

Capital Requirement Disclosures

Basel III Pillar III

For the half year ended 30 June 2018

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 2018 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 2018 and as of 31 December 2017 are composed of the following data.

(Unit: Thousand Baht)

The Financial Group		
	30 June 2018	31 December 2017
<u>Tier 1 Capital</u>	34,148,401	28,596,413
Common Equity Tier 1 (CET1)		
Paid-up share capital	20,132,094	20,132,094
Legal reserve	600,000	600,000
Retained earning after appropriations	6,951,265	6,214,826
Other comprehensive income	214,252	328,366
Other owner changes items	(24,849)	(24,849)
<u>Less deductible items on Common Equity Tier 1</u>	<u>(1,074,934)</u>	<u>(960,271)</u>
Total Common Equity Tier 1 (CET1)	26,797,828	26,290,166
<u>Tier 2 Capital</u>		
Subordinated debentures	5,000,000	-
Reserve for assets classified as "Pass"	2,350,573	2,306,247
Total Tier 2 Capital	7,350,573	2,306,247
Total Capital Funds of the Financial Group	34,148,401	28,596,413

(Unit: Thousand Baht)

The Bank		
	30 June 2018	31 December 2018
Tier 1 Capital	33,551,615	28,268,044
Common Equity Tier 1 (CET1)		
Paid-up share capital	20,132,094	20,132,094
Legal reserve	600,000	600,000
Retained earning after appropriations	6,007,238	5,574,890
Other comprehensive income	214,172	328,390
Less deductible items on Common Equity Tier 1	(526,261)	(469,858)
Total Common Equity Tier 1 (CET1)	26,427,243	26,165,516
Tier 2 Capital		
Subordinated debentures	5,000,000	-
Reserve for assets classified as "Pass"	2,124,372	2,102,528
Total Tier 2 Capital	7,124,372	2,102,528
Total Capital Funds of the Bank	33,551,615	28,268,044

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 2018 following Basel III guideline and as of 31 December 2017 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 2018 and as of 31 December 2017 were as follows.

(Unit: Thousand Baht)

The Financial Group		
Minimum Credit Risk Capital Requirement	30 June 2018	31 December 2017
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	282	833
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	2,855,996	3,520,274
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	11,280,765	10,267,276
Claims in the Regulatory Retails Portfolio	1,471,381	1,472,275
Residential Mortgage Loans	269	305
Other assets	301,766	287,082
Non-performing Loans	73,440	134,433
Total Credit Risk Capital Requirement	15,983,899	15,682,478

(Unit: Thousand Baht)

The Bank		
Minimum Credit Risk Capital Requirement	30 June 2018	31 December 2017
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	282	833
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	2,844,090	3,517,198
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	10,982,174	10,109,181
Claims in the Regulatory Retails Portfolio	5,652	5,851
Residential Mortgage Loans	269	305
Other assets	561,868	554,787
Non-performing Loans	51,392	109,033
Total Credit Risk Capital Requirement	14,445,727	14,297,188

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 2018 and 31 December 2017 as follows.

(Unit : Thousand Baht)

	30 June 2018		31 December 2017	
	The Financial Group	The Bank	The Financial Group	The Bank
Capital Requirement				
Market Risk Capital Requirement	16,355	16,355	10,692	10,530

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 2018 and as of 31 December 2017 as follows.

(Unit : Thousand Baht)

	30 June 2018		31 December 2017	
	The Financial Group	The Bank	The Financial Group	The Bank
Capital Requirement				
Operational Risk Capital Requirement	811,314	538,667	800,579	520,474

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 2018	31 December 2017	30 June 2018	31 December 2017
Tier 1 capital to risk assets	13.6	13.5	7.875	7.25
Common Equity Tier 1 to risk assets	13.6	13.5	6.375	5.75
Tier 2 capital to risk assets	3.7	1.2	-	-
Total capital to risk assets	17.3	14.7	10.375	9.75

(Unit: Percent)

Capital Adequacy Ratio	The Bank		BOT Requirement	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Tier 1 capital to risk assets	15.0	15.0	7.875	7.25
Common Equity Tier 1 to risk assets	15.0	15.0	6.375	5.75
Tier 2 capital to risk assets	4.0	1.2	-	-
Total capital to risk assets	19.0	16.2	10.375	9.75

