

Capital Requirement Disclosures

Basel III Pillar III

For the half year ended 30 June 2016

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 30 June 2016 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 30 June 2016 and as of 31 December 2015 are composed of the following data.

(Unit: Thousand Baht)

The Financial Group		
	30 June 2016	31 December 2015
Tier 1 Capital	24,122,095	23,315,918
Common Equity Tier 1 (CET1)		
Paid-up share capital	20,132,094	20,132,094
Legal reserve	400,000	400,000
Retained earning after appropriations	3,923,358	3,370,277
Other comprehensive income	385,491	135,632
<u>Less deductible items on Common Equity Tier 1</u>	<u>(718,848)</u>	<u>(722,085)</u>
Total Common Equity Tier 1 (CET1)	24,122,095	23,315,918
Tier 2 Capital		
Reserve for assets classified as "Pass"	1,905,397	1,638,601
Total Tier 2 Capital	1,905,397	1,638,601
Total Capital Funds of the Financial Group	26,027,492	24,954,519

(Unit: Thousand Baht)

The Bank		
	30 June 2016	31 December 2015
Tier 1 Capital	23,912,917	23,251,042
Common Equity Tier 1 (CET1)		
Paid-up share capital	20,132,094	20,132,094
Legal reserve	400,000	400,000
Retained earning after appropriations	3,387,457	2,926,480
Other comprehensive income	385,491	135,632
<u>Less deductible items on Common Equity Tier 1</u>	<u>(391,125)</u>	<u>(343,164)</u>
Total Common Equity Tier 1 (CET1)	23,913,917	23,251,042
Tier 2 Capital		
Reserve for assets classified as “Pass”	1,717,808	1,477,443
Total Tier 2 Capital	1,717,808	1,447,443
Total Capital Funds of the Bank	25,631,725	24,728,485

Capital Adequacy

According to the Bank of Thailand’s guideline in supervision of capital requiring commercial banks shall maintain the capital in Common Equity Tier 1 to proportion to the credit, market and operational risk weighted assets of at least 8.5%. Moreover the commercial banks shall have the additional capital 0.625% for conservation buffer. The financial Group shall establish the policy to maintain the regulatory capital in compliance with the methodologies and conditions as specified by the Bank of Thailand. To assess the capital adequacy for different types of risk, the financial Group utilizes the approaches corresponding to complexity of transactions and size of the financial Group as follows.

- Credit Risk Standardized Approach
- Market Risk Standardized Approach
- Operational Risk Basic Indicator Approach

Besides, the financial Group has the capital adequacy assessment so as to comply with the Bank of Thailand’s guideline in supervision of capital for the financial Group.

The minimum capital requirement

According to the Basel III guideline in supervision of capital, which the financial Group and the Bank provided the report as of 30 June 2016 following Basel III guideline and as of 31 December 2015 and to maintain the capital corresponding to each type of risk .

1. Credit risk capital requirement

Based on the Standardized Approach, the minimum capital requirements classified by type of assets with the data as of 30 June 2016 and as of 31 December 2015 were as follows.

(Unit: Thousand Baht)

The Financial Group		
Minimum Credit Risk Capital Requirement	30 June 2016	31 December 2015
Performing Loans		
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	188	437
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,796,643	1,351,484
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	9,302,277	7,761,081
Claims in the Regulatory Retails Portfolio	1,438,016	1,602,975
Residential Mortgage Loans	470	530
Other assets	276,790	288,579
Non-performing Loans	142,312	137,403
Total Credit Risk Capital Requirement	12,956,696	11,142,489

(Unit: Thousand Baht)

The Bank		
Minimum Credit Risk Capital Requirement	30 June 2016	31 December 2015
Performing Loans		
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	188	437
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,786,825	1,348,675
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	9,231,072	8,044,258
Claims in the Regulatory Retails Portfolio	1,813	2,047
Residential Mortgage Loans	470	530
Other assets	567,757	559,472
Non-performing Loans	92,935	91,195
Total Credit Risk Capital Requirement	11,681,060	10,046,614

2. Market Risk Capital Requirement

For the Trading Book, the financial Group and the Bank use the Standardized Approach for capital calculation. The market risk capital requirement for the Financial Group and the Bank as of 30 June 2016 and 31 December 2015 as follows.

(Unit : Thousand Baht)

	30 June 2016		31 December 2015	
	The Financial Group	The Bank	The Financial Group	The Bank
Capital Requirement				
Market Risk Capital Requirement	52,337	326,148	36,007	120,303

3. Operational Risk Capital Requirement

The Financial Group and the Bank use the Basic Indicator Approach for capital requirement calculation. The capital required for operational risk of the Financial Group and the bank as of 30 June 2016 and as of 31 December 2015 as follows.

