



Capital Requirement Disclosures

Basel III _ Pillar III

For the year ended 31 December 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 qualitative disclosure, the data as of 31 December 2019 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 2019 and as of 30 June 2019 are composed of the following data.

(Unit: Thousand Baht)

| | <u>31 December 2019</u> | <u>30 June 2019</u> |
|--|--------------------------|--------------------------|
| The Financial Group | | |
| Tier-1 Capital | | |
| Common Equity Tier 1 (CET1) | | |
| Paid-up share capital | 20,081,600 | 20,081,600 |
| Legal reserve | 1,600,000 | 1,100,000 |
| Retained earnings after appropriations | 9,337,444 | 8,369,496 |
| Other comprehensive income | 335,264 | 255,156 |
| Other owner changes items | (24,849) | (24,849) |
| <u>Less deductible items on Common Equity Tier 1</u> | <u>(1,192,016)</u> | <u>(1,168,299)</u> |
| Total Common Equity Tier 1 (CET1) | <u>30,137,443</u> | <u>28,613,104</u> |
| Tier-2 Capital | | |
| Subordinated debentures | 5,000,000 | 5,000,000 |
| Reserve for assets classified as "Pass" | 2,656,076 | 2,694,204 |
| Total Tier-2 Capital | <u>7,656,076</u> | <u>7,694,204</u> |
| Total Capital Funds of the Financial Group | <u>37,793,519</u> | <u>36,307,308</u> |

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 2019 and as of 30 June 2019 were as follows:

(Unit: Thousand Baht)

| The Financial Group | | <u>31 December 2019</u> | <u>30 June 2019</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, | | - | - |
| Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions. | | 2,893,177 | 3,014,068 |
| Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates. | | 12,863,895 | 12,628,433 |
| Claims in the Retails Portfolio | | 2,067,536 | 2,415,487 |
| Residential Mortgage Loans | | 469 | 204 |
| Other assets | | 178,298 | 200,416 |
| Non-performing Loans | | <u>57,944</u> | <u>61,976</u> |
| Total Credit Risk Capital Requirement of The Financial Group | | <u>18,061,319</u> | <u>18,320,584</u> |

(Unit: Thousand Baht)

| The Bank | | <u>31 December 2019</u> | <u>30 June 2019</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 | | - | - |
| Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions | | 2,887,347 | 3,002,777 |
| Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates | | 12,205,042 | 11,989,973 |
| Claims in the Retails Portfolio | | 25,999 | 11,392 |
| Residential Mortgage Loans | | 469 | 204 |
| Other assets | | 474,821 | 511,180 |
| Non-performing Loans | | <u>16,553</u> | <u>17,168</u> |
| Total Credit Risk Capital Requirement of The Bank | | <u>15,610,231</u> | <u>15,532,694</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 2019 and 30 June 2019 as follows.

(Unit : Thousand Baht)

| | 31 December 2019 | | 30 June 2019 | |
|---------------------------------|---------------------|----------|---------------------|----------|
| | The Financial Group | The Bank | The Financial Group | The Bank |
| Capital Requirement | | | | |
| Market Risk Capital Requirement | 22,275 | 22,275 | 12,888 | 12,888 |

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 2019 and as of 30 June 2019 as follows.

(Unit :Thousand Baht)

| | 31 December 2019 | | 30 June 2019 | |
|--------------------------------------|---------------------|----------|---------------------|----------|
| | The financial group | The bank | The financial group | The bank |
| Minimum Capital Requirement | | | | |
| Operational Risk Capital Requirement | 811,132 | 541,773 | 811,086 | 542,923 |

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 2019 | 30 June 2019 | 31 December 2019 | 30 June 2019 |
| Tier 1 capital to risk assets | 13.6 | 12.7 | 8.50 | 8.50 |
| Common Equity Tier 1 to risk assets | 13.6 | 12.7 | 7.00 | 7.00 |
| Tier 2 capital to risk assets | 3.4 | 3.4 | - | - |
| Total capital to risk assets | 17.0 | 16.1 | 11.00 | 11.00 |

(Unit: Percent)

| Capital Adequacy Ratio | The Bank | | BOT Requirement | |
|-------------------------------------|------------------|--------------|------------------|--------------|
| | 31 December 2019 | 30 June 2019 | 31 December 2019 | 30 June 2019 |
| Tier 1 capital to risk assets | 15.5 | 14.8 | 8.50 | 8.50 |
| Common Equity Tier 1 to risk assets | 15.5 | 14.8 | 7.00 | 7.00 |
| Tier 2 capital to risk assets | 3.8 | 3.8 | - | - |
| Total capital to risk assets | 19.3 | 18.6 | 11.00 | 11.00 |