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 2018	31 December 2017	
Tier-1 Capital			
Common Equity Tier 1 (CET1)			
Paid-up share capital	20,132,094	20,132,094	A
Legal reserve	600,000	600,000	B
Retained earnings after appropriations	6,951,265	6,214,826	C
Other comprehensive income	214,252	328,366	D
Other owner changes items	(24,849)	(24,849)	E
<u>Less deductible items on Common Equity Tier 1</u>	<u>(1,074,934)</u>	<u>(960,271)</u>	F
Total Common Equity Tier 1 (CET1)	<u>26,797,828</u>	<u>26,290,166</u>	
Tier-2 Capital			
Subordinated debentures	5,000,000	-	G
Reserve for assets classified as “Pass”	2,350,573	2,306,247	H
Total Tier-2 Capital	<u>7,350,573</u>	<u>2,306,247</u>	
Total Capital Funds	<u>34,148,401</u>	<u>28,596,413</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 2018	31 December 2017	
Assets			
Cash	410,513	366,817	
Interbank and money market items, net	7,530,024	8,405,746	
Derivative assets	345,944	524,708	
Investments, net	69,919,574	62,724,200	
Investments in a subsidiary and an associate, net	579,986	579,347	
Loans to customers and accrued interest receivables, net			
Loans to customers	149,024,655	144,709,945	
Accrued interest receivables	321,783	246,485	
Total loans to customers and accrued interest receivables	149,346,438	144,956,430	
Less deferred revenue	(5,354,573)	(5,380,267)	
Less allowance for doubtful accounts	(7,473,125)	(7,377,749)	
<i>Qualified as capital</i>	<u>2,350,573</u>	<u>2,306,247</u>	H
Less revaluation allowance for debt restructuring	(15,102)	(23,505)	
Total loans to customers and accrued interest receivables, net	136,503,638	132,174,909	

Items	30 June 2018	31 December 2017	
Properties foreclosed, net	697,521	694,630	
Premises and equipment, net	160,280	147,670	
Intangible assets, net	38,179	38,958	
<i>Deduction from capital</i>	38,179	31,166	F
Leasehold right, net	127,830	133,108	
Deferred tax assets, net	1,036,754	929,105	F
Accrued income, net	548,305	551,055	
Receivables on credit support for derivative contracts	80,466	611	
Other receivables, net	644,033	526,821	
Other assets, net	38,288	47,204	
Total assets	218,661,335	207,844,889	
Liabilities			
Deposits	106,555,346	100,349,041	
Interbank and money market items	48,401,738	49,938,121	
Liabilities payable on demand	89,753	75,864	
Derivative liabilities	1,244,837	360,912	
Debt issued and borrowings	30,744,035	26,320,202	
<i>Qualified as capital</i>	5,000,000	-	G
Employee benefit obligations	228,378	215,642	
Other provisions	1,815	1,815	
Accrued interest payables	769,870	693,814	
Payable on credit support for derivative contracts	-	130,400	
Other liabilities	1,788,490	1,735,978	
Total liabilities	189,824,262	179,821,789	
Equity			
Authorised share capital and Issued and paid-up share capital			
Non-cumulative preference shares	4,024	4,024	A
ordinary shares	20,128,070	20,128,070	A
Deference arising from business combination under common cor	(24,849)	(24,849)	E
Other components of equity	211,702	369,458	
<i>Qualified as capital</i>	214,252	328,366	D
Retained earnings			
Appropriated - Legal reserve	600,000	600,000	B
Unappropriated	7,918,126	6,946,397	
<i>Qualified as capital</i>	6,951,265	6,214,826	C
Total equity	28,837,073	28,023,100	
Total liabilities and equity	218,661,335	207,844,889	

The main features of regulatory capital instruments issued

Subject		Description
1	Issuer	Industrial and Commercial Bank of China (Thai) Public Company Limited.
2	Unique identifier	ICBCT289A
<i>BOT's Treatment</i>		
3	Instrument type (CET 1 / Tier 1/ Tier 2)	Tier 2
4	Qualified as per BOT Basel III rerulations	Qualified
5	If not, specify unqualified feature as per the Basel III regulation	-
6	Recognized as capital partially or full	Fully recognized
7	Eligible as The Bank / The Group / The Bank and Group	The Bank and Group
8	Amount recognized in regulatory capital (unit : million baht)	5,000 (Five thousand) million baht
9	Par value of instrument (unit : baht)	1,000 (One thousand) Baht / Unit
10	Accounting classification	Financial Liabilities stated at Amortized Cost
11	Original date of issuance	23 March 2018
12	Perpetual or dated	Dated
13	Original maturity date	23 September 2028
14	Issuer call subject to prior supervisory approval	Issuer call option with BOT's prior approval
15	Optional call date , Contingent call dates and redemption amount	<p>The issuer may early redeem prior to the maturity date, if it falls under any of the following events</p> <ol style="list-style-type: none"> 1. After the lapse of 5 years from the issue date or. 2. If there is a change in tax law after the issue date which results in a change to the tax treatment of the Subordinate Instruments that is not to the benefit of the Issuer or. 3. If the Subordinate Instruments are fully excluded from Tier 2 capital as a result of the change in the applicable regulations or. 4. Any other event as permitted by the BOT after the Issue Date or.
16	Subsequent call dates, if applicable	After 23 March 2022, issuer may early withdraw before maturity date.