(Unit : Thousand Baht)

	30 June 2016		31 December 2015	
	The Financial Group	The Bank	The Financial Group	The Bank
Capital Requirement				
Operational Risk Capital Requirement	733,298	426,755	704,681	392,964

4. Capital Adequacy Ratio

The Financial Group and the Bank calculated risk weight assets under Basel III guideline for 3 types of risk, The Capital Adequacy Ratio were as follows:

(Unit: Percent)

Capital Adequacy Ratio	The Financial Group		BOT Requirement	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Tier 1 capital to risk assets	14.9	16.7	6.625	6.00
Common Equity Tier 1 to risk assets	14.9	16.7	5.125	4.50
Tier 2 capital to risk assets	1.2	1.2	-	-
Total capital to risk assets	16.1	17.9	9.125	8.50

(Unit: Percent)

Capital Adequacy Ratio	The Bank		BOT Requirement	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Tier 1 capital to risk assets	16.3	18.7	6.625	6.00
Common Equity Tier 1 to risk assets	16.3	18.7	5.125	4.50
Tier 2 capital to risk assets	1.2	1.2	-	-
Total capital to risk assets	17.5	19.9	9.125	8.50

Reconciliation of Regulatory Capital and Financial Statement under Consolidated Supervision

The Financial Group Capital

(Unit : Thousand Baht)

References base on Statement of
Financial Position under the
consolidated supervision

Items	30 June 2016	31 December 2015	
Tier-1 Capital			
Common Equity Tier 1 (CET1)			
Paid-up share capital	20,132,094	20,132,094	A
Legal reserve	400,000	400,000	B
Retained earnings after appropriations	3,923,358	3,370,277	C
Other comprehensive income	385,491	135,632	D
<u>Less deductible items on Common Equity Tier 1</u>	<u>(718,848)</u>	<u>(722,085)</u>	E
Total Common Equity Tier 1 (CET1)	<u>24,122,095</u>	<u>23,315,918</u>	
Tier-2 Capital			
Reserve for assets classified as “Pass”	<u>1,905,397</u>	<u>1,638,601</u>	F
Total Tier-2 Capital	<u>1,905,397</u>	<u>1,638,601</u>	
Total Capital Funds	<u>26,027,492</u>	<u>24,954,519</u>	

Statement of financial position under consolidated supervision

(Unit : Thousand Baht)

References base on Statement
of Financial Position under
the consolidated supervision

Items	30 June 2016	31 December 2015	
Assets			
Cash	432,285	369,306	
Interbank and money market items, net	3,913,681	2,056,608	
Derivative assets	397,690	122,817	
Investments, net	52,371,007	45,010,528	
Investments in a subsidiary and an associate, net	517,467	526,629	
Loans to customers and accrued interest receivables, net			
Loans to customers	137,448,401	140,927,378	
Accrued interest receivables	95,516	230,174	
Total loans to customers and accrued interest receivables	137,543,917	141,157,552	
Less deferred revenue	(5,105,171)	(5,044,122)	
Less allowance for doubtful accounts	(4,809,831)	(4,029,494)	
<i>Qualified as capital</i>	<u>(1,905,397)</u>	<u>(1,638,601)</u>	F
Less revaluation allowance for debt restructuring	(14,517)	(13,725)	
Total loans to customers and accrued interest receivables, net	127,614,398	132,070,211	

Statement of financial position under consolidated supervision

References base on Statement
of Financial Position under the
consolidated supervision

Items	30 June 2016	31 December 2015	
Properties foreclosed, net	841,515	882,446	
Premises and equipment, net	121,117	124,990	
Intangible assets, net	33,322	40,428	
<i>Deduction from capital</i>	<i>19,993</i>	<i>16,171</i>	E
Leasehold right, net	149,120	154,428	
Deferred tax assets, net	<i>698,855</i>	<i>705,914</i>	E
Accrued income, net	409,731	399,982	
Receivables on credit support for derivative contracts	604	601	
Other receivables, net	345,055	232,513	
Other assets, net	49,896	332,051	
Total assets	187,895,743	183,029,452	
Liabilities			
Deposits	77,156,881	86,194,650	
Interbank and money market items	47,337,868	35,876,646	
Liabilities payable on demand	44,354	13,744	
Derivative liabilities	247,836	281,721	
Debt issued and borrowings	33,478,641	33,220,665	
Employee benefit obligations	178,418	172,957	
Other provisions	23,715	23,700	
Accrued interest payables	653,951	692,887	
Other liabilities	2,967,830	1,942,496	
Total liabilities	162,089,614	158,419,466	
Equity			
Share capital			
Authorised share capital			
Non-cumulative preference shares	4,023	4,023	
ordinary shares	20,128,071	20,159,998	
Issued and paid-up share capital			
Non-cumulative preference shares	4,023	4,023	A
ordinary shares	20,128,071	20,128,071	A
Other components of equity	505,924	154,534	
<i>Qualified as capital</i>	<i>385,491</i>	<i>135,632</i>	D
Retained earnings			
Appropriated - Legal reserve	400,000	400,000	B
Unappropriated	4,768,111	3,923,358	
<i>Qualified as capital</i>	<i>3,923,358</i>	<i>3,370,277</i>	C
Total equity	25,806,986	24,609,986	
Total liabilities and equity	187,895,743	183,029,452	

