



Capital Requirement Disclosures

Basel III _ Pillar III

For the year ended 31 December 2017

Scope of Information Disclosure

According to the Bank of Thailand's guideline in the supervision of capital for commercial banks based on Basel III enforced at full consolidation, the financial group is required to maintain the minimum capital requirement corresponding to more complicated risk assessment methods for better risk measurement and embracing other relevant aspects of the financial group's encountered risks. The Financial Group is required to disclose both quantitative and qualitative data. Regarding qualitative disclosure, the data as of December 31, 2017 and the latest disclosure of the financial group shall be compared. The financial group's Solo Consolidation and Full Consolidation comprise of:

1. ICBC (Thai) Public Company Limited.
2. ICBC (Thai) Leasing Company Limited

Besides the regulation mentioned above, the Bank of Thailand further requires the financial group to disclose other key relevant information regarding the capital to be easily accessible and to engender the transparency of the financial group's risks and capital information as follows.

Capital structure

The Financial Group and the Bank's capital as of December 31, 2017 and as of June 30, 2017 are composed of the following data.

(Unit: Thousand Baht)

The Financial Group		<u>31 December 2017</u>	<u>30 June 2017</u>
Tier-1 Capital		26,300,099	25,366,276
Common Equity Tier 1 (CET1)			
Paid-up share capital		20,132,094	20,132,094
Legal reserve		600,000	500,000
Retained earnings after appropriations		6,199,886	5,293,349
Other comprehensive income		328,390	330,172
Less deductible items on Common Equity Tier 1		(960,271)	(889,339)
Total Common Equity Tier 1 (CET1)		26,300,099	25,366,276
Tier-2 Capital			
Reserve for assets classified as "Pass"		2,306,246	2,185,961
Total Tier-2 Capital		2,306,246	2,185,961
Total Capital Funds of the Financial Group		28,606,345	27,552,237

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 December 31, 2017 and as of June 30, 2017 were as follows:

(Unit: Thousand Baht)

The Financial Group		<u>31 December 2017</u>	<u>30 June 2017</u>
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.,		833	392
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions.		3,520,274	3,447,587
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates.		10,267,276	9,537,393
Claims in the Retails Portfolio		1,472,275	1,471,890
Residential Mortgage Loans		305	356
Other assets		287,082	275,884
Non-performing Loans		<u>134,433</u>	<u>131,030</u>
Total Credit Risk Capital Requirement of The Financial Group		<u><u>15,682,478</u></u>	<u><u>14,864,532</u></u>

(Unit: Thousand Baht)

The Bank		<u>31 December 2017</u>	<u>30 June 2017</u>
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		833	392
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions		3,517,198	3,446,281
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates		10,109,181	9,717,290
Claims in the Retails Portfolio		5,851	4,047
Residential Mortgage Loans		305	356
Other assets		554,787	563,770
Non-performing Loans		<u>109,033</u>	<u>102,380</u>
Total Credit Risk Capital Requirement of The Bank		<u><u>14,297,188</u></u>	<u><u>13,834,516</u></u>

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 2017 and 30 June 2017 as follows.

(Unit : Thousand Baht)

	31 December 2017		30 June 2017	
	The Financial Group	The Bank	The Financial Group	The Bank
Capital Requirement				
Market Risk Capital Requirement	10,692	10,530	17,833	17,833

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 December 31, 2017 and as of June 30, 2017 as follows.

(Unit :Thousand Baht)

	31 December 2017		30 June 2017	
	The financial group	The bank	The financial group	The bank
Minimum Capital Requirement				
Operational Risk Capital Requirement	800,579	520,474	775,785	488,034

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)

	The Financial Group		BOT Requirement	
	31 December 2017	30 June 2017	31 December 2017	30 June 2017
Capital Adequacy Ratio				
Tier 1 capital to risk assets	13.5	13.8	7.25	7.25
Common Equity Tier 1 to risk assets	13.5	13.8	5.75	5.75
Tier 2 capital to risk assets	1.2	1.2	-	-
Total capital to risk assets	14.7	15.0	9.75	9.75

(Unit: Percent)

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

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

(Unit : Thousand Baht)

 References base on Statement of
Financial Position under the
consolidated supervision

