

Capital Requirement Disclosures

Basel III Pillar III

For the half year ended 30 June 2020

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.

Key Prudential Metrics

The table below provides an overview of the financial group's key prudential metrics related to regulatory capital and liquidity standards.

	30 June 2020	
	The Financial Group	The Bank
	<i>Unit : thousand Baht</i>	
Capital Fund Amount		
Common equity Tier 1	30,791,625	29,596,384
Common equity Tier 1 after deduction of Fully loaded ECL	30,791,625	29,596,384
Tier 1 capital	30,791,625	29,596,384
Tier 1 capital after deduction of Fully loaded ECL	30,791,625	29,596,384
Total Capital fund	38,597,143	36,993,362
Total Capital fund after deduction of Fully loaded ECL	38,597,143	36,993,362
Risk weighted assets		
Total risk – weighted assets	234,211,391	198,309,868
Capital Ratio		
	<i>Unit : Percent</i>	
Common equity Tier 1 ratio	13.2	14.9
Fully loaded ECL CET1 Ratio	13.2	14.9
Tier 1 ratio	13.2	14.9
Fully loaded ECL Tier 1 Ratio	13.2	14.9
Total Capital Ratio	16.5	18.6
Fully loaded ECL Total Capital Ratio	16.5	18.6

	30 June 2020	
	The Financial Group	The Bank
	<i>Unit : Percent</i>	
Additional capital adequacy ratio		
Conservation buffer Ratio	2.50	2.50
Countercyclical buffer Ratio	0.00	0.00
D-SIB additional requirements	0.00	0.00
Total additional capital adequacy ratio	2.50	2.50
CET1 available after meeting the bank's minimum capital requirements	6.15	7.92

	30 June 2020	
	The Bank	
	<i>Unit : million Baht</i>	
Liquidity coverage ratio under liquidity stress scenario		
Total High-quality liquid assets (Total HQLA)	84,016	
Total net cash outflows within the 30-day period	53,395	
LCR	158%	

Since 1 January 2020 Bank has been complied with TFRS9 and shall set up the credit impairment by using the Expected credit loss method. All amount of previous allowance for doubtful accounts are recognized to be the Expected credit loss so there is not the excess allowance for doubtful account from the previous year for reversal.

In order to Bank assesses the expected credit losses, models are developed based on historical repayment, default information and other information indicating default risk behavior.

In case that the models cannot captured the risk, the management overlay principle, covering industry, model and other risks, will be applied.

Capital structure

The Financial Group and the Bank's capital as of 0 June 2020 and as of 31 December 2019 are composed of the following data.

	The Financial Group	
	30 June 2020	31 December 2019
	<i>Unit : thousand Baht</i>	
Tier 1 Capital		
Common Equity Tier 1 (CET1)		
Paid-up share capital	20,081,600	20,081,600
Legal reserve	1,600,000	1,600,000
Retained earning after appropriations	9,963,673	9,337,444
Other comprehensive income	186,300	335,264
Other owner changes items	(24,849)	(24,849)
Less deductible items on Common Equity Tier 1	(1,015,099)	(1,192,016)
Total Common Equity Tier 1 (CET1)	30,791,625	30,137,443

	The Financial Group	
	30 June 2020	31 December 2019
	<i>Unit : thousand Baht</i>	
Tier 2 Capital		
Subordinated debentures	5,000,000	5,000,000
Reserve for assets classified as “Pass”	2,805,518	2,656,076
Total Tier 2 Capital	7,805,518	7,656,076
Total Capital Funds of the Financial Group	38,597,143	37,793,519
Total risk – weight assets	234,211,391	222,290,887

	The Bank	
	30 June 2020	31 December 2019
	<i>Unit : thousand Baht</i>	
Tier 1 Capital		
Common Equity Tier 1 (CET1)		
Paid-up share capital	20,081,600	20,081,600
Legal reserve	1,600,000	1,600,000
Retained earnings after appropriations	8,051,433	7,945,207
Other comprehensive income	179,396	335,311
Less deductible items on Common Equity Tier 1	(316,045)	(459,545)
Total Common Equity Tier 1 (CET1)	29,596,384	29,502,573
Tier 2 Capital		
Subordinated debentures	5,000,000	5,000,000
Reserve for assets classified as “Pass”	2,396,978	2,295,622
Total Tier 2 Capital	7,396,978	7,295,622
Total Capital Funds of the Bank	36,993,362	36,798,195
Total risk – weight assets	198,309,868	190,285,636

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 2020 following Basel III guideline and as of 31 December 2019 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 2020 and as of 31 December 2019 were as follows.