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 2019 | 30 June 2019 | |
|---|---------------------|-------------------|---|
| Tier-1 Capital | | | |
| Common Equity Tier 1 (CET1) | | | |
| Paid-up share capital | 20,081,600 | 20,081,600 | A |
| Legal reserve | 1,600,000 | 1,100,000 | B |
| Retained earnings after appropriations | 9,337,444 | 8,369,496 | C |
| Other comprehensive income | 335,264 | 255,156 | D |
| Other owner changes items | (24,849) | (24,849) | E |
| Less deductible items on Common Equity Tier 1 | (1,192,016) | (1,168,299) | F |
| Total Common Equity Tier 1 (CET1) | 30,137,443 | 26,613,104 | |
| Tier-2 Capital | | | |
| Subordinated debentures | 5,000,000 | 5,000,000 | G |
| Reserve for assets classified as "Pass" | 2,656,076 | 2,694,204 | H |
| Total Tier-2 Capital | 7,656,076 | 7,694,204 | |
| Total Capital Funds | 37,793,519 | 36,307,308 | |

Statement of financial position under consolidated supervision

(Unit : Thousand Baht)

 References base on Statement
of Financial Position under
the consolidated supervision

| Items | 30 December 2019 | 30 June 2019 | |
|--|---------------------|------------------|----------|
| Assets | | | |
| Cash | 458,708 | 399,073 | |
| Interbank and money market items, net | 26,284,903 | 20,100,621 | |
| Derivative assets | 230,149 | 397,062 | |
| Investments, net | 72,119,464 | 71,267,384 | |
| Loans to customers and accrued interest receivables, net | | | |
| Loans to customers | 162,092,832 | 156,897,168 | |
| Accrued interest receivables | 338,097 | 345,970 | |
| Total loans to customers and accrued interest receivables | 162,430,929 | 157,243,138 | |
| Less deferred revenue | (6,279,223) | (5,600,369) | |
| Less allowance for doubtful accounts | (7,067,111) | (7,962,565) | |
| <i>Qualified as capital</i> | 2,656,076 | 2,694,204 | H |
| Less revaluation allowance for debt restructuring | (18) | (14,832) | |
| Total loans to customers and accrued interest receivables, net | 149,084,577 | 143,665,372 | |

| Items | 30 December | 30 June | References base on Statement of Financial Position under the consolidated supervision |
|--|--------------------|--------------------|---|
| | 2019 | 2019 | |
| Properties foreclosed, net | 266,208 | 683,422 | |
| Premises and equipment, net | 171,760 | 143,901 | |
| <i>Intangible assets, net</i> | 33,072 | 33,577 | F |
| Leasehold right, net | 111,818 | 117,184 | |
| <i>Deferred tax assets, net</i> | 1,158,943 | 1,134,722 | F |
| Accrued income, net | 614,798 | 590,779 | |
| Receivables on credit support for derivative contracts | 387,600 | 312,418 | |
| Other receivables, net | 766,726 | 695,333 | |
| Other assets, net | 42,342 | 41,415 | |
| Total assets | 251,731,068 | 239,582,263 | |
| Liabilities | | | |
| Deposits | 129,820,245 | 110,809,602 | |
| Interbank and money market items | 48,767,850 | 60,652,362 | |
| Liabilities payable on demand | 35,101 | 43,987 | |
| Derivative liabilities | 458,904 | 299,114 | |
| Debt issued and borrowings | 37,247,949 | 34,022,157 | |
| <i>Qualified as capital</i> | 5,000,000 | 5,000,000 | G |
| Employee benefit obligations | 302,673 | 278,859 | |
| Accrued interest payables | 1,078,337 | 997,008 | |
| Other liabilities | 2,019,801 | 1,723,499 | |
| Total liabilities | 219,730,890 | 208,826,588 | |
| Equity | | | |
| Share capital | | | |
| Issued and paid-up share capital | | | |
| <i>Non-cumulative preference shares</i> | 4,024 | 4,024 | A |
| <i>Ordinary shares</i> | 20,128,070 | 20,128,070 | A |
| <i>Treasury shares</i> | (50,494) | (50,494) | A |
| <i>Difference arising from business combination under common control</i> | (24,849) | (24,849) | E |
| <i>Other components of equity</i> | 335,264 | 255,156 | D |
| Retained earnings | | | |
| <i>Appropriated - Legal reserve</i> | 1,600,000 | 1,100,000 | B |
| Unappropriated | 10,008,163 | 9,343,768 | |
| <i>Qualified as capital</i> | 9,337,444 | 8,369,496 | C |
| Total equity | 32,000,178 | 30,755,675 | |
| Total liabilities and equity | 251,731,068 | 239,582,263 | |

