

**Capital Requirement Disclosures**

**Basel III Pillar III**

**For the half year ended 30 June 2019**

## Scope of Information Disclosure

According to the Bank of Thailand's guideline in the supervision of capital for commercial banks based on Basel III enforced at full consolidation, the financial group is required to maintain the minimum capital requirement corresponding to more complicated risk assessment methods for better risk measurement and embracing other relevant aspects of the financial group's encountered risks. The Financial Group is required to disclose both quantitative and qualitative data. Regarding quantitative disclosure, the data as of 30 June 2018 and the latest disclosure of the financial group shall be compared. The financial group's Solo Consolidation and Full Consolidation comprise of:

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

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

## Capital structure

The Financial Group and the Bank's capital as of 30 June 2019 and as of 31 December 2018 are composed of the following data.

(Unit: Thousand Baht)

<b>The Financial Group</b>		
	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>Tier 1 Capital</b>	<b>28,613,104</b>	<b>28,016,061</b>
<b>Common Equity Tier 1 (CET1)</b>		
Paid-up share capital	20,081,600	20,132,094
Legal reserve	1,100,000	1,100,000
Retained earning after appropriations	8,369,496	7,817,944
Other comprehensive income	255,156	104,498
Other owner changes items	(24,849)	(24,849)
<u>Less</u> deductible items on Common Equity Tier 1	(1,168,299)	(1,113,626)
<b>Total Common Equity Tier 1 (CET1)</b>	<b>28,613,104</b>	<b>28,016,061</b>
<b>Tier 2 Capital</b>		
Subordinated debentures	5,000,000	5,000,000
Reserve for assets classified as "Pass"	2,694,204	2,504,452
<b>Total Tier 2 Capital</b>	<b>7,694,204</b>	<b>7,504,452</b>
<b>Total Capital Funds of the Financial Group</b>	<b>36,307,308</b>	<b>35,520,513</b>

(Unit: Thousand Baht)

<b>The Bank</b>		
	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>Tier 1 Capital</b>	<b>28,022,434</b>	<b>28,268,044</b>
<b>Common Equity Tier 1 (CET1)</b>		
Paid-up share capital	20,081,600	20,132,094
Legal reserve	1,100,000	1,100,000
Retained earning after appropriations	7,031,475	6,675,852
Other comprehensive income	254,946	105,580
<u>Less deductible items on Common Equity Tier 1</u>	<u>(445,587)</u>	<u>(519,230)</u>
<b>Total Common Equity Tier 1 (CET1)</b>	<b>28,022,434</b>	<b>27,494,296</b>
<b>Tier 2 Capital</b>		
Subordinated debentures	5,000,000	5,000,000
Reserve for assets classified as “Pass”	2,284,219	2,263,281
<b>Total Tier 2 Capital</b>	<b>7,284,219</b>	<b>7,263,281</b>
<b>Total Capital Funds of the Bank</b>	<b>35,306,653</b>	<b>34,757,577</b>

## Capital Adequacy

According to the Bank of Thailand’s guideline in supervision of capital requiring commercial banks shall maintain the capital in Common Equity Tier 1 to proportion to the credit, market and operational risk weighted assets of at least 8.5%.

Moreover the commercial banks shall have gradually increased the capital of 0.625% per year until 2.5% during the year 2016 to 2019 for the conservation buffer.

The financial Group shall establish the policy to maintain the regulatory capital in compliance with the methodologies and conditions as specified by the Bank of Thailand. To assess the capital adequacy for different types of risk, the financial Group utilizes the approaches corresponding to complexity of transactions and size of the financial Group as follows.

- |                    |                          |
|--------------------|--------------------------|
| ● Credit Risk      | Standardized Approach    |
| ● Market Risk      | Standardized Approach    |
| ● Operational Risk | Basic Indicator Approach |

Besides, the financial Group has the capital adequacy assessment so as to comply with the Bank of Thailand’s guideline in supervision of capital for the financial Group.

## The minimum capital requirement

According to the Basel III guideline in supervision of capital, which the financial Group and the Bank provided the report as of 30 June 2019 following Basel III guideline and as of 31 December 2018 and to maintain the capital corresponding to each type of risk .

## 1. Credit risk capital requirement

Based on the Standardized Approach, the minimum capital requirements classified by type of assets with the data as of 30 June 2019 and as of 31 December 2018 were as follows.