	The Financial Group	
	30 June 2020	31 December 2019
Minimum Credit Risk Capital Requirement		
	<i>Unit : thousand Baht</i>	
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	-	-
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	2,688,584	2,893,177
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	13,731,182	12,863,895
Claims in the Regulatory Retails Portfolio	2,339,045	2,067,536
Residential Mortgage Loans	537	469
Other assets	233,259	178,298
Non-performing Loans	84,914	57,944
Total Credit Risk Capital Requirement	19,077,521	18,061,319
	The Bank	
	30 June 2020	31 December 2019
Minimum Credit Risk Capital Requirement		
	<i>Unit : thousand Baht</i>	
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	-	-
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	2,685,263	2,887,347
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	13,045,900	12,205,042
Claims in the Regulatory Retails Portfolio	33,253	25,999
Residential Mortgage Loans	537	469
Other assets	504,520	474,821
Non-performing Loans	29,981	16,553
Total Credit Risk Capital Requirement	16,299,454	15,610,231

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 2020 and 31 December 2019 as follows.

	30 June 2020		31 December 2019	
	The Financial Group	The Bank	The Financial Group	The Bank
Capital Requirement	<i>Unit : thousand Baht</i>		<i>Unit : thousand Baht</i>	
Market Risk Capital Requirement	10,782	25,106	22,275	22,275

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 2020 and as of 31 December 2019 as follows.

	30 June 2020		31 December 2019	
	The Financial Group	The Bank	The Financial Group	The Bank
Capital Requirement	<i>Unit : thousand Baht</i>		<i>Unit : thousand Baht</i>	
Operational Risk Capital Requirement	819,664	531,779	811,132	541,773

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:

Capital Adequacy Ratio	The Financial Group		BOT Requirement
	30 June 2020	31 December 2019	
	<i>Unit : Percent</i>		
Tier 1 capital to risk assets	13.2	13.6	8.5
Common Equity Tier 1 to risk assets	13.2	13.6	7
Tier 2 capital to risk assets	3.3	3.4	-
Total capital to risk assets	16.5	17.0	11

Capital Adequacy Ratio	The Bank		BOT Requirement
	30 June 2020	31 December 2019	
	<i>Unit : Percent</i>		
Tier 1 capital to risk assets	14.9	15.5	8.5
Common Equity Tier 1 to risk assets	14.9	15.5	7
Tier 2 capital to risk assets	3.7	3.8	-
Total capital to risk assets	18.6	19.3	11

Reconciliation of Regulatory Capital and Financial Statement under Consolidated Supervision
The Financial Group Capital

Items	References base on Statement of Financial Position under the consolidated supervision		
	30 June 2020	31 December 2019	
<i>Unit : thousand Baht</i>			
Tier-1 Capital			
Common Equity Tier 1 (CET1)			
Paid-up share capital	20,081,600	20,081,600	A
Legal reserve	1,600,000	1,600,000	B
Retained earnings after appropriations	9,963,673	9,337,444	C
Other comprehensive income	186,300	335,264	D
Other owner changes items	(24,849)	(24,849)	E
<u>Less deductible items on Common Equity Tier 1</u>	<u>(1,015,099)</u>	<u>(1,192,016)</u>	F
Total Common Equity Tier 1 (CET1)	30,791,625	30,137,443	
Tier-2 Capital			
Subordinated debentures	5,000,000	5,000,000	G
Reserve for assets classified as "Pass"	2,805,518	2,656,076	H
Total Tier-2 Capital	7,805,518	7,656,076	
Total Capital Funds	38,597,143	37,793,519	