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 2019 and 2018 as follows:

(Unit: Thousand Baht)

| Items | The Financial group | |
|---|---------------------|------------------|
| | 31 December 2019 | 31 December 2018 |
| On- Statements of financial position | | |
| Total Net loans ^{1/} | 178,088,496 | 152,781,631 |
| Net investment in debt securities ^{2/} | 71,820,724 | 73,974,513 |
| Deposits (including accrued interest receivables) | 2,358,175 | 2,395,805 |
| Off- Statements of financial position ^{3/} | | |
| Avals, Guarantee to loans and Letters of Credit | 1,283,722 | 1,135,565 |
| OTC derivatives | 74,972,921 | 78,677,372 |
| Undrawn committed lines | 4,228,042 | 1,720,381 |

(Unit: Thousand Baht)

| Items | The Bank | |
|---|------------------|------------------|
| | 31 December 2019 | 31 December 2018 |
| On- Statements of financial position | | |
| Total Net loans ^{1/} | 137,654,773 | 119,288,290 |
| Net investment in debt securities ^{2/} | 71,820,724 | 73,974,513 |
| Deposits (including accrued interest receivables) | 2,171,251 | 2,086,458 |
| Off- Statements of financial position ^{3/} | | |
| Avals, Guarantee to loans and Letters of Credit | 1,283,722 | 6,008,565 |
| OTC derivatives | 74,972,921 | 78,677,372 |
| Undrawn committed lines | 4,228,042 | 1,720,381 |

^{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 2019 and 2018 as follows:

(Unit: Thousand Baht)

| The Financial Group | | | | | | | | |
|-------------------------------------|-------------------------|---|---|--------------------|---|--|--------------------------------------|-------------------|
| 31 December 2019 | | | | | | | | |
| 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 | 150,955,972 | 49,400,695 | 1,262,920 | 201,619,587 | 375,188 | 43,344,567 | 2,601,733 | 47,531,456 |
| Asia Pacific Rim excluding Thailand | 20,100,888 | 11,705,544 | 1,082,209 | 32,888,641 | 886,531 | 31,628,354 | 351,696 | 32,866,581 |
| North America and Latin America | 2,925,865 | 10,714,485 | - | 13,640,350 | - | - | 966,239 | 966,239 |
| Africa and Middle East | 2,781,156 | - | - | 2,781,156 | 4,085 | - | 308,374 | 312,459 |
| Europe | 1,324,615 | - | 13,046 | 1,337,661 | 17,918 | - | - | 17,918 |
| Total | 178,088,496 | 71,820,724 | 2,358,175 | 252,267,395 | 1,283,722 | 74,972,921 | 4,228,042 | 81,694,653 |

(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 Bank | | | | | | | | |
|-------------------------------------|-------------------------|---|---|--------------------|---|--|--------------------------------------|-------------------|
| 31 December 2019 | | | | | | | | |
| 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 | 107,467,405 | 49,400,695 | 1,180,027 | 158,048,127 | 375,188 | 43,344,567 | 2,601,733 | 47,561,455 |
| Asia Pacific Rim excluding Thailand | 20,025,214 | 11,705,544 | 978,179 | 32,708,937 | 886,531 | 31,628,354 | 351,696 | 32,866,581 |
| North America and Latin America | 2,925,865 | 10,714,485 | - | 13,640,350 | - | - | 966,239 | 966,239 |
| Africa and Middle East | 2,777,109 | - | - | 2,777,109 | 4,085 | - | 308,375 | 312,460 |
| Europe | 4,459,180 | - | 13,045 | 4,472,225 | 17,918 | - | - | 17,918 |
| Total | 137,654,773 | 71,820,724 | 2,171,251 | 211,646,748 | 1,283,722 | 74,972,921 | 4,228,042 | 81,724,653 |

^{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 2018 | | | | | | | |
| | 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)

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 2019 and 2018 as follows:

