

ANZ Bank(Thai) Public Company Limited

Basel III – Pillar III

Disclosure of Capital and Liquidity Coverage Ratio

As at 30 September 2021



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1. Scope of Information Disclosure

ANZ Bank (Thai) Public Company Limited (“ANZ Thai” or “the Bank”) incorporated as a commercial bank in Thailand, was given the banking license by The Ministry of Finance on 15 June 2015, whilst the Bank through its notification requirement under the banking license, has commenced its legal day-1 on 29 June 2015.

The Bank hereby discloses the capital maintenance information as specified in Bank of Thailand Notification No. SorNorSor 4/2556 dated 2 May 2013 Re: Disclosure of Capital Maintenance Information for Commercial Banks and SorNorSor 14/2562 Re: Capital Disclosure Requirements for Commercial Banks (No.2) including the Liquidity Coverage Ratio as specified in Bank of Thailand Notification No. SorNorSor 2/2561 Re: Liquidity Coverage Ratio Disclosure Standards dated 25 January 2018.

2. Key Prudential Metrics

The key prudential metrics disclose quantitative metrics in respect of both capital and liquidity. For capital, bank shall disclose information on capital that reflects the entire impact from Thai Financial Reporting Standard No.9 (TFRS9) implementation which effective on the Bank's accounting periods beginning from 1st October 2020.

Table 1: Key prudential Metrics

Item		30-Sep-21	31-Mar-21
Available capital (unit: million baht)			
1	Common equity tier 1 (CET1)	20,066	20,078
1A	Fully loaded ECL ^{1/} CET1	20,066	20,078
2	Tier 1	20,066	20,078
2A	Fully loaded ECL tier 1	20,066	20,078
3	Total capital	20,208	20,251
3A	Fully loaded ECL total capital	20,208	20,251
Risk-weighted assets (unit: million baht)			
4	Total risk-weighted assets (RWA)	32,790	26,237
Risk-based capital ratios as a percentage of RWA (%)			
5	CET1 ratio	61.20%	76.53%
5A	Fully loaded ECL CET1 ratio	61.20%	76.53%
6	Tier 1 ratio	61.20%	76.53%
6A	Fully loaded ECL tier 1 ratio	61.20%	76.53%
7	Total capital ratio	61.63%	77.18%
7A	Fully loaded ECL total capital ratio	61.63%	77.18%
Capital buffer ratios a percentage of RWA (%)			
8	Conservation buffer ratio	2.5%	2.5%
9	Countercyclical buffer ratio	-	-
10	Higher loss absorbency ratio	-	-
11	Total capital buffer ratio (the sum of item 8 to item 10)	2.5%	2.5%
12	Ratio of CET1 available after meeting the commercial bank's minimum capital requirements ^{2/}	52.70%	68.03%
Liquidity coverage ratio (LCR)			
13	Total high-quality liquid assets (Total HQLA) (unit: million baht)	19,852	23,700
14	Total net cash outflows (within a 30-day period) (unit: million baht)	8,743	11,350
15	LCR ratio (%)	227%	209%

1/ Expected credit losses according to the Thai Financial Reporting Standard No.9 - Financial Instruments

2/ Available CET1 ratio after meeting the minimum capital requirements is not necessarily equal to the difference between the CET1 ratio (Item 5) and the minimum CET1 ratio requirement of 4.5% since the CET1 ratio may be attributable to the minimum Tier 1 ratio requirement of 6% and/or the minimum total capital ratio requirement of 8.5%.

3/ To comply with BOT's Notification no. SorNorSor 2/2561 dated January 25, 2018, the Bank disclose Liquidity Coverage Ratio (LCR) on the Bank's website refer to below link.
<https://www.anz.com/corporate/global/thailand/en/financial-reports>

3. Capital

3.1 Capital Structure

The Bank was registered and incorporated as a juristic person in Thailand under the Public Limited Company Act B.E. 2535 on 27 November 2014 with the start-up capital of THB 500 million and increased its registered capital (which was fully paid up) by another THB 19,500 million on 11 June 2015 to meet the minimum capital requirement of a banking license of THB 20,000 million.

The table below presents the Bank capital structure as at 30 September 2021 and 31 March 2021.