Items	31 December 2017	30 June 2017	
Tier-1 Capital			
Common Equity Tier 1 (CET1)			
Paid-up share capital	20,132,094	20,132,094	A
Legal reserve	600,000	500,000	B
Retained earnings after appropriations	6,199,886	5,293,349	C
Other comprehensive income	328,390	330,172	D
<i>Less</i> deductible items on Common Equity Tier 1	(960,271)	(889,339)	E
Total Common Equity Tier 1 (CET1)	26,300,099	25,366,276	
Tier-2 Capital			
Reserve for assets classified as "Pass"	2,306,246	2,185,961	F
Total Tier-2 Capital	2,306,246	2,185,961	
Total Capital Funds	28,606,345	27,552,237	

Statement of financial position under consolidated supervision

(Unit : Thousand Baht)

 References base on Statement
of Financial Position under
the consolidated supervision

Items	31 December 2017	30 June 2017	
Assets			
Cash	366,817	415,704	
Interbank and money market items, net	8,405,746	13,620,843	
Derivative assets	524,708	327,909	
Investments, net	62,724,200	62,044,008	
Investments in a subsidiary and an associate, net	579,347	553,798	
Loans to customers and accrued interest receivables, net			
Loans to customers	144,709,945	133,693,251	
Accrued interest receivables	246,485	78,767	
Total loans to customers and accrued interest receivables	144,956,430	133,772,018	
<i>Less</i> deferred revenue	(5,380,267)	(4,868,632)	
<i>Less</i> allowance for doubtful accounts	(7,377,749)	(6,488,211)	
<i>Qualified as capital</i>	(2,306,246)	(2,185,961)	F
<i>Less</i> revaluation allowance for debt restructuring	(23,505)	(33,978)	
Total loans to customers and accrued interest receivables, net	132,174,909	122,381,197	
Properties foreclosed, net	694,630	741,946	

Items	31 December	30 June	References base on Statement of Financial Position under the consolidated supervision
	2017	2017	
Premises and equipment, net	147,670	142,094	
Intangible assets, net	38,958	32,755	
<i>Deduction from capital</i>	31,166	26,204	E
Leasehold right, net	133,108	138,475	
Deferred tax assets, net	929,105	863,135	E
Accrued income, net	551,055	489,775	
Receivables on credit support for derivative contracts	611	609	
Other receivables, net	526,821	510,768	
Other assets, net	47,204	39,714	
Total assets	207,844,889	202,302,730	
Liabilities			
Deposits	100,349,041	104,421,037	
Interbank and money market items	49,938,121	36,655,776	
Liabilities payable on demand	75,864	128,151	
Derivative liabilities	360,912	382,577	
Debt issued and borrowings	26,320,202	30,179,371	
Employee benefit obligations	215,642	199,443	
Other provisions	1,815	1,815	
Accrued interest payables	693,814	744,937	
Payable on credit support for derivative contracts	130,400	-	
Other liabilities	1,735,978	2,370,627	
Total liabilities	179,821,789	175,083,734	
Equity			
Share capital			
Authorised share capital			
Non-cumulative preference shares	4,023	4,023	
ordinary shares	20,128,071	20,128,071	
Issued and paid-up share capital			
Non-cumulative preference shares	4,023	4,023	A
ordinary shares	20,128,071	20,128,071	A
Difference arising from business combination under common control	(24,849)	-	
Other components of equity	369,458	372,637	
<i>Qualified as capital</i>	328,390	330,172	D

Items	31 December	30 June	References base on Statement of Financial Position under the consolidated supervision
	2017	2017	
Retained earnings			
Appropriated - Legal reserve	600,000	500,000	B
Unappropriated	6,946,397	6,214,265	
<i>Qualified as capital</i>	6,199,886	5,293,349	C
Total equity	28,023,100	27,218,996	
Total liabilities and equity	207,844,889	202,302,730	

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 December 31, 2017 and 2016 as follows:

(Unit: Thousand Baht)

Items	The Financial group	
	31 December 2017	31 December 2016
On- Statements of financial position		
Total Net loans ^{1/}	142,778,637	132,599,759
Net investment in debt securities ^{2/}	62,360,298	50,144,235
Deposits (including accrued interest receivables)	2,490,707	2,230,224
Off- Statements of financial position ^{3/}		
Avals, Guarantee to loans and Letters of Credit	1,137,632	1,000,549
OTC derivatives	52,296,395	43,062,367
Undrawn committed lines	1,411,665	1,807,630