(Unit: Thousand Baht)

| Items | The Financial Group | | |
|---|---------------------|-------------|-------------|
| | 31 December 2019 | | |
| | Up to 1 year | Over 1 year | Total |
| On-Statements of financial position | | | |
| Total Net loans ^{1/} | 56,096,887 | 121,991,609 | 178,084,496 |
| Net investment in debt securities ^{2/} | 36,526,763 | 35,293,961 | 71,820,724 |
| Deposit (including accrued interest receivables) | 2,358,175 | - | 2,358,175 |
| Off- Statements of financial position ^{3/} | | | |
| Avals, Guarantees to loans and Letters of Credit | 293,713 | 990,009 | 1,283,722 |
| Over-the-counter derivatives | 38,425,077 | 36,547,844 | 74,972,921 |
| Undrawn committed line | 300,000 | 3,928,042 | 4,228,042 |

(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 |

^{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 2019 | | |
| | Up to 1 year | Over 1 year | Total |
| On- Statements of financial position | | | |
| Total Net loans ^{1/} | 56,052,028 | 81,602,745 | 137,654,773 |
| Net investment in debt securities ^{2/} | 36,526,763 | 35,293,961 | 71,820,724 |
| Deposit (including accrued interest receivables) | 2,171,250 | - | 2,171,250 |
| Off- Statements of financial position ^{3/} | | | |
| Avals, Guarantees to loans and Letters of Credit | 293,713 | 990,009 | 1,283,722 |
| Over-the-counter derivatives | 38,425,077 | 36,547,844 | 74,972,921 |
| Undrawn committed line | 300,000 | 3,928,042 | 4,228,042 |

(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 |

^{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 2019 and 2018 as follows:

(Unit: Thousand Baht)

| Customer's country of residence | The Financial group | | | | | | Investment in doubtful loss debt securities |
|-------------------------------------|--|--------------|----------|---------------|--------|-------------|---|
| | 31 December 2019 | | | | | | |
| | Loans and accrued interest receivables ^{1/} | | | | | Total | |
| Pass | Special Mentioned | Sub-standard | Doubtful | Doubtful Loss | | | |
| Thailand | 152,377,043 | 5,785,066 | 629,656 | 418,493 | 84,766 | 159,295,024 | - |
| Asia Pacific Rim excluding Thailand | 20,120,451 | 1,959 | 1,576 | 126 | - | 20,124,112 | - |
| North America and Latin America | 2,925,865 | - | - | - | - | 2,925,865 | - |
| Africa and Middle East | 2,780,856 | 776 | - | - | - | 2,781,632 | - |
| Europe | 1,325,798 | - | - | - | - | 1,325,798 | - |
| Total | 179,530,013 | 5,787,801 | 631,232 | 418,619 | 84,766 | 186,452,431 | - |

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

(Unit: Thousand Baht)

| The Financial group | | | | | | | |
|-------------------------------------|--|----------------------|------------------|----------------|------------------|--------------------|---|
| 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 | 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 Bank | | | | | | | |
|-------------------------------------|--|----------------------|---------------|----------------|------------------|--------------------|---|
| 31 December 2019 | | | | | | | |
| 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 | 107,174,804 | 244,526 | 45,876 | 130,015 | 82,765 | 107,677,986 | - |
| Asia Pacific Rim excluding Thailand | 20,039,369 | 94 | - | - | - | 20,039,463 | - |
| North America and Latin America | 2,925,866 | - | - | - | - | 2,925,866 | - |
| Africa and Middle East | 2,777,109 | - | - | - | - | 2,777,109 | - |
| Europe | 4,459,179 | - | - | - | - | 4,459,179 | - |
| Total | 137,376,327 | 244,620 | 45,876 | 130,015 | 82,765 | 137,879,603 | - |

^{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

General provision ,Specific provision and bad debt write-off loans including the interest receivable and the investments in debt instruments as of 31 December 2019 and 2018 are classified by country of borrowers as follows:

(Unit: Thousand Baht)

| Customer's country of residence | The Financial Group | | | |
|-------------------------------------|--|----------------------|------------------|--|
| | 31 December 2019 | | | |
| | Loans and accrued interest receivables ^{1/} | | | Specific provision for investment in debt securities |
| General provision | Specific provision | Bad debt written-off | | |
| Thailand | | 4,490,594 | 1,051,552 | 18,104 |
| Asia Pacific Rim excluding Thailand | | 722 | 304 | - |
| North America and Latin America | | - | - | - |
| Africa and Middle East | | 76 | - | - |
| Europe | | - | - | - |
| Total | 2,656,076 | 4,491,392 | 1,051,856 | 18,104 |

