



Capital Requirement Disclosures

Basel III _ Pillar III

For the year ended 31 December 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 qualitative disclosure, the data as of 31 December 2018 and the latest disclosure of the financial group shall be compared. The financial group's 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 31 December 2018 and as of 30 June 2018 are composed of the following data.

(Unit: Thousand Baht)

	<u>31 December 2018</u>	<u>30 June 2018</u>
The Financial Group		
Tier-1 Capital		
Common Equity Tier 1 (CET1)		
Paid-up share capital	20,132,094	20,132,094
Legal reserve	1,100,000	600,000
Retained earnings after appropriations	7,817,944	6,951,265
Other comprehensive income	104,498	214,252
Other owner changes items	(24,849)	(24,849)
<u>Less</u> deductible items on Common Equity Tier 1	<u>(1,113,626)</u>	<u>(1,074,934)</u>
Total Common Equity Tier 1 (CET1)	<u>28,016,061</u>	<u>26,797,828</u>
Tier-2 Capital		
Subordinated debentures	5,000,000	5,000,000
Reserve for assets classified as "Pass"	2,504,452	2,350,573
Total Tier-2 Capital	<u>7,504,452</u>	<u>7,350,573</u>
Total Capital Funds of the Financial Group	<u>35,520,513</u>	<u>34,148,401</u>

The Bank

	<u>31 December 2018</u>	<u>30 June 2018</u>
Tier-1 Capital		
Common Equity Tier 1 (CET1)		
Paid-up share capital	20,132,094	20,132,094
Legal reserve	1,100,000	600,000
Retained earnings after appropriations	6,675,852	6,007,238
Other comprehensive income	105,580	214,172
<u>Less deductible items on Common Equity Tier 1</u>	<u>(519,230)</u>	<u>(526,261)</u>
Total Common Equity Tier 1 (CET1)	<u>27,494,296</u>	<u>26,427,243</u>
Tier-2 Capital		
Subordinated debentures	5,000,000	5,000,000
Reserve for assets classified as “Pass”	<u>2,263,281</u>	<u>2,124,372</u>
Total Tier-2 Capital	<u>7,263,281</u>	<u>7,124,372</u>
Total Capital Funds of The Bank	<u>34,757,577</u>	<u>33,551,615</u>

Capital Adequacy

According to the Bank of Thailand's guideline in supervision of capital, commercial banks are required to maintain the capital in proportion to the credit, market and operational risk weighted assets of at least 8.5% and maintain the additional conservation buffer 0.625% per year to 2.5% from 2016 to 2019.

The financial group has established 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 assets, 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, the financial group and the Bank have to maintain the minimum capital corresponding to the following type of risk :

1. Credit risk capital requirement

Based on the Standardized Approach, the minimum capital requirements are classified by type of assets with the data as of 31 December 2018 and as of 30 June 2018 were as follows:

(Unit: Thousand Baht)

The Financial Group

	31 December 2018	30 June 2018
Minimum Credit Risk Capital Requirement		
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,	1,132	282
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions.	2,979,489	2,855,996
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates.	12,097,668	11,280,765
Claims in the Retails Portfolio	1,587,373	1,471,381
Residential Mortgage Loans	236	269
Other assets	280,144	301,766
Non-performing Loans	84,231	73,440
Total Credit Risk Capital Requirement of The Financial Group	17,030,273	15,983,899

(Unit: Thousand Baht)

The Bank

	31 December 2018	30 June 2018
Minimum Credit Risk Capital Requirement		
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	1,132	282
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	2,968,907	2,844,090
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	11,825,732	10,982,174
Claims in the Retails Portfolio	10,360	5,652
Residential Mortgage Loans	236	269
Other assets	539,342	561,868
Non-performing Loans	44,605	51,392
Total Credit Risk Capital Requirement of The Bank	15,390,314	14,445,727

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 31 December 2018 and 30 June 2018 as follows.

(Unit : Thousand Baht)

Capital Requirement	31 December 2018		30 June 2018	
	The Financial	The Bank	The Financial	The Bank
	Group		Group	
Market Risk Capital Requirement	19,510	19,832	16,355	16,355

3. Operational Risk Capital Requirement

The Financial group and the Bank adopt the Basic Indicator Approach for capital requirement calculation of operational risk as of 31 December 2018 and as of 30 June 2018 as follows.

(Unit :Thousand Baht)

Minimum Capital Requirement	31 December 2018		30 June 2018	
	The financial		The financial	
	group	The bank	group	The bank
Operational Risk Capital Requirement	820,121	552,244	811,314	538,667

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	
	31 December 2018	30 June 2018	31 December 2018	30 June 2018
Tier 1 capital to risk assets	13.3	13.6	7.875	7.875
Common Equity Tier 1 to risk assets	13.3	13.6	6.375	6.375
Tier 2 capital to risk assets	3.6	3.7	-	-
Total capital to risk assets	16.9	17.3	10.375	10.375

(Unit: Percent)

Capital Adequacy Ratio	The Bank		BOT Requirement	
	31 December 2018	30 June 2017	31 December 2018	30 June 2018
Tier 1 capital to risk assets	14.6	15.0	7.875	7.875
Common Equity Tier 1 to risk assets	14.6	15.0	6.375	6.375
Tier 2 capital to risk assets	3.9	4.0	-	-
Total capital to risk assets	18.5	19.0	10.375	10.375

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

(Unit : Thousand Baht)

References base on Statement of

Items	31 December	30 June	Financial Position under the consolidated supervision
	2018	2018	
Tier-1 Capital			
Common Equity Tier 1 (CET1)			
Paid-up share capital	20,132,094	20,132,094	A
Legal reserve	1,100,000	600,000	B
Retained earnings after appropriations	7,817,944	6,951,265	C
Other comprehensive income	104,498	214,252	D
Other owner changes items	(24,849)	(24,849)	E
<i>Less</i> deductible items on Common Equity Tier 1	(1,113,626)	(1,074,934)	F
Total Common Equity Tier 1 (CET1)	28,016,061	26,797,828	
Tier-2 Capital			
Subordinated debentures	5,000,000	5,000,000	G
Reserve for assets classified as "Pass"	2,504,452	2,350,573	H
Total Tier-2 Capital	7,504,452	7,350,573	
Total Capital Funds	35,520,513	34,148,401	

Statement of financial position under consolidated supervision

(Unit : Thousand Baht)

References base on Statement

Items	31 December	30 June	of Financial Position under the consolidated supervision
	2018	2018	
Assets			
Cash	440,283	410,513	
Interbank and money market items, net	11,712,578	7,530,024	
Derivative assets	284,525	345,944	
Investments, net	74,178,297	69,919,574	
Investments in a subsidiary and an associate, net	568,548	579,986	
Loans to customers and accrued interest receivables, net			
Loans to customers	151,470,612	149,024,655	
Accrued interest receivables	285,218	321,783	
Total loans to customers and accrued interest receivables	151,755,830	149,346,438	
<i>Less</i> deferred revenue	(5,416,120)	(5,354,573)	
<i>Less</i> allowance for doubtful accounts	(8,060,704)	(7,473,125)	
<i>Qualified as capital</i>	2,504,452	2,350,573	H
<i>Less</i> revaluation allowance for debt restructuring	(24,526)	(15,102)	
Total loans to customers and accrued interest receivables, net	138,254,480	136,503,638	
Properties foreclosed, net	681,810	697,521	