(Unit: Thousand Baht)

Items	The Bank	
	31 December 2017	31 December 2016
On- Statements of financial position		
Total Net loans ^{1/}	110,760,682	100,955,186
Net investment in debt securities ^{2/}	62,360,298	50,144,235
Deposits (including accrued interest receivables)	2,309,650	2,036,866
Off- Statements of financial position ^{3/}		
Avals, Guarantee to loans and Letters of Credit	7,800,634	13,900,549
OTC derivatives	52,296,395	43,062,367
Undrawn committed lines	1,411,665	1,807,630

^{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)

classified by country as of December 31, 2017 and 2016 as follows:

(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	Over-the-counter derivatives	Undrawn Committed Line	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 Financial Group								
31 December 2016								
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	Over-the-counter derivatives	Undrawn Committed Line	Total
Thailand	111,617,235	31,029,551	1,641,878	144,288,664	476,436	30,149,470	1,498,923	32,124,829
Asia Pacific Rim excluding								
Thailand	9,351,431	19,114,684	561,746	29,027,861	513,600	12,515,750	-	13,029,350
North America and Latin America	8,429,074	-	-	8,429,074	1,017	-	-	1,017
Africa and Middle East	3,196,786	-	-	3,196,786	-	-	308,707	308,707
Europe	5,233	-	26,600	31,833	9,496	397,147	-	406,643
Total	132,599,759	50,144,235	2,230,224	184,974,218	1,000,549	43,062,367	1,807,630	45,870,546

(Unit: Thousand Baht)

The Bank								
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	Over-the-counter derivatives	Undrawn Committed Line	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

(Unit: Thousand Baht)

Customer's country of residence	The Bank							
	31 December 2016							
	Net Loans ^{1/}	Net investment in debt securities ^{2/}	Deposits (including interest receivables)	Total	Avals, Guarantees to loans and Letter of Credit	Over-the-counter derivatives	Undrawn Committed Line	Total
Thailand	80,017,005	31,029,551	1,448,520	112,495,076	13,376,436	30,149,470	1,498,923	45,024,829
Asia Pacific Rim excluding Thailand	9,314,132	19,114,684	561,746	28,990,562	513,600	12,515,750	-	13,029,350
North America and Latin America	8,428,950	-	-	8,428,950	1,017	-	-	1,017
Africa and Middle East	3,194,910	-	-	3,194,910	-	-	308,707	308,707
Europe	189	-	26,600	26,789	9,496	397,147	-	406,643
Total	100,955,186	50,144,235	2,036,866	153,136,287	13,900,549	43,062,367	1,807,630	58,770,546

^{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 December 31, 2017 and 2016 as follows:

(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

(Unit: Thousand Baht)

Items	The Financial Group		
	31 December 2016		
	Up to 1 year	Over 1 year	Total
On-Statements of financial position			
Total Net loans ^{1/}	47,321,115	85,278,644	132,599,759
Net investment in debt securities ^{2/}	6,214,414	43,929,821	50,144,235
Deposit (including accrued interest receivables)	2,230,224	-	2,230,224
Off- Statements of financial position ^{3/}			
Avals, Guarantees to loans and Letters of Credit	487,912	512,637	1,000,549
Over-the-counter derivatives	33,957,143	9,105,224	43,062,367
Undrawn committed line	474,539	1,333,091	1,807,630

(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

(Unit: Thousand Baht)

Items	The Bank		
	31 December 2016		
	Up to 1 year	Over 1 year	Total
On- Statements of financial position			
Total Net loans ^{1/}	49,273,658	51,819,528	101,093,186
Net investment in debt securities ^{2/}	6,214,414	43,929,821	50,144,235
Deposit (including accrued interest receivables)	2,036,866	-	2,036,866
Off- Statements of financial position ^{3/}			
Avals, Guarantees to loans and Letters of Credit	4,785,432	9,115,117	13,900,549
Over-the-counter derivatives	33,957,143	9,105,224	43,062,367
Undrawn committed line	474,539	1,333,091	1,807,630

