

Capital Requirement Disclosures

Basel III Pillar III

For the half year ended 30 June 2017

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 quantitative disclosure, the data as of 30 June 2017 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 2017 and as of 31 December 2016 are composed of the following data.

(Unit: Thousand Baht)

The Financial Group		
	30 June 2017	31 December 2016
Tier 1 Capital	25,366,276	24,886,032
Common Equity Tier 1 (CET1)		
Paid-up share capital	20,132,094	20,132,094
Legal reserve	500,000	500,000
Retained earning after appropriations	5,293,349	4,759,699
Other comprehensive income	330,172	322,120
<u>Less deductible items on Common Equity Tier 1</u>	<u>(889,339)</u>	<u>(827,881)</u>
Total Common Equity Tier 1 (CET1)	25,366,276	24,886,032
Tier 2 Capital		
Reserve for assets classified as "Pass"	2,185,961	1,910,549
Total Tier 2 Capital	2,185,961	1,910,549
Total Capital Funds of the Financial Group	27,552,237	26,796,581

(Unit: Thousand Baht)

The Bank		
	30 June 2017	31 December 2016
Tier 1 Capital	25,249,891	24,554,137
Common Equity Tier 1 (CET1)		
Paid-up share capital	20,132,094	20,132,094
Legal reserve	500,000	500,000
Retained earning after appropriations	4,704,114	3,994,153
Other comprehensive income	330,171	322,120
Less deductible items on Common Equity Tier 1	(416,488)	(394,230)
Total Common Equity Tier 1 (CET1)	25,249,891	24,554,137
Tier 2 Capital		
Reserve for assets classified as “Pass”	2,034,488	1,793,505
Total Tier 2 Capital	2,034,488	1,793,505
Total Capital Funds of the Bank	27,284,379	26,347,642

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 gradually increased the capital of 0.625% per year until 2.5% during the year 2016 to 2019 for the 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 2017 following Basel III guideline and as of 31 December 2016 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 2017 and as of 31 December 2016 were as follows.

(Unit: Thousand Baht)

The Financial Group		
Minimum Credit Risk Capital Requirement	30 June 2017	31 December 2016
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	392	-
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	3,447,587	1,790,510
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	9,537,393	9,330,477
Claims in the Regulatory Retails Portfolio	1,471,890	1,450,354
Residential Mortgage Loans	356	408
Other assets	275,884	284,193
Non-performing Loans	131,030	135,794
Total Credit Risk Capital Requirement	14,864,532	12,991,736

(Unit: Thousand Baht)

The Bank		
Minimum Credit Risk Capital Requirement	30 June 2017	31 December 2016
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	392	-
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	3,446,281	1,787,223
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	9,717,290	9,722,555
Claims in the Regulatory Retails Portfolio	4,047	2,917
Residential Mortgage Loans	356	408
Other assets	563,770	569,640
Non-performing Loans	102,380	100,029
Total Credit Risk Capital Requirement	13,834,516	12,182,772

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 2017 and 31 December 2016 as follows.

(Unit : Thousand Baht)

	30 June 2017		31 December 2016	
	The Financial Group	The Bank	The Financial Group	The Bank
Capital Requirement				
Market Risk Capital Requirement	17,833	17,833	14,063	321,698

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 2017 and as of 31 December 2016 as follows.

(Unit : Thousand Baht)

	30 June 2017		31 December 2016	
	The Financial Group	The Bank	The Financial Group	The Bank
Capital Requirement				
Operational Risk Capital Requirement	775,785	488,034	755,678	453,508

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 2017	31 December 2016	30 June 2017	31 December 2016
Tier 1 capital to risk assets	13.77	15.37	7.25	6.625
Common Equity Tier 1 to risk assets	13.77	15.37	5.75	5.125
Tier 2 capital to risk assets	1.19	1.18	-	-
Total capital to risk assets	14.96	16.55	9.75	9.125