Statement of financial position under consolidated

	References base on statement of Financial Position under the Consolidated supervision		
	30 June 2020	31 December 2019	
<i>Unit : thousand Baht</i>			
Assets			
Cash	367,094	458,708	
Interbank and money market items, net	55,044,407	26,284,903	
Derivative assets	498,320	230,149	
Investments, net	80,912,218	72,119,464	
Loans to customers and accrued interest receivables, net	154,647,675	149,084,577	
<i>Qualified as capital</i>	2,805,518	2,656,076	H
Properties foreclosed, net	288,373	266,208	
Premises and equipment, net	596,433	171,760	
Intangible assets, net	37,403	33,072	F
Leasehold right, net	-	111,818	
Deferred tax assets, net	977,696	1,158,943	F

Statement of financial position under consolidated

References base on
statement of Financial
Position under the
Consolidated supervision

30 June 2020 **31 December 2019**

Unit : thousand Baht

Accrued income, net	510,199	614,798	
Receivables on credit support for derivative contracts	504,409	387,600	
Other receivables, net	999,715	766,726	
Other assets, net	51,884	42,342	
Total assets	295,435,826	251,731,068	
Liabilities			
Deposits	167,990,135	129,820,245	
Interbank and money market items	51,692,669	48,767,850	
Liabilities payable on demand	52,907	35,101	
Derivative liabilities	1,884,240	458,904	
Debt issued and borrowings	37,085,649	37,247,949	
<i>Qualified as capital</i>	<i>5,000,000</i>	<i>5,000,000</i>	G
Provision for liabilities	611,097	302,703	
Accrued interest payables	839,341	1,078,337	
Lease liabilities	308,379	-	
Other liabilities	2,204,395	2,019,801	
Total liabilities	262,668,812	219,730,890	
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
Treasury shares	(50,494)	(50,494)	A
Deference arising from business combination under common control	(24,849)	(24,849)	E
Other components of equity	186,301	335,264	D
Retained earnings			
Appropriated - Legal reserve	1,600,000	1,600,000	B
Unappropriated	10,923,962	10,008,163	
<i>Qualified as capital</i>	<i>9,963,673</i>	<i>9,337,444</i>	C
Total equity	32,767,014	32,000,178	
Total liabilities and equity	295,435,826	251,731,068	

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 2020

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. Commercial banks are required to have LCR ratio not less than 60% of net cash outflows within 30 days period) since 1 January 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.

The Bank shall disclose the information on a quarterly basis and maintain 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

	Quarter 2/2020 (Average)	Quarter 4/2019 (Average)
	<i>Unit : million Baht</i>	
(1) Total high-quality liquid assets (HQLA)	84,016	50,103
(2) Total net cash outflows within the 30-day period	53,395	30,945
	<i>Unit : Percent</i>	
(3) LCR (%)	158%	162%
<i>Minimum LCR as specified by the Bank of Thailand (%)</i>	100%	90%

2. LCR of the preceding quarters (for comparison)

	<i>Unit : Percent</i>
Quarter 3/2019	159%
Quarter 4/2019	162%
Quarter 1/2020	139%
Quarter 2/2020	158%

As of Quarter 2, 2020, the average LCR was 158% which was higher than the minimum requirement set by the Bank of Thailand at 100%. It was calculated from the average of LCR at the end of April, May and June 2020 at 154%, 150% and 169% 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 is subjected to a range of haircuts and any applicable caps according to the criteria from the Bank of Thailand.

As of Quarter 2, 2020, the average HQLA was THB 84,016 mil (or 93% of Level 1 assets such as Government bond and cash) by calculating from the average of HQLA at the end of April, May and June 2020.

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, 2020, the average net cash outflows within the 30-day period was THB 53,395 mil by calculating from the average of cash outflows at the end of April, May and June 2020.

The average of cash outflows under the severe liquidity stress scenario was 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 were from the loan repayments from high-quality customers and from matured debentures 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 Indicators to monitor liquidity risk on daily and monthly and also set the Trigger Point in case that there are some factors that may cause the increasing in risk level and shall be reported to the related departments. Moreover, the Bank prepares Liquidity Gap report and presents to the Asset and Liability Committee (ALCO) on a monthly basis and also prepares the Liquidity Risk report to the Group Risk Supervision 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.