^{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 December 31, 2017 and 2016 as follows:

(Unit: Thousand Baht)

Customer's country of residence	The Financial group						Investment in doubtful loss debt securities
	31 December 2017						
	Loans and accrued interest receivables ^{1/}					Total	
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 Financial group							
31 December 2016							
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	111,776,604	4,661,356	599,987	604,727	898,138	118,540,812	-
Asia Pacific Rim excluding Thailand	9,354,056	2,644	616	142	-	9,357,458	-
North America and Latin America	8,429,079	-	-	-	-	8,429,079	-
Africa and Middle East	3,196,871	-	172	-	-	3,197,043	-
Europe	5,365	-	-	834	-	6,199	-
Total	132,761,975	4,664,000	600,775	605,703	898,138	139,530,591	-

^{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

(Unit: Thousand Baht)

The Bank							
31 December 2016							
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	79,019,073	611,701	17,968	417,488	898,138	80,964,368	-
Asia Pacific Rim excluding Thailand	9,315,924	190	-	-	-	9,316,114	-
North America and Latin America	8,428,951	-	-	-	-	8,428,951	-
Africa and Middle East	3,194,910	-	-	-	-	3,194,910	-
Europe	189	-	-	-	-	189	-
Total	99,959,047	611,891	17,968	417,488	898,138	101,904,532	-

^{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 December 31, 2017 and 2016 are classified by country of borrowers as follows:

(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

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

(Unit: Thousand Baht)

The Financial Group				
31 December 2016				
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		2,023,347	313,693	110,017
Asia Pacific Rim excluding Thailand		518	2,767	15,201
North America and Latin America		-	-	-
Africa and Middle East		57	-	-
Europe		246	-	-
Total	1,910,549	2,024,168	316,460	125,218

(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

(Unit : Thousand Baht)

The Bank				
31 December 2016				
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		2,120,959	2,351	110,017
Asia Pacific Rim excluding Thailand		68	2,767	15,201
North America and Latin America		-	-	-
Africa and Middle East		-	-	-
Europe		-	-	-
Total	1,791,584	2,121,027	5,118	125,218

^{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 December 31, 2017 and 2016 as follows:

(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)

The Financial Group						
31 December 2016						
Type of business	Pass	Special Mentioned	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	1,045,985	108,221	21,191	6,514	-	1,181,911
Manufacturing and commerce	37,592,055	673,633	147,680	78,938	500,914	38,993,220
Real estate and construction	23,053,006	178,338	16,890	48,780	361,964	23,658,978
Public utility and services	35,976,168	2,824,252	117,127	384,258	22,751	39,324,556
Housing loans	11,022	4,190	-	-	77	15,289
Others	35,083,739	875,366	297,887	87,213	12,432	36,356,637
Total	132,761,975	4,664,000	600,775	605,703	898,138	139,530,591

(Unit: Thousand Baht)

The Bank						
31 December 2017						
Type of business	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

(Unit: Thousand Baht)

The Bank						
31 December 2016						
Type of business	Pass	Special	Sub-standard	Doubtful	Doubtful of loss	Total
	Mentioned					
Agriculture and mining	149,994	36,420	-	-	-	186,414
Manufacturing and commerce	29,946,848	190,958	17,706	24,755	500,914	30,681,181
Real estate and construction	21,760,871	109,879	-	43,698	361,964	22,276,412
Public utility and services	22,507,777	260,524	-	348,907	22,751	23,139,959
Housing loans	11,022	4,190	-	-	77	15,289
Others	25,582,535	9,920	262	128	12,432	25,605,277
Total	99,959,047	611,891	17,968	417,488	898,138	101,904,532

General provision, Specific provision and bad debt write-off loan including the accrued interest receivable and the investments in debt instruments are classified by the type of businesses of the borrowers as of December 31, 2017 and 2016 as follows:

(Unit: Thousand Baht)

The Financial Group						
Type of business	31 December 2017			31 December 2016		
	General provision	Specific provision	Bad debt written –off	General provision	Specific provision	Bad debt written –off
Agriculture and mining		13,270	-		25,965	77,218
Manufacturing and commercial		660,364	64,657		536,575	244,826
Real estate and construction		66,065	-		91,910	49,759
Public utility and services		1,799,729	-		1,009,103	152,740
Housing loans		1,210	-		1,508	478
Others		225,593	38,426		359,107	42,078
Total	2,306,247	2,766,231	103,083	1,910,549	2,024,168	567,099