Items	References base on Statement		
	31 December 2018	30 June 2018	
Premises and equipment, net	150,757	160,280	
<i>Intangible assets, net</i>	36,261	38,179	F
Leasehold right, net	122,463	127,830	
<i>Deferred tax assets, net</i>	1,077,364	1,036,754	F
Accrued income, net	635,970	548,305	
Receivables on credit support for derivative contracts	616	80,466	
Other receivables, net	639,790	644,033	
Other assets, net	42,500	38,288	
Total assets	228,826,242	218,661,335	
Liabilities			
Deposits	102,139,499	106,555,346	
Interbank and money market items	61,542,069	48,401,738	
Liabilities payable on demand	119,157	89,753	
Derivative liabilities	312,553	1,244,837	
Debt issued and borrowings	32,036,912	30,744,035	
<i>Qualified as capital</i>	5,000,000	5,000,000	G
Employee benefit obligations	235,866	228,378	
Other provisions	115	1,815	
Accrued interest payables	982,464	769,870	
Payable on credit support for derivative contracts	1,623	-	
Other liabilities	1,782,773	1,788,490	
Total liabilities	199,153,031	189,824,262	
Equity			
Share capital			
Issued and paid-up share capital			
Non-cumulative preference shares	4,024	4,024	A
ordinary shares	20,128,070	20,128,070	A
Difference arising from business combination under common control	(24,849)	(24,849)	E
Other components of equity	104,498	211,702	
<i>Qualified as capital</i>	104,498	214,252	D
Retained earnings			
Appropriated - Legal reserve	1,100,000	600,000	B
Unappropriated	8,361,468	7,918,126	
<i>Qualified as capital</i>	7,817,944	6,951,265	C
Total equity	29,673,211	28,837,073	
Total liabilities and equity	228,826,242	218,661,335	

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.

Subject		Description
16	Subsequent call dates, if applicable	After 23 March 2022, issuer may early withdraw before maturity date.
<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.

Credit Risk Policies

The financial group has established the credit risk policies and credit policies as the guidelines for credit approvals consideration to be within the portfolio risk tolerance of the financial group and the bank. The credit risk management policies comprise the lending to related parties policy, individual and group facility limits, the list of prohibited businesses lending, specific businesses lending and sectorial lending limits including other relevant policies to credit approval processes which are in line with the Bank of Thailand's regulations so that the financial group has appropriate control of credit risk and sufficient credit and portfolio risk management. The policies also incorporate the processes of credit risk assessment, monitoring, controlling and capital adequacy assessment as appropriate. .

Definition of default and impairment of assets

The financial group has established the policy to define the default for the impairment of loan consideration whereby the incurrence of default corresponding to the overdue of either principal or interest of over 90 days after the due date or any loans qualitatively classified as non - performing.

Guideline for setting general and specific provision

The financial group sets the allowance for the doubtful loans in full to be in line with the requirement set by the Bank of Thailand's guideline in Classification and Provisioning of the Financial Institution. For Non-performing loans, The Financial group and The Bank have set the provision of 100% for the difference between the loan outstanding and the present value of the expected cash flow from the collateral liquidation.

Moreover, the financial group sets additional allowance for doubtful account for individual loans as follows:

1. The financial group has set the additional allowance by considering the Expected loss for "Pass" and "Special Mention".
2. In case that the financial group has considered the credit approval, extension of facility or restructuring and found that it is possible that the loans cannot be repaid in both principal and interest according to the contract, the credit risk department will consider classification and propose the additional specific allowance for each individual loan.
3. For some industry sectors, countries or portfolios which have higher risk profiles, the Credit Risk Department may recommend increases in the allowances for debtors in those sectors, countries or portfolios.
4. The Financial group may set additional allowances upon the recommendations of Industrial and Commercial Bank of China Limited, the parent company, the BOT or the Bank's management, internal auditors, and external auditors.
5. Since the difficulties to receive recovery from enforcement of machinery, the Bank shall not use the machinery placed as collateral as a deductible.

The Financial Group and the Bank have the outstanding balance of financial statement before considering the credit risk mitigation as of 31 December 2018 and 2017 as follows:

		(Unit: Thousand Baht)	
		<u>The Financial group</u>	
Items	31 December 2018	31 December 2017	
On- Statements of financial position			
Total Net loans ^{1/}	152,781,631	142,778,637	
Net investment in debt securities ^{2/}	73,974,513	62,360,298	
Deposits (including accrued interest receivables)	2,395,805	2,490,707	
Off- Statements of financial position ^{3/}			
Avals, Guarantee to loans and Letters of Credit	1,135,565	1,137,632	
OTC derivatives	78,677,372	52,296,395	
Undrawn committed lines	1,720,381	1,411,665	
		(Unit: Thousand Baht)	
		<u>The Bank</u>	
Items	31 December 2018	31 December 2017	
On- Statements of financial position			
Total Net loans ^{1/}	119,288,290	110,760,682	
Net investment in debt securities ^{2/}	73,974,513	62,360,298	
Deposits (including accrued interest receivables)	2,086,458	2,309,650	
Off- Statements of financial position ^{3/}			
Avals, Guarantee to loans and Letters of Credit	6,008,565	7,800,634	
OTC derivatives	78,677,372	52,296,395	
Undrawn committed lines	1,720,381	1,411,665	

^{1/} Including accrued interest receivables and net amortization, allowances for doubtful debts, allowances for restructuring and net loans to interbank and money market

^{2/} Excluding accrued interest receivables and net the allowances for amortization and impairment of assets

^{3/} Before multiplying by the credit conversion factors (CCF)

The Financial group and the Bank have the outstanding balance of financial statement before considering the credit risk mitigation classified by country as of 31 December 2018 and 2017 as follows:

(Unit: Thousand Baht)

The Financial Group								
31 December 2018								
Customer's country of residence	Net Loans ^{1/}	Net investment in debt securities ^{2/}	Deposits (including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit ^{3/}	Over-the-counter derivatives ^{3/}	Undrawn Committed Line ^{3/}	Total
Thailand	126,811,205	50,062,733	1,270,584	178,144,522	228,684	44,962,760	1,485,908	46,677,352
Asia Pacific Rim excluding Thailand	19,719,332	14,591,865	1,098,661	35,409,858	877,984	32,707,419	114,980	33,700,383
North America and Latin America	928,662	9,319,915	-	10,248,577	971	-	-	971
Africa and Middle East	4,338,798	-	-	4,338,798	4,336	-	119,493	123,829
Europe	983,634	-	26,560	1,010,194	23,590	1,007,193	-	1,030,783
Total	152,781,631	73,974,513	2,395,805	229,151,949	1,135,565	78,677,372	1,720,381	81,533,318