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

(Unit: Thousand Baht)

| Customer's country of residence | The Financial Group | | | |
|-------------------------------------|--|----------------------|----------------|--|
| | 31 December 2018 | | | |
| | Loans and accrued interest receivables ^{1/} | | | Specific provision for investment in debt securities |
| General provision | Specific provision | Bad debt written-off | | |
| 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 |

^{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 2019 | | | | |
| Customer's country of residence | Loans and accrued interest receivables ^{1/} | | | Specific provision for investment in debt securities |
| | General provision | Specific provision | Bad debt written-off | |
| Thailand | | 1,052,992 | 364,594 | 18,104 |
| Asia Pacific Rim excluding Thailand | | 34 | 304 | - |
| North America and Latin America | | - | - | - |
| Africa and Middle East | | - | - | - |
| Europe | | - | - | - |
| Total | 2,295,622 | 1,053,026 | 364,898 | 18,104 |

^{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 2018 | | | | |
| Customer's country of residence | Loans and accrued interest receivables ^{1/} | | | Specific provision for investment in debt securities |
| | General provision | Specific provision | Bad debt written-off | |
| 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

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 2019 and 2018 as follows:

(Unit: Thousand Baht)

| The Financial Group | | | | | | |
|------------------------------|------------------------|-------------------|----------------|----------------|------------------|--------------------|
| 31 December 2019 | | | | | | |
| Type of business | Pass | Special Mentioned | Sub-standard | Doubtful | Doubtful of loss | Total |
| | Agriculture and mining | 3,189,979 | 112,576 | 23,554 | 9,787 | - |
| Manufacturing and commerce | 49,115,173 | 1,093,885 | 178,532 | 107,712 | 20,691 | 50,515,993 |
| Real estate and construction | 20,726,962 | 195,674 | 77,322 | 33,136 | 42,378 | 21,075,472 |
| Public utility and services | 45,295,027 | 3,138,830 | 88,346 | 151,586 | 20,686 | 48,694,475 |
| Housing loans | 14,466 | 2,189 | 588 | - | - | 17,243 |
| Others | 61,188,406 | 1,244,647 | 262,890 | 116,398 | 1,011 | 62,813,352 |
| Total | 179,530,013 | 5,787,801 | 631,232 | 418,619 | 84,766 | 186,452,431 |

(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 Bank | | | | | | |
|------------------------------|--------------------|----------------------|---------------|----------------|------------------|--------------------|
| 31 December 2019 | | | | | | |
| Type of business | Pass | Special Mentioned | Sub-standard | Doubtful | Doubtful of loss | Total |
| Agriculture and mining | 1,833,788 | 1,311 | - | - | - | 1,835,099 |
| Manufacturing and commerce | 35,105,454 | 184,821 | - | 7,719 | 20,000 | 35,317,994 |
| Real estate and construction | 18,725,092 | 33,926 | 43,327 | 16,961 | 42,378 | 18,861,684 |
| Public utility and services | 29,390,550 | 21,401 | - | 105,294 | 20,327 | 29,537,572 |
| Housing loans | 14,466 | 2,189 | 588 | - | - | 17,243 |
| Others | 52,306,977 | 972 | 1,961 | 41 | 60 | 52,310,011 |
| Total | 137,376,327 | 244,620 | 45,876 | 130,015 | 82,765 | 137,879,603 |

(Unit: Thousand Baht)

| The Bank | | | | | | |
|------------------------------|--------------------|----------------------|---------------|----------------|------------------|--------------------|
| 31 December 2018 | | | | | | |
| Type of business | Pass | Special Mentioned | Sub-standard | Doubtful | Doubtful of loss | Total |
| 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 |

General provision, Specific provision and bad debt write-off loan including the accrued interest receivable are classified by the type of businesses of the borrowers as of 31 December 2019 and 2018 as follows:

(Unit: Thousand Baht)

| Type of business | The Financial Group | | | | | |
|------------------------------|---------------------------------|--------------------|-----------------------|-------------------|--------------------|-----------------------|
| | 31 December 2019 | | | 31 December 2018 | | |
| | General Provision ^{1/} | Specific provision | Bad debt written –off | General provision | Specific provision | Bad debt written –off |
| Agriculture and mining | | 21,225 | 7,509 | | 12,840 | 8,534 |
| Manufacturing and commercial | | 290,147 | 223,991 | | 373,217 | 123,844 |
| Real estate and construction | | 52,565 | 14,828 | | 244,418 | 16,394 |
| Public utility and services | | 1,466,545 | 790,892 | | 2,107,018 | 42,735 |
| Housing loans | | 788 | - | | 1,012 | - |
| Others | | 2,660,122 | 14,636 | | 2,899,491 | 8,293 |
| Total | 2,656,076 | 4,491,392 | 1,051,856 | 2,504,452 | 5,637,996 | 199,800 |

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

(Unit: Thousand Baht)

| Type of business | The Bank | | | | | |
|------------------------------|---------------------------------|--------------------|-----------------------|---------------------------------|--------------------|-----------------------|
| | 31 December 2019 | | | 31 December 2018 | | |
| | General provision ^{1/} | Specific provision | Bad debt written –off | General provision ^{1/} | Specific provision | Bad debt written –off |
| Agriculture and mining | | 393 | - | | 425 | - |
| Manufacturing and commercial | | 70,820 | 140,828 | | 246,754 | 39,628 |
| Real estate and construction | | 19,903 | - | | 222,611 | - |
| Public utility and services | | 111,757 | 219,884 | | 338,782 | 43 |
| Housing loans | | 788 | - | | 1,012 | - |
| Others | | 849,365 | 4,186 | | 1,114,849 | 3,641 |
| Total | 2,295,622 | 1,053,026 | 364,898 | 2,263,281 | 1,924,433 | 43,312 |

^{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 31 December 2019 and 2018 were as follows:

(Unit: Thousand Baht)

| Items | The Financial Group | | | | | |
|--|---------------------|--------------------|------------------|-------------------|--------------------|------------------|
| | 31 December 2019 | | | 31 December 2018 | | |
| | General provision | Specific provision | Total | General provision | Specific provision | Total |
| Beginning balance of year | 2,504,452 | 5,637,996 | 8,142,448 | 2,306,247 | 2,766,231 | 5,072,478 |
| Bad debt written off | - | (1,051,856) | (1,051,856) | - | (199,800) | (199,800) |
| Increase (decrease) in provision during the period | 151,624 | (94,748) | 56,876 | 198,205 | 3,071,565 | 3,269,770 |
| Ending balance of year | 2,656,076 | 4,491,392 | 7,147,468 | 2,504,452 | 5,637,996 | 8,142,448 |

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

(Unit: Thousand Baht)

| Items | The Bank | | | | | |
|--|-------------------|--------------------|-----------|-------------------|--------------------|-----------|
| | 31 December 2019 | | | 31 December 2018 | | |
| | General provision | Specific provision | Total | General provision | Specific provision | Total |
| Beginning balance of year | 2,263,281 | 1,924,433 | 4,187,714 | 2,102,528 | 2,388,544 | 4,491,072 |
| Bad debt written off | - | (364,895) | (364,895) | - | (43,312) | (43,312) |
| Increase (decrease) in provision during the period | 32,341 | (506,509) | (474,168) | 160,753 | (420,799) | (260,046) |
| Ending balance of year | 2,295,622 | 1,053,026 | 3,348,648 | 2,263,281 | 1,924,433 | 4,187,714 |

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

The outstanding balance classified by Standardized Approach as of 31 December 2019 and 2018 were as follows:

(Unit: Thousand Baht)

| Type of assets | The Financial Group | | |
|---|------------------------------------|--|-------------|
| | 31 December 2019 | | |
| | 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 | 23,960,251 | - | 23,960,251 |
| Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions | 35,891,659 | 4,457,908 | 40,349,567 |
| Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates | 160,176,390 | 34,501,718 | 194,678,108 |
| Claims in the Retails Portfolio | 32,142,291 | 291,921 | 32,434,212 |
| Residential Mortgage Loans | 15,677 | - | 15,677 |
| Other assets | 3,993,503 | - | 3,993,503 |
| Non-performing loans | 628,270 | - | 628,270 |
| Total | 256,808,041 | 39,251,547 | 296,059,588 |

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

(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 Bank | | |
|---|---------------------------------------|---|-------------|
| | 31 December 2019 | | |
| | 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 | 23,960,251 | - | 23,960,251 |
| Claims on Financial Institutions and claims on Non- central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions | 35,704,736 | 4,457,908 | 40,162,644 |
| Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates | 152,253,828 | 34,501,718 | 186,755,546 |
| Claims in the Retails Portfolio | 118,178 | 291,921 | 410,099 |
| Residential Mortgage Loans | 15,677 | - | 15,677 |
| Other assets | 6,745,221 | - | 6,745,221 |
| Non-performing loans | 141,222 | - | 141,222 |
| Total | 218,939,113 | 39,251,547 | 258,190,660 |