(Unit: Thousand Baht)

<b>The Financial Group</b>		
<b>Minimum Credit Risk Capital Requirement</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>Performing Loans</b>		
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
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities		
(PSEs) which are treated as Claims on Financial Institutions	3,014,068	2,979,489
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates		
	12,628,433	12,097,668
Claims in the Regulatory Retails Portfolio	2,415,487	1,587,373
Residential Mortgage Loans	204	236
Other assets	200,416	280,144
<b>Non-performing Loans</b>	61,976	84,231
<b>Total Credit Risk Capital Requirement</b>	<b>18,320,584</b>	<b>17,030,273</b>

(Unit: Thousand Baht)

<b>The Bank</b>		
<b>Minimum Credit Risk Capital Requirement</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>Performing Loans</b>		
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
Claims on Financial Institutions and claims on Non- central Government Public Sector Entities		
(PSEs) which are treated as Claims on Financial Institutions	3,002,777	2,968,907
Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates		
	11,989,973	11,825,732
Claims in the Regulatory Retails Portfolio	11,392	10,360
Residential Mortgage Loans	204	236
Other assets	511,180	539,342
<b>Non-performing Loans</b>	17,168	44,605
<b>Total Credit Risk Capital Requirement</b>	<b>15,532,694</b>	<b>15,390,314</b>

## 2. Market Risk Capital Requirement

For the Trading Book, the financial Group and the Bank use the Standardized Approach for capital calculation. The market risk capital requirement for the Financial Group and the Bank as of 30 June 2019 and 31 December 2018 as follows.

(Unit : Thousand Baht)

	30 June 2019		31 December 2018	
	The Financial Group	The Bank	The Financial Group	The Bank
Capital Requirement				
Market Risk Capital Requirement	12,888	12,888	19,510	19,832

## 3. Operational Risk Capital Requirement

The Financial Group and the Bank use the Basic Indicator Approach for capital requirement calculation. The capital required for operational risk of the Financial Group and the bank as of 30 June 2019 and as of 31 December 2018 as follows.

(Unit : Thousand Baht)

	30 June 2019		31 December 2018	
	The Financial Group	The Bank	The Financial Group	The Bank
Capital Requirement				
Operational Risk Capital Requirement	811,086	542,923	820,121	552,244

## 4. Capital Adequacy Ratio

The Financial Group and the Bank calculated risk weight assets under Basel III guideline for 3 types of risk, The Capital Adequacy Ratio were as follows:

(Unit: Percent)

Capital Adequacy Ratio	The Financial Group		BOT Requirement	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Tier 1 capital to risk assets	12.7	13.3	8.50	7.875
Common Equity Tier 1 to risk assets	12.7	13.3	7.00	6.375
Tier 2 capital to risk assets	3.4	3.6	-	-
Total capital to risk assets	16.1	16.9	11.00	10.375

(Unit: Percent)

Capital Adequacy Ratio	The Bank		BOT Requirement	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Tier 1 capital to risk assets	14.8	14.6	8.50	7.875
Common Equity Tier 1 to risk assets	14.8	14.6	7.00	6.375
Tier 2 capital to risk assets	3.8	3.9	-	-
Total capital to risk assets	18.6	18.5	11.00	10.375

## Reconciliation of Regulatory Capital and Financial Statement under Consolidated Supervision

### The Financial Group Capital

(Unit : Thousand Baht)

References base on Statement of

Financial Position under the

consolidated supervision

Items	30 June 2019	31 December 2018	
<b>Tier-1 Capital</b>			
<b>Common Equity Tier 1 (CET1)</b>			
Paid-up share capital	20,081,600	20,132,094	A
Legal reserve	1,100,000	1,100,000	B
Retained earnings after appropriations	8,369,496	7,817,944	C
Other comprehensive income	255,156	104,498	D
Other owner changes items	(24,849)	(24,849)	E
<u>Less deductible items on Common Equity Tier 1</u>	<u>(1,168,299)</u>	<u>(1,113,626)</u>	F
<b>Total Common Equity Tier 1 (CET1)</b>	<b>28,613,104</b>	<b>26,016,061</b>	
<b>Tier-2 Capital</b>			
Subordinated debentures	5,000,000	5,000,000	G
Reserve for assets classified as “Pass”	2,694,204	2,504,452	H
<b>Total Tier-2 Capital</b>	<b>7,694,204</b>	<b>7,504,452</b>	
<b>Total Capital Funds</b>	<b>36,307,308</b>	<b>35,520,513</b>	

### Statement of financial position under consolidated supervision

(Unit : Thousand Baht)