(Unit: Thousand Baht)

The Financial Group								
31 December 2017								
Customer's country of residence	Net Loans ^{1/}	Net investment in debt securities ^{2/}	Deposits (including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit ^{3/}	Over-the-counter derivatives ^{3/}	Undrawn Committed Line ^{3/}	Total
Thailand	118,757,018	45,235,800	1,933,610	165,926,428	325,882	36,663,825	1,290,815	38,280,522
Asia Pacific Rim excluding Thailand	15,236,103	14,817,613	514,314	30,568,030	785,226	13,287,486	-	14,072,712
North America and Latin America	4,814,629	2,306,885	33,572	7,155,086	-	1,933,203	-	1,933,203
Africa and Middle East	3,965,877	-	-	3,965,877	4,474	-	120,850	125,324
Europe	5,010	-	9,211	14,221	22,050	411,881	-	433,931
Total	142,778,637	62,360,298	2,490,707	207,629,642	1,137,632	52,296,395	1,411,665	54,845,692

(Unit: Thousand Baht)

The Bank								
31 December 2018								
Customer's country of residence	Net Loans ^{1/}	Net investment in debt securities ^{2/}	Deposits (including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit ^{3/}	Over-the-counter derivatives ^{3/}	Undrawn Committed Line ^{3/}	Total
Thailand	89,439,759	50,062,733	1,169,981	140,672,473	4,987,941	44,962,760	1,485,908	51,436,609
Asia Pacific Rim excluding Thailand	19,673,795	14,591,865	889,916	35,155,576	992,698	32,707,419	114,980	33,815,097
North America and Latin America	928,662	9,319,915	-	10,248,577	-	-	-	-
Africa and Middle East	4,335,768	-	-	4,335,768	4,336	-	119,493	123,829
Europe	4,910,306	-	26,561	4,936,867	23,590	1,007,193	-	1,030,783
Total	119,288,290	73,974,513	2,086,458	195,349,261	6,008,565	78,677,372	1,720,381	86,406,318

^{1/} Including accrued interest receivables and net amortization, allowances for doubtful debts, allowances for restructuring and net loans to interbank and money market

^{2/} Excluding accrued interest receivables and net the allowances for amortization and impairment of assets

^{3/} Before multiplying by the credit conversion factors (CCF)

(Unit: Thousand Baht)

Customer's country of residence	The Bank							
	31 December 2017							
	Net Loans ^{1/}	Net investment in debt securities ^{2/}	Deposits (including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit ^{3/}	Over-the-counter derivatives ^{3/}	Undrawn Committed Line ^{3/}	Total
Thailand	82,496,266	45,235,800	1,841,450	129,573,516	6,988,883	36,663,992	1,290,815	44,943,690
Asia Pacific Rim excluding Thailand	15,196,937	14,817,613	425,750	30,440,300	785,226	13,287,486	-	14,072,712
North America and Latin America	4,812,371	2,306,885	33,572	7,152,828	-	1,933,036	-	1,933,036
Africa and Middle East	3,963,425	-	-	3,963,425	4,474	-	120,850	125,324
Europe	4,291,683	-	8,878	4,300,561	22,051	411,881	-	433,932
Total	110,760,682	62,360,298	2,309,650	175,430,630	7,800,634	52,296,395	1,411,665	61,508,694

^{1/} Including accrued interest receivables and net amortization, allowances for doubtful debts, allowances for restructuring and net loans to interbank and money market^{2/} Excluding accrued interest receivables and net the allowances for amortization and impairment of assets^{3/} Before multiplying by the credit conversion factors (CCF)

The Financial group and the Bank have the outstanding balance of financial statement before considering the credit risk mitigation classified by remaining maturities as of 31 December 2018 and 2017 as follows:

(Unit: Thousand Baht)

Items	The Financial Group		
	31 December 2018		
	Up to 1 year	Over 1 year	Total
On-Statements of financial position			
Total Net loans ^{1/}	41,305,752	111,475,879	152,781,631
Net investment in debt securities ^{2/}	28,614,484	45,360,029	73,974,513
Deposit (including accrued interest receivables)	2,292,796	103,009	2,395,805
Off- Statements of financial position ^{3/}			
Avals, Guarantees to loans and Letters of Credit	234,697	900,868	1,135,565
Over-the-counter derivatives	42,142,090	36,535,282	78,677,372
Undrawn committed line	180,000	1,540,381	1,720,381

(Unit: Thousand Baht)

Items	The Financial Group		
	31 December 2017		
	Up to 1 year	Over 1 year	Total
On-Statements of financial position			
Total Net loans ^{1/}	47,465,236	95,313,401	142,778,637
Net investment in debt securities ^{2/}	11,921,781	50,438,517	62,360,298
Deposit (including accrued interest receivables)	2,490,707	-	2,490,707
Off- Statements of financial position ^{3/}			
Avals, Guarantees to loans and Letters of Credit	334,561	803,071	1,137,632
Over-the-counter derivatives	42,016,485	10,279,910	52,296,395
Undrawn committed line	300,000	1,111,665	1,411,665

^{1/} Including the interest receivables and net amortization, allowances for doubtful debts, allowances for restructuring and net loans to interbank and money market^{2/} Excluding the interest receivables and net the allowances for amortization and impairment of assets^{3/} Before multiplying by the credit conversion factors (CCF)

(Unit: Thousand Baht)

Items	The Bank		
	31 December 2018		
	Up to 1 year	Over 1 year	Total
On- Statements of financial position			
Total Net loans ^{1/}	41,022,954	78,265,336	119,288,290
Net investment in debt securities ^{2/}	28,614,484	45,360,029	73,974,513
Deposit (including accrued interest receivables)	2,086,458	-	2,086,458
Off- Statements of financial position ^{3/}			
Avals, Guarantees to loans and Letters of Credit	4,993,955	1,014,610	6,008,565
Over-the-counter derivatives	42,142,090	36,535,282	78,677,372
Undrawn committed line	180,000	1,540,381	1,720,381

(Unit: Thousand Baht)

Items	The Bank		
	31 December 2017		
	Up to 1 year	Over 1 year	Total
On- Statements of financial position			
Total Net loans ^{1/}	46,816,746	63,943,936	110,760,682
Net investment in debt securities ^{2/}	11,921,781	50,438,517	62,360,298
Deposit (including accrued interest receivables)	2,309,650	-	2,309,650
Off- Statements of financial position ^{3/}			
Avals, Guarantees to loans and Letters of Credit	334,561	7,466,073	7,800,634
Over-the-counter derivatives	42,016,485	10,279,910	52,296,395
Undrawn committed line	300,000	1,111,665	1,411,665

^{1/} Including the interest receivables and net amortization, allowances for doubtful debts, allowances for restructuring and net loans to interbank and money market^{2/} Excluding the interest receivables and net the allowances for amortization and impairment of assets^{3/} Before multiplying by the credit conversion factors (CCF)