(Unit: Percent)

Capital Adequacy Ratio	The Bank		BOT Requirement	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Tier 1 capital to risk assets	14.97	16.09	7.25	6.625
Common Equity Tier 1 to risk assets	14.97	16.09	5.75	5.125
Tier 2 capital to risk assets	1.20	1.18	-	-
Total capital to risk assets	16.17	17.27	9.75	9.125

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 2017	31 December 2016	
Tier-1 Capital			
Common Equity Tier 1 (CET1)			
Paid-up share capital	20,132,094	20,132,094	A
Legal reserve	500,000	500,000	B
Retained earnings after appropriations	5,293,349	4,759,699	C
Other comprehensive income	330,172	322,120	D
<u>Less deductible items on Common Equity Tier 1</u>	<u>(889,339)</u>	<u>(827,881)</u>	E
Total Common Equity Tier 1 (CET1)	<u>25,366,276</u>	<u>24,886,032</u>	
Tier-2 Capital			
Reserve for assets classified as "Pass"	2,185,961	1,910,549	F
Total Tier-2 Capital	<u>2,185,961</u>	<u>1,910,549</u>	
Total Capital Funds	<u>27,552,237</u>	<u>26,796,581</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 2017	31 December 2016	
Assets			
Cash	415,704	435,613	
Interbank and money market items, net	13,620,843	6,237,817	
Derivative assets	327,909	417,682	
Investments, net	62,044,008	50,596,514	
Investments in a subsidiary and an associate, net	553,798	560,637	
Loans to customers and accrued interest receivables, net			
Loans to customers	133,693,251	135,326,315	
Accrued interest receivables	78,767	185,567	
Total loans to customers and accrued interest receivables	133,772,018	135,511,882	
<i>Less deferred revenue</i>	(4,868,632)	(4,579,521)	
<i>Less allowance for doubtful accounts</i>	(6,488,211)	(5,880,464)	
<i>Qualified as capital</i>	2,185,961	1,910,549	F
<i>Less revaluation allowance for debt restructuring</i>	(33,978)	(13,769)	
Total loans to customers and accrued interest receivables, net	122,381,197	125,038,128	

Items	30 June 2017	31 December 2016	
Properties foreclosed, net	741,946	775,519	
Premises and equipment, net	142,094	143,540	
Intangible assets, net	32,755	35,967	
<i>Deduction from capital</i>	<i>26,204</i>	<i>21,581</i>	E
Leasehold right, net	138,475	143,753	
Deferred tax assets, net	<i>863,135</i>	<i>806,300</i>	E
Accrued income, net	489,775	461,899	
Receivables on credit support for derivative contracts	609	14,906	
Other receivables, net	510,768	337,926	
Other assets, net	39,714	47,648	
Total assets	202,302,730	186,053,849	
Liabilities			
Deposits	104,421,037	92,023,523	
Interbank and money market items	36,655,776	35,439,126	
Liabilities payable on demand	128,151	45,131	
Derivative liabilities	382,577	230,016	
Debt issued and borrowings	30,179,371	29,223,103	
Employee benefit obligations	199,443	180,327	
Other provisions	1,815	1,815	
Accrued interest payables	744,737	683,442	
Other liabilities	2,370,627	1,903,885	
Total liabilities	175,083,734	159,730,368	
Equity			
Share capital			
Authorised share capital			
Non-cumulative preference shares	4,023	4,023	
ordinary shares	20,128,071	20,128,071	
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	372,637	383,659	
<i>Qualified as capital</i>	<i>330,172</i>	<i>322,120</i>	D
Retained earnings			
Appropriated - Legal reserve	500,000	500,000	B
Unappropriated	6,214,265	5,307,728	
<i>Qualified as capital</i>	<i>5,293,349</i>	<i>4,759,699</i>	C
Total equity	27,218,996	26,323,481	
Total liabilities and equity	202,302,730	186,053,849	