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

| 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

Credit Risk Exposures Classified by Credit Risk Weighted Asset Calculation Methods

- 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 .
- 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 2019 and 2018 as follows:

(Unit: Thousand Baht)

| Type of Assets ^{1/} | The Financial Group | | | | | | | | | | | |
|---|---------------------|------------|------------|------------|-----------|-------|--------|------|------------|-------------|---------|-------|
| | 31 December 2019 | | | | | | | | | | | |
| | 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 | 41,659,790 | - | - | | | | | | | | | |
| Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions | 1,548,620 | 16,799,881 | 33,237,875 | 14,058,463 | | | | | | | | |
| Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates | | | | | | | | | | 151,339,937 | | |
| Claims in the Retails Portfolio | | | | | | | | | 32,431,937 | | | |
| Residential Mortgage Loans | | | | | | | 15,632 | | - | 45 | | |
| Other assets | | | | | 2,240,292 | 1,527 | | | | 2,097,319 | | - |
| Non-performing loans | | | | | | | | 188 | | 521,050 | 107,032 | |

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

(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 Bank | | | | | | | | | | | |
|---|------------------|------------|------------|------------|-----------|-------|--------|------|---------|-------------|---------|-------|
| | 31 December 2019 | | | | | | | | | | | |
| | 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 | 41,659,790 | - | - | | | | | | | | | |
| Claims on Financial Institutions and claims on Non-central Government Public Sector Entities (PSEs) which are treated as Claims on Financial Institutions | 1,548,620 | 16,716,988 | 33,133,844 | 14,058,463 | | | | | | | | |
| Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates | | | | | | | | | | 143,588,736 | | |
| Claims in the Retails Portfolio | | | | | | | | | 407,824 | - | | |
| Residential Mortgage Loans | | | | | | | 15,632 | | - | 45 | | |
| Other assets | | | | | 1,332,134 | 1,527 | | | | 5,585,835 | | -- |
| Non-performing loans | | | | | | | | | - | 34,190 | 107,032 | |

^{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)

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 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 31 December 2019 and 2018 as follows:

(Unit: Thousand Baht)

| The Financial Group | | |
|---|-----------------------------------|--------------------------------------|
| 31 December 2019 | | |
| 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 | 11,752,802 | 5,937,438 |
| Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates | 14,653,509 | 28,684,661 |
| Claims in the Retails Portfolio | 2,275 | - |
| Residential Mortgage Loans | - | - |
| Other assets | - | - |
| Non-performing loans | - | - |
| Total | 26,408,586 | 34,622,099 |

(Unit: Thousand Baht)

| The Financial Group | | |
|---|-----------------------------------|--------------------------------------|
| 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 | 15,905,994 | 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 Bank

31 December 2019

| 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 | 11,752,802 | 5,937,438 |
| Claims on Corporates and claims on Non-Central Government Public Sector Entities (PSEs) which are treated as Claims on Corporates | 14,482,148 | 28,684,661 |
| Claims in the Retails Portfolio | 2,275 | - |
| Residential Mortgage Loans | - | - |
| Other assets | - | - |
| Non-performing loans | - | - |
| Total | 26,237,225 | 34,622,099 |

(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 |

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 2019 and 2018 were as follows:

(Unit: Thousand Baht)

| | The Financial Group | | The Bank | |
|--|---------------------|------------------|------------------|------------------|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| Market Risk Capital Requirement | | | | |
| Interest Rate Risk | 4,892 | 4,076 | 4,892 | 4,076 |
| Equity Price Risk | - | - | - | - |
| Foreign Exchange Risk | 16,073 | 14,287 | 16,073 | 14,589 |
| Commodity Price Risk | - | - | - | - |
| Market risk capital requirement (BIS 8%) | 20,965 | 18,363 | 20,965 | 18,665 |
| Market risk capital requirement (BIS 8.5%) | 22,275 | 19,510 | 22,275 | 19,832 |