The Financial group and the Bank have the outstanding loans including the accrued interest receivable and investment in debt instruments before considering the credit risk mitigation classified by country of borrowers according to the Bank of Thailand's guideline as of 31 December 2018 and 2017 as follows:

(Unit: Thousand Baht)

Customer's country of residence	The Financial group						Investment in doubtful loss debt securities
	31 December 2018						
	Loans and accrued interest receivables ^{1/}					Total	
	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful Loss		
Thailand	127,217,129	5,925,699	1,088,629	687,573	225,680	135,144,710	-
Asia Pacific Rim excluding Thailand	19,730,925	591	166	132	-	19,731,814	-
North America and Latin America	928,662	-	-	-	-	928,662	-
Africa and Middle East	4,339,143	-	-	-	-	4,339,143	-
Europe	986,009	75	272	-	-	986,356	-
Total	153,201,868	5,926,365	1,089,067	687,705	225,680	161,130,685	-

^{1/} Including net loans to interbank and money market

(Unit: Thousand Baht)

The Financial group							
31 December 2017							
Customer's country of residence	Loans and accrued interest receivables ^{1/}					Total	Investment in doubtful loss debt securities
	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful Loss		
Thailand	118,337,407	6,451,478	644,508	579,896	782,657	126,795,946	-
Asia Pacific Rim excluding Thailand	15,236,928	4,756	220	-	-	15,241,904	-
North America and Latin America	4,814,928	-	-	-	-	4,814,928	-
Africa and Middle East	3,966,137	-	18	-	-	3,966,155	-
Europe	5,507	11	-	-	-	5,518	-
Total	142,360,907	6,456,245	644,746	579,896	782,657	150,824,451	-

^{1/} Including net loans to interbank and money market

(Unit: Thousand Baht)

The Bank							
31 December 2018							
Customer's country of residence	Loans and accrued interest receivables ^{1/}					Total	Investment in doubtful loss debt securities
	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful Loss		
Thailand	88,438,288	975,414	88,321	559,342	222,687	90,284,052	-
Asia Pacific Rim excluding Thailand	19,673,794	-	141	-	-	19,673,935	-
North America and Latin America	928,663	-	-	-	-	928,663	-
Africa and Middle East	4,335,768	-	-	-	-	4,335,768	-
Europe	4,910,303	4	-	-	-	4,910,307	-
Total	118,286,816	975,418	88,462	559,342	222,687	120,132,725	-

^{1/} Including net loans to interbank and money market

(Unit: Thousand Baht)

The Bank							
31 December 2017							
Customer's country of residence	Loans and accrued interest receivables ^{1/}					Total	Investment in doubtful loss debt securities
	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful Loss		
Thailand	80,963,740	1,050,993	249,706	431,518	782,657	83,478,614	-
Asia Pacific Rim excluding Thailand	15,197,430	448	-	-	-	15,197,878	-
North America and Latin America	4,812,372	-	-	-	-	4,812,372	-
Africa and Middle East	3,963,425	-	-	-	-	3,963,425	-
Europe	4,291,676	11	-	-	-	4,291,687	-
Total	109,228,643	1,051,452	249,706	431,518	782,657	111,743,976	-

^{1/} Including net loans to interbank and money market

General provision ,Specific provision and bad debt write-off loans including the interest receivable and the investments in debt instruments as of 31 December 2018 and 2017 are classified by country of borrowers as follows:

(Unit: Thousand Baht)

The Financial Group				
31 December 2018				
Customer's country of residence	Loans and accrued interest receivables ^{1/}			Specific provision for
	General provision	Specific provision	Bad debt written-off	investment in debt securities
Thailand		5,637,797	199,725	71,682
Asia Pacific Rim excluding Thailand		105	75	94,352
North America and Latin America		-	-	-
Africa and Middle East		-	-	-
Europe		94	-	-
Total	2,504,452	5,637,996	199,800	166,034

(Unit: Thousand Baht)

The Financial Group				
31 December 2017				
Customer's country of residence	Loans and accrued interest receivables ^{1/}			Specific provision for
	General provision	Specific provision	Bad debt written-off	investment in debt securities
Thailand		2,765,546	103,043	23,046
Asia Pacific Rim excluding Thailand		679	40	11,595
North America and Latin America		-	-	-
Africa and Middle East		6	-	-
Europe		-	-	-
Total	2,306,247	2,766,231	103,083	34,641

(Unit : Thousand Baht)

The Bank				
31 December 2018				
Customer's country of residence	Loans and accrued interest receivables ^{1/}			Specific provision for
	General provision	Specific provision	Bad debt written-off	investment in debt securities
Thailand		1,924,291	43,237	71,684
Asia Pacific Rim excluding Thailand		141	75	94,352
North America and Latin America		-	-	-
Africa and Middle East		1	-	-
Europe		-	-	-
Total	2,263,281	1,924,433	43,312	166,036

^{1/} Total provision and during the period write-off for loans and accrued interest receivable to interbank and money market

(Unit : Thousand Baht)

The Bank				
31 December 2017				
Customer's country of residence	Loans and accrued interest receivables ^{1/}			Specific provision for
	General provision	Specific provision	Bad debt written-off	investment in debt securities
Thailand		2,388,379	66,685	23,046
Asia Pacific Rim excluding Thailand		161	40	11,595
North America and Latin America		-	-	-
Africa and Middle East		-	-	-
Europe		4	-	-
Total	2,102,528	2,388,544	66,725	34,641

^{1/} Total provision and during the period write-off for loans and accrued interest receivable to interbank and money market

The Financial group and the Bank have the total outstanding loans including interest receivable before considering credit risk mitigation classified by type of businesses of borrowers and by the Bank of Thailand's guideline for loan classification as of 31 December 2018 and 2017 as follows:

(Unit: Thousand Baht)

The Financial Group						
31 December 2018						
Type of business	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	3,789,734	68,672	14,350	4,124	-	3,876,880
Manufacturing and commerce	44,420,743	950,519	155,266	211,760	5,088	45,743,376
Real estate and construction	20,826,298	817,689	28,878	67,426	217,596	21,957,887
Public utility and services	41,075,409	3,147,168	738,209	352,676	1,269	45,314,731
Housing loans	5,939	2,811	-	-	-	8,750
Others	43,083,745	939,506	152,364	51,719	1,727	44,229,061
Total	153,201,868	5,926,365	1,089,067	687,705	225,680	161,130,685

(Unit: Thousand Baht)

The Financial Group						
31 December 2017						
Type of business	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	3,230,071	66,738	13,883	2,977	-	3,313,669
Manufacturing and commerce	50,333,483	906,684	99,038	133,702	420,418	51,893,325
Real estate and construction	20,544,285	197,290	31,459	24,143	349,846	21,147,023
Public utility and services	30,877,802	4,418,026	320,820	364,433	43	35,981,124
Housing loans	7,805	3,361	-	-	-	11,166
Others	37,367,461	864,146	179,546	54,641	12,350	38,478,144
Total	142,360,907	6,456,245	644,746	579,896	782,657	150,824,451