Subject		Description
<i>Coupons / Other returns</i>		
17	Fixed or floating dividend / Coupon	Fixed rate
18	Coupon rate and any related index	Fixed interest rate at 3.5 % p.a until maturity. The interest payment shall be paid every 3 months.
19	Existence of dividend stopper	-None-
20	Fully discretionary, partially discretionary or mandatory	Discretionary as stated in term and conditions
21	Existence of step up or other incentive to redeem	No step up interest payment.
22	Noncumulative or Cumulative	Non - cumulative
23	Convertible or Non - Convertible	Non - Convertible
24	If convertible, conversion trigger	-
25	If convertible, fully or partially	-
26	If convertible, Conversion rate	-
27	If convertible, specify instrument	-
28	If convertible, specify issuer of instrument it converts into	-
29	Write-down feature	Write-down feature
30	If write-down, write-down trigger	In case of non-viability events of the issuer and the authority decides to grant financial assistance, the subordinate instrument holder shall be forced to write-down. Issuer may write-down (in full or partial amount).
31	If write-down, full or partial	Write-down in full or partial amount
32	If write-down, permanent or temporary	Permanent
33	If temporary write-down, description of write-up mechanism	-
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Superior to Additional Tier 1 debt securities (if any) / Preferred share / Common stock.

Liquidity Coverage Ratio Disclosure

For the half year ended 30 June 2018

Scope of Information Disclosure

Industrial and Commercial Bank of China (Thai) Public Company Limited has maintained the liquidity coverage ratio (LCR ratio) to be in line with BOT regulations. The purpose is to assure that the bank has adequate liquidity position on hand to handle any short-term severe liquidity stress. Banks are required to have LCR ratio not less than 60% of net cash outflows within 30 days period) since January 1, 2016 and continue to increase 10% each year to be 100% in year 2020.

$$\text{Liquidity Coverage Ratio (LCR)} = \frac{\text{High-quality liquid assets (HQLA)}}{\text{Total net cash outflows within the 30-day period Under liquidity stress scenario}}$$

Liquidity coverage ratio disclosure (LCR disclosure) is provided the information to shareholder to assess the liquidity risk of the bank and to promote the market discipline. Moreover it would also promote transparency in the disclosure of risk information in accordance with internal standards.

However, the bank shall disclose the information on a quarterly basis, minimum LCR ratio according to the guidelines as specified by the Bank of Thailand including to disclose the LCR ratio by comparing the previous quarters.

1. Liquidity Coverage Ratio: LCR

Unit: Million Baht

	Quarter	Quarter
	2/2018	2/ 2017
	<i>(average)</i>	
(1) Total high-quality liquid assets (HQLA)	36,992	32,007
(2) Total net cash outflows within the 30-day period	33,203	30,634
(3) LCR (%)	111%	104%
<i>Minimum LCR as specified by the Bank of Thailand (%)</i>	80%	70%

2. LCR of the preceding quarters (for comparison)

Unit: %

	2018	2017
	<i>(average)</i>	
Quarter 1	116%	92%
Quarter 2	111%	104%

As of Quarter 2, 2018, The average LCR was 111% which was higher than the minimum requirement set by the Bank of Thailand at 80%. It was calculated from the average LCR of end of April, May and June 2018 at 115%, 110% and 108% respectively. The LCR is calculated by using 2 factors.

1. High Quality Liquid Assets (HQLA) includes unencumbered high-quality assets with low risk and low volatility which can be converted into cash easily and quickly. These assets should also be liquid in markets during in time of liquidity stress. The value of each type of HQLA are subjected to a range of haircuts and any applicable caps according to the criteria from the Bank of Thailand.

As of Quarter 2, 2018, The average HQLA was 36,992 million Baht (86% of Level 1 assets such as Government bond and cash) by calculating from average HQLA as of end of April, May and June 2018.

2. Net Cash Outflow is defined as expected cash outflows within the 30-day period, minus expected cash inflows within the 30-day period under liquidity stress scenarios. The expected cash inflows must not exceed 75% of the expected cash outflows.

As of Quarter 2, 2018, the average net cash outflows within the 30-day period was 33,203 million Baht by calculating from average cash outflows as of end of April, May and June 2018. Average cash outflows under the severe liquidity stress scenarios are the deposits and borrowings run-off of customers by using the run-off rates set by the Bank of Thailand, meanwhile, most of the average cash inflows was from the loan repayments from high-quality customers and from the matured debenture by using the inflow rate set by the Bank of Thailand.

In addition, The Bank also has the monitoring and control processes by setting the liquidity risk limits which have been approved by the Executive Committee. The Bank has set Early Warning Indicator to monitor liquidity risk daily and monthly and also set the Trigger Point in case there are some factors that may cause the increasing in risk level and report to the related departments by daily. Moreover, the bank prepares Liquidity Gap Report and presents to the Asset and Liability Committee (ALCO) on a monthly basis and also prepare the Liquidity Risk Report to the Group Risk Management and Internal Control Committee on a quarterly basis. From the aforementioned reason, it can be concluded that the Bank can manage the liquidity risk and believe that the liquidity is sufficient to cover any future crisis.