(Unit: Thousand Baht)

Type of business	The Bank					
	31 December 2017			31 December 2016		
	General provision	Specific provision	Bad debt written –off	General provision	Specific provision	Bad debt written –off
Agriculture and mining		453	-		10,926	-
Manufacturing and commercial		487,051	64,657		411,852	2,173
Real estate and construction		47,977	-		77,158	-
Public utility and services		292,788	-		182,273	-
Housing loans		1,210	-		1,508	54
Others		1,559,065	2,068		1,437,310	2,891
Total	2,102,528	2,388,544	66,725	1,791,584	2,121,027	5,118

Changes in the general provision and specific provision for the loans including the accrued interest receivable^{1/} as of December 31, 2017 and 2016 were as follows:

(Unit: Thousand Baht)

Items	The Financial Group					
	31 December 2017			31 December 2016		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Beginning balance of year	1,910,549	2,024,168	3,934,717	2,395,132	1,655,505	4,050,637
Bad debt written off	-	(103,083)	(103,083)	-	(316,460)	(316,460)
Increase (decrease) in provision during the period	395,698	845,146	1,240,844	(484,583)	685,123	200,540
Ending balance of year	2,306,247	2,766,231	5,072,478	1,910,549	2,024,168	3,934,717

(Unit: Thousand Baht)

Items	The Bank					
	31 December 2017			31 December 2016		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Beginning balance of year	1,791,584	2,121,027	3,912,611	1,865,391	1,108,927	2,974,318
Bad debt written off	-	66,725	66,725	-	(5,118)	(5,118)
Increase (decrease) in provision during the period	310,944	200,792	511,736	(73,807)	1,017,218	943,411
Ending balance of year	2,102,528	2,388,544	4,491,072	1,791,584	2,121,027	3,912,611

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

The outstanding balance of financial statement equivalence items classified by the type of assets by Standardized Approach as of December 31, 2016 and 2015 were as follows:

		(Unit: Thousand Baht)		
		The Financial Group		
		31 December 2017		
Type of assets	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)		
		The Financial Group		
		31 December 2016		
Type of assets	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				
	7,796,349	-	7,796,349	
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions				
	24,539,312	1,940,605	26,479,917	
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates				
	128,989,486	36,936,147	165,925,633	
Claims in the Retails Portfolio				
	22,745,851	5,633	22,751,484	
Residential Mortgage Loans				
	13,339	-	13,339	
Other assets				
	4,197,527	-	4,197,527	
Non-performing loans				
	1,324,255	-	1,324,255	
Total	189,606,119	38,882,385	228,488,504	

(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

(Unit: Thousand Baht)

Type of assets	The Bank		
	31 December 2016		
	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	7,796,349	-	7,796,349
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	24,999,768	1,940,605	26,940,373
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	119,822,157	49,836,147	169,658,304
Claims in the Retails Portfolio	40,950	5,633	46,583
Residential Mortgage Loans	13,339	-	13,339
Other assets	7,495,630	-	7,495,630
Non-performing loans	898,099	-	898,099
Total	161,066,292	51,782,385	212,848,677

^{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 December 31, 2017 and 2016 as follows:

(Unit: Thousand Baht)

Type of Assets	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	

(Unit: Thousand Baht)

Type of Assets	The Financial Group											
	31 December 2016											
	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	20,336,143	-	-									
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,644,674	58,931,369	31,198	9,262,949								
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates.										109,770,313		
Claims in the Retails Portfolio									22,750,172	365		
Residential Mortgage Loans							13,135			-	203	
Other assets					1,919,416	2,270				1,941,405		560,637
Non-performing loans									10,829	755,966	557,460	

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

(Unit: Thousand Baht)

Type of Assets	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	

Type of Assets	The Bank											
	31 December 2016											
	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	20,336,143	-	-									
Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions	1,644,674	58,738,009	31,198	9,262,949								
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates										114,382,999		
Claims in the Retails Portfolio									45,270	365		
Residential Mortgage Loans							13,135		-	203		
Other assets					1,249,490	2,270				5,938,996		304,875
Non-performing loans									-	340,639	57,460	