(Unit: Thousand Baht)

Type of business	The Bank					
	31 December 2018					
	Pass	Special	Sub-standard	Doubtful	Doubtful of loss	Total
		Mentioned				
Agriculture and mining	2,737,744	1,416	-	-	-	2,739,160
Manufacturing and commerce	32,369,147	246,019	54,164	172,103	5,048	32,846,481
Real estate and construction	19,120,315	701,426	10,891	55,224	217,596	20,105,452
Public utility and services	25,823,280	22,557	22,338	332,015	43	26,200,233
Housing loans	5,939	2,811	-	-	-	8,750
Others	38,230,391	1,189	1,069	-	-	38,232,649
Total	118,286,816	975,418	88,462	559,342	222,687	120,132,725

(Unit: Thousand Baht)

Type of business	The Bank					
	31 December 2017					
	Pass	Special	Sub-standard	Doubtful	Doubtful of loss	Total
		Mentioned				
Agriculture and mining	2,344,003	1,510	-	-	-	2,345,513
Manufacturing and commerce	33,321,135	297,002	-	78,894	420,418	34,117,449
Real estate and construction	18,962,335	118,309	13,134	14,775	349,846	19,458,399
Public utility and services	22,147,229	628,907	235,857	337,847	43	23,349,883
Housing loans	7,805	3,361	-	-	-	11,166
Others	32,446,136	2,363	715	2	12,350	32,461,566
Total	109,228,643	1,051,452	249,706	431,518	782,657	111,743,976

General provision, Specific provision and bad debt write-off loan including the accrued interest receivable^{1/} and the investments in debt instruments are classified by the type of businesses of the borrowers as of 31 December 2018 and 2017 as follows:

(Unit: Thousand Baht)

Type of business	The Financial Group					
	31 December 2018			31 December 2017		
	General provision	Specific provision	Bad debt written –off	General provision	Specific provision	Bad debt written –off
Agriculture and mining		12,840	8,534		13,270	-
Manufacturing and commercial		373,217	123,844		660,364	64,657
Real estate and construction		244,418	16,394		66,065	-
Public utility and services		2,107,018	42,735		1,799,729	-
Housing loans		1,012	-		1,210	-
Others		2,899,491	8,293		225,593	38,426
Total	2,504,452	5,637,996	199,800	2,306,247	2,766,231	103,083

^{1/} Including loans and accrued interest receivables to interbank and money market

(Unit: Thousand Baht)

Type of business	The Bank					
	31 December 2018			31 December 2017		
	General provision	Specific provision	Bad debt written –off	General provision	Specific provision	Bad debt written –off
Agriculture and mining		425	-		453	-
Manufacturing and commercial		246,754	39,628		487,051	64,657
Real estate and construction		222,611	-		47,977	-
Public utility and services		338,782	43		292,788	-
Housing loans		1,012	-		1,210	-
Others		1,114,849	3,641		1,559,065	2,068
Total	2,263,281	1,924,433	43,312	2,102,528	2,388,544	66,725

^{1/} Including loans and accrued interest receivables to interbank and money market

Changes in the general provision and specific provision for the loans including the accrued interest receivable^{1/} as of

December 31, 2018 and 2017 were as follows:

(Unit: Thousand Baht)

Items	The Financial Group					
	31 December 2018			31 December 2017		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Beginning balance of year	2,306,247	2,766,231	5,072,478	1,910,549	2,024,168	3,934,717
Bad debt written off	-	(199,800)	(199,800)	-	(103,083)	(103,083)
Increase (decrease) in provision during the period	198,205	3,071,565	3,269,770	395,698	845,146	1,240,844
Ending balance of year	2,504,452	5,637,996	8,142,448	2,306,247	2,766,231	5,072,478

(Unit: Thousand Baht)

Items	The Bank					
	31 December 2018			31 December 2017		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Beginning balance of year	2,102,528	2,388,544	4,491,072	1,791,584	2,121,027	3,912,611
Bad debt written off	-	(43,312)	(43,312)	-	(66,725)	(66,725)
Increase (decrease) in provision during the period	160,753	(420,799)	(260,046)	310,944	334,242	645,186
Ending balance of year	2,263,281	1,924,433	4,187,714	2,102,528	2,388,544	4,491,072

^{1/} Including loans and accrued interest receivables to interbank and money market

The outstanding balance classified by Standardized Approach as of 31 December 2018 and 2017 were as follows:

(Unit: Thousand Baht)

Type of assets	The Financial Group		
	31 December 2018		
	On-Statement of financial position	Off- Statement of financial position ^{1/}	Total
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	20,359,250	26,637	20,385,887
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	24,600,410	2,365,580	26,965,990
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	159,093,047	35,378,608	194,471,655
Claims in the Retails Portfolio	24,815,882	85,445	24,901,327
Residential Mortgage Loans	7,738	-	7,738
Other assets	4,298,433	-	4,298,433
Non-performing loans	860,997	949	861,946
Total	234,035,757	37,857,219	271,892,976

^{1/} After multiplying by the credit conversion factor (CCF) and deducting specific provision

(Unit: Thousand Baht)

Type of assets	The Financial Group		
	31 December 2017		
	On-Statement of financial position	Off- Statement of financial position ^{1/}	Total
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	10,364,639	19,610	10,384,249
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	28,716,892	1,910,250	30,627,142
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	144,763,555	36,990,415	181,753,970
Claims in the Retails Portfolio	23,060,248	36,354	23,096,602
Residential Mortgage Loans	9,956	-	9,956
Other assets	4,378,550	-	4,378,550
Non-performing loans	1,263,287	300	1,263,587
Total	212,557,127	38,956,929	251,514,056

^{1/} After multiplying by the credit conversion factor (CCF) and deducting specific provision

(Unit: Thousand Baht)

Type of assets	The Bank		
	31 December 2018		
	On-Statement of financial position	Off- Statement of financial position ^{1/}	Total
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	20,359,250	26,637	20,385,887
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	24,291,061	2,365,580	26,656,641
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	150,830,820	40,251,608	191,082,428
Claims in the Retails Portfolio	78,422	85,445	163,867
Residential Mortgage Loans	7,738	-	7,738
Other assets	7,144,421	-	7,144,421
Non-performing loans	367,345	949	368,294
Total	203,079,057	42,730,219	245,809,276

^{1/} After multiplying by the credit conversion factor (CCF) and deducting specific provision

(Unit: Thousand Baht)

Type of assets	The Bank		
	31 December 2017		
	On-Statement of financial position	Off- Statement of financial position ^{1/}	Total
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	10,364,640	19,610	10,384,250
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	28,536,001	1,910,250	30,446,251
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	136,022,006	43,653,415	179,675,421
Claims in the Retails Portfolio	57,488	36,354	93,842
Residential Mortgage Loans	9,956	-	9,956
Other assets	7,446,164	-	7,446,164
Non-performing loans	963,619	300	963,919
Total	183,399,874	45,619,929	229,019,803

^{1/} After multiplying by the credit conversion factor (CCF) and deducting specific provision

Credit Risk Exposures Classified by Credit Risk Weighted Asset Calculation Methods

1. The list of the External Credit Rating Institutions (ECAI) that the financial group chooses to determine the risk weight for the borrowers in each type of the assets is as follows:

- Sovereigns, provincial organizations, governmental entities, state enterprises, securities companies which the Bank of Thailand assigns the rating equal to loans to financial institutions are based on 3 ECAIs including Fitch Ratings, Moody's Investor Services and Standard and Poor's Rating Services.

