHB Bank Thailand Operations did not have equity or commodity position as at 31st December 2012.

3.4 Interest Rate Risk in the Banking Book

Interest rate risk in the banking book arises mainly from mismatches in re-pricing dates of interest sensitive assets and liabilities. In line with the RHB Banking Group's Policy to achieve a balance between profitability from banking activities and minimizing risk to earnings and capital from changes in interest rates, RHB Bank Thailand Operations' exposure to interest rate risk is managed with the objective that profits will not be unduly impacted by the volatility of the interest rates.

Analysis of interest rate risk is performed by applying the re-pricing gap model to evaluate assets, liabilities, and off-balance sheet positions affected by interest rate movements based on the remaining contractual duration until maturity (for fixed interest rates) or until the subsequent interest rate adjustment (for floating interest rates).

RHB Bank Thailand Operations is closely guided by the Bank of Thailand's Notification No. SorNorSor. 42/2008 Re. Supervision Guideline on Interest Rate Risk for Banking Book of the Financial Institutions dated 3rd August 2008, for the management of the interest rate risk in its banking book.

The effect of changes in interest rates to net earnings for position 31st December 2012 and 31st December 2011 is shown below:

Table 18 : The Effect of Changes in Interest Rates to Net Earnings

Currency	31-Dec-2011	31-Dec-2012
	Effect to net earnings (%)	Effect to net earnings (%)
THB	1.13	3.78
USD	-0.05	-4.88
JPY	0.06	0.00
Total effect	1.14	-1.10

* Commercial banks shall use the percentage changes in interest rates of 100bps.

3.5 Liquidity Risk

Liquidity risk is the risk that arises primarily when the bank fails to meet its funding commitments due to its inability to convert its assets to cash, failure to find sufficient funding, or unavailability of funds at acceptable funding costs.

The Group ALCO performs a critical role in the management of liquidity risks. The Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of liquidity risks and the Group's balance sheet profile.

RHB Bank Thailand's Liquidity Policy Statement sets out the framework for liquidity risk management and control, whereas the Liquidity Incident Management Plan covers contingency plans to address its liquidity incidents. Liquidity is managed both quantitatively

and qualitatively, involving monitoring of depositors' behavior, economic conditions, financial markets and competitive environments. The responsibility to manage liquidity risk on day-to-day basis rests on the Thailand Operations Treasury Head, under Head of Group Treasury's oversight.

RHB Bank Thailand Operations is guided by the Bank of Thailand's Notification No. SorNorSor. 41/2008 Re. Liquidity Risk Management of the Financial Institutions dated 3rd August 2008, for its liquidity risk management.

3.6 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, and external events.

Each business and support unit of the RHB Banking Group owns and is responsible for understanding the operational risks inherent in its products, activities, processes and systems. They are aided in this function by the central risk coordination units which include the operational risk management function, the compliance function and the internal audit function.

The Group's Operational Risk Management Framework comprises a broad range of activities and elements, broadly classified into:

- (i) Analysis and Enhancement - The Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.
- (ii) Education and Awareness - This is aligned with the principle and requirement that the front-line business and support units of the Group are, by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defense against operational losses.
- (iii) Monitoring and Intervention – This is where the principal head office risk control units actively manage operational non-compliances, incidents, and undertake recovery actions, including business continuity measures in cases of incidences causing disruption to business activities.

The Bank has on-going and actively managed Business Continuity Planning ('BCP') programmes for its major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCM programmes are subject to regular testing to ensure efficacy, reliability and functionality, and come under the responsibility of the Business Continuity Management ('BCM') Department.

In this respect, RHB Bank Thailand Operations is also closely guided by the Bank of Thailand's Policy Statements on Operational Risk Management, and Business Continuity Management and Business Continuity Plans dated 3rd August 2008.

3.7 Reputational Risk

Reputational risk is the risk that negative publicity regarding the conduct of the Bank or any of the entities within the RHB Banking Group, business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

Negative publicity about an institution's business practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Reputational risk will arise from failure to effectively mitigate one or more of country, credit, liquidity, market, regulatory, operational, environmental or social risk.

Reputational risk in the Bank is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. Towards this end, the Banking Group has developed and implemented a Reputational Risk Management Framework.

The key elements for management of reputational risk include:

- prompt and effective communication with all stakeholders;
- strong and consistent enforcement of controls relating to governance, business compliance and legal compliance;
- continuous monitoring of threats to reputation;
- ensuring ethical practices throughout the organisation; and
- establishing and continually updating crisis management plans.

3.8 Internal Capital Adequacy Assessment Process

Basel II Pillar 2 requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amount of capital to be held against these risks where other suitable mitigants are not available. This risk and capital assessment is commonly referred to as an Internal Capital Adequacy Assessment Process ('ICAAP') which covers much broader risk types beyond Pillar 1 risks, and these include credit concentration risk, interest rate risk in the banking book, liquidity risk, strategic risk, and reputational risk.

The RHB Banking Group has embarked on implementing ICAAP with the objective to forge a strong alignment between risk and capital. Capital adequacy will be assessed in relation to the Bank's risk profile.

RHB Bank Thailand Operations is guided by the Bank of Thailand's Notification No. 2136/2552 Re: Dispatch of Notification of the Bank of Thailand on Supervisory Guideline on Capital Fund under Pillar 2 dated 16th October 2009, and has commenced its ICAAP reporting since 2010 as required under the Bank of Thailand's Notification.

3.9 Glossary of Terms

Abbreviation	Brief Description
BCM	Business Continuity Management
BIA	Basic Indicator Approach
Board	Board of Directors
BOT	Bank of Thailand
CAR	Capital Adequacy Ratio
ECAIs	External Credit Assessment Institutions
Fitch	Fitch Ratings
Fitch Thailand	Fitch Ratings (Thailand) Limited
Group ALCO	Group Asset and Liability Management Committee
GRMC	Group Risk Management Committee
GRM Function	Group Risk Management Function
ICAAP	Internal Capital Adequacy Assessment Process
JPY	Japanese Yen (¥)
MDBs	Multilateral Development Banks
Moody's	Moody's Investor Service
OTC	Over the Counter
PSEs	Non Federal Government Public Sector Entities
SA	Standardised Approach
THB	Thai Baht
TRIS	TRIS Rating
USD	US Dollar (\$)
VaR	Value at Risk