^{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. Polycs 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 ECAs 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 ECAs 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, 2017 and 2016 as follows:

		(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 Financial Group	
		31 December 2016	
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		2,900,237	9,622,784
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates		2,486,498	53,668,823
Claims in the Retails Portfolio		947	-
Residential Mortgage Loans		-	-
Other assets		-	-
Non-performing loans		-	-
Total		5,387,682	63,291,607

(Unit: Thousand Baht)

		The Bank	
		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		3,583,779	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

(Unit :Thousand Baht)

Type of Assets	The Bank	
	31 December 2016	
	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	2,900,237	9,622,784
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates	2,260,297	53,668,823
Claims in the Retails Portfolio	947	-
Residential Mortgage Loans	-	-
Other assets	-	-
Non-performing loans	-	-
Total	5,161,481	63,291,607

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 December 31, 2017 and 2016 were as follows:

(Unit: Thousand Baht)

Market Risk Capital Requirement	The Financial Group		The Bank	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Interest Rate Risk	1,149	1,641	1,149	35,861
Equity Price Risk	-	-	-	-
Foreign Exchange Risk	8,914	11,595	8,761	266,913
Commodity Price Risk	-	-	-	-
Market risk capital requirement (BIS 8%)	10,063	13,236	9,910	302,774
Market risk capital requirement (BIS 8.5%)	10,692	14,063	10,529	321,697

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 December 31, 2017 and 2016 as follows:

Equity position	(Unit: Thousand Baht)	
	The Financial Group	
	31 December 2017	31 December 2016
1. Equity related position		
1.1 Equity listed in the Stock Exchange of Thailand:-		
• Historical Cost	119,033	118,542
• Market Values	272,738	360,973
1.2 Other equity values	670,510	651,942
2. Gain (Loss) from selling of the equity in this period	(142)	(75)
3. Gain (Loss) from marking to market of the Available-for-Sale equity	158,830	123,030
4. Minimum capital requirement under Standardized Approach	80,176	86,098

(Unit: Thousand Baht)

Equity position	The Bank	
	31 December 2017	31 December 2016
1. Equity related position		
1.1 Equity listed in the Stock Exchange of Thailand :-		
• Historical Cost	119,033	118,542
• Market Values	272,738	360,973
1.2 Other equity values	5,591,144	5,274,305
2. Gain (Loss) from selling of the equity in this period	(142)	(75)
3. Gain (Loss) from marking to market of the Available-for-Sale equity	158,830	123,030
4. Minimum capital requirement under Standardized Approach	498,430	478,999

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 2017 and 2016 were as follows:

(Unit : Thousand Baht)

The Financial Group

Currency	Year end 2017		Year end 2016	
	+1.00%	-1.00%	+1.00%	-1.00%
Thai Baht	136,677	-136,677	165,677	-165,717
US Dollar	-265,027	265,027	-170,122	170,122
CNY	-7,379	7,379	-9,738	9,738
EUR	-3,400	3,400	504	-504
JPY	89	-89	110	-110
GBP	-35	35	-36	36
OTHER	-12	12	-5	5
Total impact of the change in interest rate	-139,087	139,087	-13,571	13,571
Expected net interest income in the next year	4,699,194		4,403,532	
% of the expected net interest income in the next year	-2.96%	2.96%	-0.31%	0.31%
% of current capital funds	-0.49%	0.49%	-0.05%	0.05%

(Unit : Thousand Baht)

The Bank

Currency	Year end 2017		Year end 2016	
	+1.00%	-1.00%	+1.00%	-1.00%
Thai Baht	118,172	-118,172	197,818	-197,818
US Dollar	-231,145	231,145	-162,263	162,263
CNY	-7,384	7,384	-9,741	9,741
EUR	-4,754	4,754	510	-510
JPY	89	-89	109	-109
GBP	-35	35	-35	35
OTHER	-12	12	-5	5
Total impact of the change in interest rate	-125,069	125,069	26,393	-26,393
Expected net interest income in the next year	3,139,970		2,861,930	
% of the expected net interest income in the next year	-3.98%	3.98%	0.92%	-0.92%
% of current capital funds	-0.44%	0.44%	0.10%	-0.10%