- Corporate borrowers

The financial group assigns the risk weight of 100% for every corporate borrower without considering its credit rating from the ECAI since the number of the Bank's current customers rated by the ECAI is not high and most of them have the risk weight of 100%, therefore, assigning all corporate borrowers at the risk weight of 100% for the credit risk capital calculation would not much different from the method of using the credit rating from ECAI .

2. The process of assigning the ECAI credit rating to the borrowers.

- For sovereigns, provincial organizations, governmental entities, state enterprises, securities companies that the Bank of Thailand treats their risk weight as the financial institutions. The financial group designates the risk weights in compliance with the Bank of Thailand's guidelines corresponding to the type of borrowers.

The financial group and the bank have the outstanding balance of financial statement equivalence items^{1/} after considering the credit risk mitigation for each type of asset categorized by the risk weight through Standardized Approach as of 31 December 2018 and 2017 as follows:

(Unit: Thousand Baht)

Type of Assets ^{1/}	The Financial Group											
	31 December 2018											
	Rating				No Rating							
Risk weight (%)	0 %	20 %	50 %	100 %	0%	20 %	35 %	50 %	75 %	100 %	150%	250 %
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	30,454,736	-	26,637									
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,265,635	15,135,466	39,720,069	12,165,680								
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates										142,325,508		
Claims in the Retails Portfolio									24,899,963	-		
Residential Mortgage Loans							7,636			-	101	
Other assets					2,613,435	699				1,874,311		568,548
Non-performing loans								424		520,908	313,220	

^{1/} After multiplying by the credit conversion factor (CCF)

(Unit: Thousand Baht)

Type of Assets ^{1/}	The Financial Group											
	31 December 2017											
	Rating				No Rating							
Risk weight (%)	0 %	20 %	50 %	100 %	0 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %
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	25,638,186	-	19,610									
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,220,405	1,954,981	60,194,679	10,926,647								
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates.										120,791,479		
Claims in the Retails Portfolio									23,094,533	-		
Residential Mortgage Loans							9,802		-	154		
Other assets					3,888,497	3,860				1,928,291		579,347
Non-performing loans								1,703		624,226	637,658	

^{1/} After multiplying by the credit conversion factor (CCF)

(Unit: Thousand Baht)

Type of Assets ^{1/}	The Bank											
	31 December 2018											
	Rating				No Rating							
Risk weight (%)	0 %	20 %	50 %	100 %	0 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %
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	30,454,736	-	26,637									
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,265,635	15,034,863	39,511,324	12,165,680								
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates										139,126,254		
Claims in the Retails Portfolio									162,504	-		
Residential Mortgage Loans							7,636		-	101		
Other assets					1,797,160	699				5,582,879		304,875
Non-performing loans									-	55,343	312,950	

^{1/} After multiplying by the credit conversion factor (CCF)

Type of Assets ^{1/}	The Bank											
	31 December 2017											
	Rating				No Rating							
Risk weight (%)	0 %	20 %	50 %	100 %	0 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %
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	25,638,186	-	19,610									
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,220,405	1,774,090	60,194,678	10,926,648								
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates										118,931,536		
Claims in the Retails Portfolio									91,773	-		
Residential Mortgage Loans							9,802		-	154		
Other assets					3,175,547	4,831				5,763,749		304,875
Non-performing loans									-	326,261	637,658	

^{1/} After multiplying by the credit conversion factor (CCF)

1. Credit Risk Mitigation by Standardized Approach

The financial group has established the policy in mitigating the credit risk of financial statement items for the purposes of capital maintenance and credit risk reduction in accordance with the Bank of Thailand's guidelines in the credit risk mitigation by Standardized Approach where the financial group has formulated the guidelines and working process on the document, contracts, or legal terms relating to the credit risk mitigation as follows:

- Shall maintain the document or contract relating to such credit risk mitigation obligating to and enforceable to all relevant parties.
- Shall have the processes and systems in considering the legal terms.
- Shall revise all relevant documents and contracts to be continuously enforceable
- Shall have the processes in controlling other potential risks that are caused by employing the credit risk mitigation.
- Shall comply with the Bank of Thailand's guideline in information disclosure according to Pillar III
- Shall consider the contractual maturities and remaining maturities in the credit risk mitigation process to ensure that there would be no maturity mismatch between the exposures and the credit risk mitigation .

The credit risk mitigation by Simple Approach consists of:

- Risk mitigation by the eligible financial collaterals
- Risk mitigation by the on-balance sheet netting
- Risk mitigation by guarantee and credit derivatives

The financial group has formulated the policy for the credit risk mitigation by means of on-balance sheet netting as follows.

- Shall have legal consideration regarding the enforceable on-balance netting contract in specifying which assets and liabilities are eligible in netting at any time.
- Shall be capable of monitoring and controlling the risks from maturity mismatch between the assets and liabilities for netting or roll-off risk.
- Shall be capable of monitoring and controlling the exposures on the netting basis.

2. Policies and processes for collateral management and assessment

Under the credit risk mitigation policy, the eligible financial collateral including those traded in the exchange and over-the-counter markets are subject to valuation.

3. Major types of collaterals of the financial group

The main eligible financial collateral is deposit at bank; however, other eligible financial collaterals for credit risk mitigation before risk weighted assets and credit risk capital calculation include:

1. Cash, deposits at bank or deposit receipts issued by banks
2. Gold bullions
3. Debt instrument issued by the issuers rated by the ECAIs as follows:
 - Short-term debt instruments with the rating better or equal to A-3/P-3, sovereigns, central banks, provincial organizations, governmental entities, and state enterprises which the supervisory authority treats the risk weight as that of sovereigns and the rating of equivalent to BB- or higher.
 - Other issuers, e.g. financial institutions, securities companies, corporate, provincial organizations, governmental entities, and state enterprises which the supervisory authority treats the risk weight as that of financial institutions and the rating of equivalent to BBB- or higher.
 - Short-term debt instrument with rating better or equivalent to A-3/P-3
4. Non-rated by ECAIs debt instruments with all characteristics as follows:
 - Issuers are financial institutions and
 - Listed in acceptable exchange bond market and
 - Senior debt and other debt instruments issued by the financial group with rating better or equivalent to BBB- or A-3/P-3 and the same seniority as that with no rating
 - No objective evidence for the financial group to revise the rating to below BBB- or A-3/P-3
5. Equity instruments including the convertible bonds listed in the main stock exchange.
6. Unit trust invested in the eligible financial collaterals and marked to market on a daily basis

4. Main types of guarantors and protection sellers of credit derivative

The major current guarantors of the financial group are the Ministry of Finance mainly guaranteeing the state enterprise bond. Other guarantors and the protection sellers can be reckoned in the credit risk mitigation before risk weighted assets and credit risk capital calculations under the Credit Risk Mitigation Policy are:

- Sovereign, Multilateral Development Banks (MDBs), provincial organizations, and governmental entities

- State enterprises, financial institutions, and securities companies with the risk weight below that of the guaranteed counterparties Corporate including the parent and subsidiary companies and the joint guarantee of credit risk must be rated higher or assigned with the risk weight lower than the guaranteed counterparties. The credit guarantors must be rated higher or equal to A- or A3.