References base on Statement

of Financial Position under

the consolidated supervision

Items	30 June 2019	31 December 2018	
<b>Assets</b>			
Cash	399,073	440,283	
Interbank and money market items, net	20,100,621	11,712,578	
Derivative assets	397,062	284,525	
Investments, net	71,267,384	74,178,297	
Investments in a subsidiary and an associate, net	-	568,548	
Loans to customers and accrued interest receivables, net			
Loans to customers	156,897,168	151,470,612	
Accrued interest receivables	345,970	285,218	
<b>Total loans to customers and accrued interest receivables</b>	<b>157,243,138</b>	<b>151,755,830</b>	
<i>Less deferred revenue</i>	<i>(5,600,369)</i>	<i>(5,416,120)</i>	
<i>Less allowance for doubtful accounts</i>	<i>(7,962,565)</i>	<i>(8,060,704)</i>	
<i>Qualified as capital</i>	<i>2,694,204</i>	<i>2,504,452</i>	H
<i>Less revaluation allowance for debt restructuring</i>	<i>(14,832)</i>	<i>(24,526)</i>	
<b>Total loans to customers and accrued interest receivables, net</b>	<b>143,665,372</b>	<b>138,254,480</b>	

Items	30 June 2019	31 December 2018	
Properties foreclosed, net	683,422	681,810	
Premises and equipment, net	143,901	150,757	
Intangible assets, net	33,577	36,261	F
Leasehold right, net	117,184	122,463	
Deferred tax assets, net	1,134,722	1,077,364	F
Accrued income, net	590,779	635,970	
Receivables on credit support for derivative contracts	312,418	616	
Other receivables, net	695,333	639,790	
Other assets, net	41,415	42,500	
<b>Total assets</b>	<b>239,582,263</b>	<b>228,826,242</b>	
<b>Liabilities</b>			
Deposits	110,809,602	102,139,499	
Interbank and money market items	60,652,362	61,542,069	
Liabilities payable on demand	43,987	119,157	
Derivative liabilities	299,114	312,553	
Debt issued and borrowings	34,022,157	32,036,912	
<i>Qualified as capital</i>	5,000,000	5,000,000	G
Employee benefit obligations	278,859	235,866	
Accrued interest payables	997,008	982,464	
Payable on credit support for derivative contracts	-	1,623	
Other liabilities	1,723,499	1,782,888	
<b>Total liabilities</b>	<b>208,826,588</b>	<b>199,153,031</b>	
<b>Equity</b>			
Authorised share capital and Issued and paid-up share capital			
Non-cumulative preference shares	4,024	4,024	A
ordinary shares	20,128,070	20,128,070	A
Treasury shares	(50,494)	-	A
Deference arising from business combination under common cor	(24,849)	(24,849)	E
<i>Other components of equity</i>	255,156	104,498	D
Retained earnings			
Appropriated - Legal reserve	1,100,000	1,100,000	B
Unappropriated	9,343,768	8,361,468	
<i>Qualified as capital</i>	8,369,496	7,817,944	C
Total equity	30,755,675	29,673,211	
<b>Total liabilities and equity</b>	<b>239,582,263</b>	<b>228,826,242</b>	

*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"> <li>1. After the lapse of 5 years from the issue date or.</li> <li>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.</li> <li>3. If the Subordinate Instruments are fully excluded from Tier 2 capital as a result of the change in the applicable regulations or.</li> <li>4. Any other event as permitted by the BOT after the Issue Date or.</li> </ol>
16	Subsequent call dates, if applicable	After 23 March 2022, issuer may early withdraw before maturity date.



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

**Liquidity Coverage Ratio Disclosure**

**For the half year ended 30 June 2019**

## 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 2/2019	Quarter 2/ 2018
	<i>(average)</i>	
<b>(1) Total high-quality liquid assets (HQLA)</b>	<b>37,591</b>	<b>36,992</b>
<b>(2) Total net cash outflows within the 30-day period</b>	<b>23,263</b>	<b>33,203</b>
<b>(3) LCR (%)</b>	<b>162%</b>	<b>111%</b>
<i>Minimum LCR as specified by the Bank of Thailand (%)</i>	90%	80%

### 2. LCR of the preceding quarters (for comparison)

**Unit: %**

	2019	2018
	<i>(average)</i>	
<b>Quarter 1</b>	<b>123%</b>	<b>116%</b>
<b>Quarter 2</b>	<b>162%</b>	<b>111%</b>

As of Quarter 2, 2019, The average LCR was 162 % which was higher than the minimum requirement set by the Bank of Thailand at 90%. It was calculated from the average LCR of end of April, May and June 2019 at 155%, 163% and 167% respectively. The LCR is calculated by using 2 factors.

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

As of Quarter 2, 2019, The average HQLA was 37,591 million Baht (85% of Level 1 assets such as Government bond and cash) by calculating from average HQLA as of end of April, May and June 2019.

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

As of Quarter 2, 2019, the average net cash outflows within the 30-day period was 23,263 million Baht by calculating from average cash outflows as of end of April, May and June 2019. Average cash outflows under the severe liquidity stress scenarios are the deposits and borrowings run-off of customers by using the run-off rates set by the Bank of Thailand, meanwhile, most of the average cash inflows was from the loan repayments from high-quality customers and from the matured debenture by using the inflow rate set by the Bank of Thailand.

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