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 2019 and 2018 as follows:

| Equity position | (Unit: Thousand Baht) | |
|--|-----------------------|------------------|
| | The Financial Group | |
| | 31 December 2019 | 31 December 2018 |
| 1. Equity related position | | |
| 1.1 Equity listed in the Stock Exchange of Thailand:- | | |
| • Historical Cost | 185,080 | 87,424 |
| • Market Values | 296,715 | 201,715 |
| 1.2 Other equity values | 2,025 | 570,617 |
| 2. Gain (Loss) from selling of the equity in this period | (299,760) | 164,694 |
| 3. Gain (Loss) from marking to market of the Available-for-Sale equity | 125,174 | 127,298 |
| 4. Minimum capital requirement under Standardized Approach | 25,393 | 65,648 |

| Equity position | (Unit: Thousand Baht) | |
|--|-----------------------|------------------|
| | The Bank | |
| | 31 December 2019 | 31 December 2018 |
| 1. Equity related position | | |
| 1.1 Equity listed in the Stock Exchange of Thailand :- | | |
| • Historical Cost | 185,080 | 87,424 |
| • Market Values | 296,715 | 201,715 |
| 1.2 Other equity values | 6,139,369 | 5,894,016 |
| 2. Gain (Loss) from selling of the equity in this period | (48,530) | 164,694 |
| 3. Gain (Loss) from marking to market of the Available-for-Sale equity | 125,174 | 127,298 |
| 4. Minimum capital requirement under Standardized Approach | 547,067 | 518,137 |

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 2019 and 2018 were as follows:

(Unit : Thousand Baht)

The Financial Group

| Currency | Year end 2019 | | Year end 2018 | |
|--|------------------|----------|------------------|----------|
| | +1.00% | -1.00% | +1.00% | -1.00% |
| Thai Baht | 190,997 | -190,997 | 187,438 | -187,438 |
| US Dollar | -78,256 | 78,256 | -120,531 | 120,531 |
| CNY | -6,487 | 6,487 | -3,285 | 3,285 |
| EUR | 38,676 | -38,676 | -1,599 | 1,599 |
| JPY | 86 | -86 | 0 | 0 |
| GBP | -10 | 10 | -11 | 11 |
| OTHER | 8 | -8 | -8 | 8 |
| Total impact of the change in interest rate | 150,014 | -150,014 | 62,004 | -62,004 |
| Expected net interest income in the next year | 4,568,869 | | 5,017,827 | |
| % of the expected net interest income in the next year | 3.26% | -3.26% | 1.24% | -1.24% |
| % of current capital funds | 0.39% | -0.39% | 0.17% | -0.17% |

(Unit : Thousand Baht)

The Bank

| Currency | Year end 2019 | | Year end 2018 | |
|--|------------------|----------|------------------|----------|
| | +1.00% | -1.00% | +1.00% | -1.00% |
| Thai Baht | 218,357 | -218,357 | 184,361 | -184,361 |
| US Dollar | -58,314 | 58,314 | -89,700 | 89,700 |
| CNY | -6,153 | 6,153 | -3,378 | 3,378 |
| EUR | 34,915 | -34,915 | -4,231 | 4,231 |
| JPY | 82 | -82 | 0 | 0 |
| GBP | -10 | 10 | -11 | 11 |
| OTHER | 7 | -7 | -8 | 8 |
| Total impact of the change in interest rate | 188,884 | -188,884 | 87,033 | -87,033 |
| Expected net interest income in the next year | 3,067,673 | | 3,340,039 | |
| % of the expected net interest income in the next year | 6.16% | -6.16% | 2.61% | -2.61% |
| % of current capital funds | 0.51% | -0.51% | 0.25% | -0.25% |



Liquidity Coverage Ratio Disclosure

For the year ended 31 December 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 | Quarter |
|---|------------------|---------------|
| | 4/2019 | 4/2018 |
| | <i>(average)</i> | |
| (1) Total high-quality liquid assets (HQLA) | 50,103 | 34,042 |
| (2) Total net cash outflows within the 30-day period | 30,945 | 24,930 |
| (3) LCR (%) | 162% | 138% |
| <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> |
| Quarter 3 | 159% | 110% |
| Quarter 4 | 162% | 138% |

As of Quarter 4, 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 October, November and December 2019 at 164%, 165% and 157% 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, 2019, The average HQLA was 50,103 million Baht (or 87% of Level 1 assets such as Government bond and cash) by calculating from average HQLA as of end of October, November and December 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 4, 2019, the average net cash outflows within the 30-day period was 30,945 million Baht by calculating from average cash outflows as of end of October, November and December 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. 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.