5. Concentration of credit and market risk in each type of collaterals, guarantors, protection sellers of the credit derivative for the credit risk mitigation

Most credit risk mitigation by the eligible financial collaterals method is in forms of deposits at bank for reducing the credit risk in general loans, while the credit risk mitigation by guarantee of loan method is in forms of guarantee by the Ministry of Finance on the investment in debt instruments.

The financial group and the bank have the outstanding collateralized exposures in each type of asset by Standardized Approach classified by the types of collaterals as of December 31, 2018 and 2017 as follows:

(Unit: Thousand Baht)

Type of Assets	The Financial Group	
	31 December 2018	
	Eligible financial collaterals	Guarantees and Credit derivatives
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	1,056,197	8,908,303
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	15,905,994	36,240,154
Claims in the Retails Portfolio	1,364	-
Residential Mortgage Loans	-	-
Other assets	-	-
Non-performing loans	27,394	-
Total	16,990,949	45,148,457

(Unit: Thousand Baht)

		The Financial Group	
		31 December 2017	
Type of Assets		Eligible financial collaterals	Guarantees and Credit derivatives
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		2,944,361	12,212,964
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates		3,802,385	57,160,107
Claims in the Retails Portfolio		2,069	-
Residential Mortgage Loans		-	-
Other assets		-	-
Non-performing loans		-	-
Total		6,748,815	69,373,071

(Unit: Thousand Baht)

		The Bank	
		31 December 2018	
Type of Assets		Eligible financial collaterals	Guarantees and Credit derivatives
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		1,056,197	8,908,303
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates		15,716,020	36,240,154
Claims in the Retails Portfolio		1,364	-
Residential Mortgage Loans		-	-
Other assets		-	-
Non-performing loans		-	-
Total		16,773,581	45,148,457

Type of Assets	(Unit :Thousand Baht)	
	The Bank	
	31 December 2017	
	Eligible financial collaterals	Guarantees and Credit derivatives
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	2,944,361	12,212,964
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	3,583,779	57,160,107
Claims in the Retails Portfolio	2,069	-
Residential Mortgage Loans	-	-
Other assets	-	-
Non-performing loans	-	-
Total	6,530,209	69,373,071

Market risk in Trading Book

Market risk means the risks potentially from the changes in market prices or values caused by interest rates, exchange rates, equity and commodity price movements impacting net interest income and capital of financial institutions. Such changes have an impact through both general market risk and specific risk. The transactions with the market risk can be categorized as follows:

- 1. Transactions in the Trading Book** include the positions of financial instruments and commodities with the intents of trading or hedging of other positions in the trading book and all types of financial derivatives with non-hedging intents for Banking Book positions. The transactions must be non-obligated in buying, selling or hedging with the holding period of no longer than 6 months.
- 2. Transactions in the Banking Book** include the positions of financial instruments or other types of transactions with the intents of not for trading or the financial instrument with the initial intention to hold for long period of time or hold to maturity. The holding period must be at least 1 month.

The financial group has the Market Risk Management Policy to identify, measure, control and monitor the market risk both in Trading Book and the interest rate in Banking Book so as to efficiently manage the risk and comply with the Bank of Thailand's guideline in market risk management. The relevant market risks include:

1. Interest Rate Risk is the risk stemming from changes in interest rates resulting in the changes of values of assets, liabilities and off-balance sheet items especially in the medium- to long-term.
2. FX Risk is the risk stemming from negative impact caused by the changes of FX aggregate positions which may incur from the FX transactions for trading, partly hedging for Trade Finance customers, partly hedging for investment in FCY debentures, etc.

3. Price Risk is the risk stemming from the change in prices of equity or equity derivatives in the Proprietary Portfolio.

In managing market risk, the Portfolio Risk Management Department under Risk Management Division is responsible for monitoring and controlling any potential market risk incurred by the operation of Treasury Division where the Asset and Liability Committee (ALCO) determines the market risk limits which are approved by the Executive Committee (EXCOM). ALCO meeting is organized at least once a month to review the market risk and formulate the risk management strategies under changes in financial market environment. For the Market Risk Management Policy, the Portfolio Risk Management Department shall propose through the Group Risk Committee while the policy shall be approved by the Board of Directors (BOD).

The measurement of market risk in the Trading Book embraces all types of market risk including interest rate risk, FX risk, and price risk. Besides, the financial group assesses the risk and capital adequacy on a regular basis both in normal and crisis situations by means of assessing the Trading Book position at least on a daily basis based on marking to market, marking to model or other appropriate prices. The gain/loss from each transaction in the Trading Book is subject to the stop loss limits. Moreover, the financial group conducts the stress test on the Trading book for all relevant risks while stress test assumptions shall be revised to be in line with economic and financial market condition and to encompass the possibility of negative impacts on the net interest income and the financial group's capital on a regular basis.

The risk management tools include control limits, which curb the maximum amounts that the Treasury Division can invest, and stop loss limits, restraining the maximum loss acceptable to the financial group in consistent with the Business plan, strategies of the financial group and economic, political, financial market conditions domestically and internationally.

The financial group has calculated the market risk capital by using the Standardized Approach which is appropriate to the characteristics of investment portfolio of the financial group. The market risk capital requirements as of 31 December 2018 and 2017 were as follows:

Market Risk Capital Requirement	(Unit: Thousand Baht)			
	The Financial Group		The Bank	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Interest Rate Risk	4,076	1,149	4,076	1,149
Equity Price Risk	-	-	-	-
Foreign Exchange Risk	14,287	8,914	14,589	8,761
Commodity Price Risk	-	-	-	-
Market risk capital requirement (BIS 8%)	18,363	10,063	18,665	9,910
Market risk capital requirement (BIS 8.5%)	19,510	10,692	19,832	10,529

Operational Risk

Operational risk is the risks from damages caused by the lack of good corporate governance in the organization and the appropriate controls. It may relate to the internal processes, human, working systems, or external events and have the negative impact on the interest income and the financial group's capital.

The policy of the financial group specifies the guideline to prevent and manage the relevant risks and includes the definitions, objectives, sources of risk, operational risk management principles and operational risk working procedures which encompasses risk identification, assessment, analysis, designation of risk control processes, application of risk controlling and monitoring.

At present, the financial group use Basic Indicator Approach (BIA) corresponding to the characteristics and complexity of the financial group's business operation.

Equity related exposures

Most of the equity in the Banking Book were obtained from debt restructuring and can be classified into two categories, Marketable Securities – the equity exposures of which the market prices are available and are free from selling limitation, therefore, they can be classified as Available-for-Sale securities and must be marked to market at least once a month where the gain/loss shall be recorded in the equity while the recognized realized gain/loss when selling is recorded in the income statement.

The General Investment Securities – the equity obtained from debt restructuring or with inability to sell condition, therefore, the exposures are recognized at the historical cost on the balance sheet and deducted by provision and subject to the impairment test at the occurrence of objective evidence of impairment according to the Accounting Standard.

The investments in equity for other purposes which can be classified as either Marketable Securities portfolio, subject to marking to market regularly, or General Investment portfolio, recorded on the balance sheet at historical cost and subject to impairment test, are in Banking Book of which the holding period shall be at least 1 month, according to the financial group's policy in Banking Book. Profit/loss is not strongly affected as they are recorded only when selling exists. Thus, equity risk management in Banking Book has no need to set the investment limit and stop loss limit.

The valuation according to the Accounting Standard shall be carried out based on the book type of the equity aforementioned. Firstly, the latest bid price shall be considered. If it is not available, the price estimated from the model used widespread among major players in the market and employed the market inputs as much as possible while using the inputs internally from the financial group the least shall be used. Nonetheless, if the price cannot be obtained from the market or model, the historical cost could possibly be used as the last preference.

The financial group and the Bank have the outstanding equity related exposures in the Banking Book as of 31 December 2018 and 2017 as follows:

Equity position	(Unit: Thousand Baht)	
	The Financial Group	
	31 December 2018	31 December 2017
1. Equity related position		
1.1 Equity listed in the Stock Exchange of Thailand:-		
• Historical Cost	87,424	119,033
• Market Values	201,715	272,738
1.2 Other equity values	570,617	670,510
2. Gain (Loss) from selling of the equity in this period	164,694	(142)
3. Gain (Loss) from marking to market of the Available-for-Sale equity	127,298	158,830
4. Minimum capital requirement under Standardized Approach	65,648	80,176

(Unit: Thousand Baht)

Equity position	The Bank	
	31 December 2018	31 December 2017
1. Equity related position		
1.1 Equity listed in the Stock Exchange of Thailand :-		
• Historical Cost	87,424	119,033
• Market Values	201,715	272,738
1.2 Other equity values	5,894,016	5,591,144
2. Gain (Loss) from selling of the equity in this period	164,694	(142)
3. Gain (Loss) from marking to market of the Available-for-Sale equity	127,298	158,830
4. Minimum capital requirement under Standardized Approach	518,137	498,430

Interest rate risk in the Banking Book

The interest rate risk on the financial group's balance sheet items are from the mismatch of the repricing periods of assets and liabilities both of the financial statement. Such a difference indicates the level of risk or the magnitude of impact of the change in an interest rate that the financial group encounters.

Owing to no trading position in debt instrument, the interest rate risk of the financial group mainly comes from the Banking Book where the financial group assesses the impact of the interest rates of assets and liabilities through both Net Interest Income (NII), measuring the impact of a change in interest rate on the net interest income in the next 12 months, and Economic Value of Equity (EVE), measuring the impact of a change in interest rate on all assets and liabilities to perceive the impact on the overall portfolio of the financial group.

However, the financial group has engaged in the interest rate swaps, comprising the swap transactions that receive floating rate and pay fixed and some of the swap transactions that receive fixed and pay floating rates in order to partly hedge the interest rate risk.

The financial group employs Repricing Gap Report in measuring and managing the interest rate in the Banking Book in which the control limit has been set at the acceptable level. The Portfolio Risk Management Department is responsible for arranging the gap report and reporting to the relevant sub-committees/committees as well as the Bank of Thailand on a regular basis.

In addition, the financial group conducts the stress test on the interest rate risk in the Banking Book based on the assumptions in line with the principle of extreme but plausible scenarios and divided into individual currencies in a quarterly basis in order to report to the Group Risk Committee for consideration and revision of risk management strategy and the action plans to handle any adverse outcomes of the stress tests.

At present, the financial group does not have the behavioral adjustments on both assets and liabilities, e.g. behavioral adjustment on prepayment schedule and the rollover of the deposit.

The Repricing Gap report in Banking Book by currency is reported to the Asset and Liabilities Committee on a monthly basis, and a report on interest rate risk to the Bank of Thailand on a quarterly basis.

The impacts of a change in interest rate on earnings of the financial group and the bank for the years ended 31 December 2018 and 2017 were as follows:

(Unit : Thousand Baht)

The Financial Group

Currency	Year end 2018		Year end 2017	
	+1.00%	-1.00%	+1.00%	-1.00%
Thai Baht	187,438	-187,438	136,677	-136,677
US Dollar	-120,531	120,531	-265,027	265,027
CNY	-3,285	3,285	-7,379	7,379
EUR	-1,599	1,599	-3,400	3,400
JPY	0	0	89	-89
GBP	-11	11	-35	35
OTHER	-8	8	-12	12
Total impact of the change in interest rate	62,004	-62,004	-139,087	139,087
Expected net interest income in the next year	5,017,827		4,699,184	
% of the expected net interest income in the next year	1.24%	-1.24%	-2.96%	2.96%
% of current capital funds	0.17%	-0.17%	-0.49%	0.49%

(Unit : Thousand Baht)

The Bank

Currency	Year end 2018		Year end 2017	
	+1.00%	-1.00%	+1.00%	-1.00%
Thai Baht	184,361	-184,361	118,172	-118,172
US Dollar	-89,700	89,700	-231,145	231,145
CNY	-3,378	3,378	-7,384	7,384
EUR	-4,231	4,231	-4,754	4,754
JPY	0	0	89	-89
GBP	-11	11	-35	35
OTHER	-8	8	-12	12
Total impact of the change in interest rate	87,033	-87,033	-125,069	125,069
Expected net interest income in the next year	3,340,039		3,139,970	
% of the expected net interest income in the next year	2.61%	-2.61%	-3.98%	3.98%
% of current capital funds	0.25%	-0.25%	-0.44%	0.44%



Liquidity Coverage Ratio Disclosure

For the year ended 31 December 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
	4/2018	4/2017
	<i>(average)</i>	
(1) Total high-quality liquid assets (HQLA)	34,042	31,869
(2) Total net cash outflows within the 30-day period	24,930	34,738
(3) LCR (%)	138%	92%
<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 3	110%	91%
Quarter 4	138%	92%

As of Quarter 4, 2018, The average LCR was 138% 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 October, November and December 2018 at 127%, 128% and 160% 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 4, 2018, The average HQLA was 34,042 million Baht (or 84% of Level 1 assets such as Government bond and cash) by calculating from average HQLA as of end of October, November and December 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 4, 2018, the average net cash outflows within the 30-day period was 24,930 million Baht by calculating from average cash outflows as of end of October, November and December 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. 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.