Table 2: Capital Structure

Unit : Million THB

Item	30-Sep-21	31-Mar-21
1. Tier 1 capital	20,066	20,078
Common equity tier 1 (CET1)	20,066	20,078
Paid-up capital (common stock) deducted by buyback of common stock	20,000	20,000
Legal reserve	23	13
Net profits (losses)	57	57
Other comprehensive income	18	31
Less deductible items on Common equity tier 1*	(32)	(23)
2. Tier 2 capital	142	173
General provision for performing loans	142	173
3. Total regulatory capital (1+2)	20,208	20,251

* Intangible assets, and deferred tax asset (DTA)

3.2 Capital Adequacy

According to the Bank of Thailand's guideline in supervision of capital, commercial banks are required to meet the minimum capital adequacy ratio. With effective from 1st January 2019 the minimum capital adequacy ratio is defined at 11.00%.

The approach applies to assess each risk for the capital adequacy as follows:

- Credit Risk Standardised Approach
- Market Risk Standardised Approach
- Operational Risk Basic Indicator Approach

The following tables represent minimum capital requirement for credit risk, market risk and operational risk as well as capital adequacy ratio of the Bank as at 30 September 2021 and 31 March 2021

Table 3 Minimum capital requirement for credit risk classified by type of assets under Standardised Approach (SA)

Unit : Million THB

Minimum capital requirement for credit risk classified by type of assets under the SA	30-Sep-21	31-Mar-21
Performing claims		
1 Claims on sovereign and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereign	-	-
2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	502	113
3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	2,547	2,427
4 Claims on retail portfolios	-	-
5 Claims on housing loans	-	-
6 Other assets	28	11
Non-performing claims	-	-
First-to-default credit derivatives and Securitisation	-	-
Total minimum capital requirement for credit risk under the SA	3,078	2,552

Table 4: Minimum capital requirement for market risk for positions in the trading book under Standardised Approach (SA)

Unit : Million THB

Minimum capital requirement for market risk	30-Sep-21	31-Mar-21
1. Standardised method	388	191
2. Internal model method	N/A	N/A
Total minimum capital requirement for market risk	388	191

Table 5: Minimum capital requirement for operational risk (Basic Indicator Approach)

Unit : Million THB

Minimum capital requirement for operational risk	30-Sep-21	31-Mar-21
1. Basic Indicator Approach	141	143
2. Standardised Approach	N/A	N/A
Total minimum capital requirement for operational risk	141	143

Table 6: Capital Adequacy Ratios

Unit : %

Ratio	30-Sep-21		31-Mar-21	
	Capital ratio of the bank	Minimum capital ratio according to the BOT regulations	Capital ratio of the bank	Minimum capital ratio according to the BOT regulations
1. Total capital to risk-weighted assets	61.63	11.00	77.18	11.00
2. Tier 1 capital to risk-weighted assets	61.20	8.50	76.53	8.50
3. Common equity tier 1 to risk-weighted assets	61.20	7.00	76.53	7.00

4. Risk Exposure and Assessment

4.1 Credit Risk

Credit Risk is the risk of financial loss resulting from a counterparty failing to fulfil its obligations, or from a decrease in credit quality of a counterparty resulting in a loss in value.

Risk Management of Credit Risk

ANZ Thai has a comprehensive framework to manage Credit Risk. The framework is top down, being defined by credit principles and policies. Credit policies, requirements and procedures cover all aspects of the credit life cycle such as transaction structuring, risk grading, initial approval, ongoing management and problem debt management. The effectiveness of the credit risk management framework is assessed through various compliance and monitoring processes. These, together with portfolio selection, define and guide the credit process, organisation and staff.

The primary responsibility for prudent and profitable management of credit risk assets and customer relationships rests with the business units. An independent credit risk management function is managed by the ANZ Thai Chief Risk Officer [CRO]. The Board, Credit Committee, the CRO or other individual Credit Approval Discretion (CAD) holders provide independent credit assessment and lending decisions. The CRO also performs key roles in portfolio management such as development and validation of credit risk measurement systems, loan asset quality reporting, and development of credit policies or requirements.

The authority to make credit decisions is delegated by the Board. Judgemental lending is made on a 'dual approval' basis, jointly by the business CAD holder in the business unit and the respective independent credit risk officer or by the Credit Committee. Individuals must be suitably skilled and accredited in order to be granted and retain a CAD. Credit Approval Discretions are reviewed on an annual basis, and may be varied based on the holder's performance.

The approach to management of Credit Risk incorporates monitoring and management processes for each of the following components of credit risk:

- Single-name concentration, in addition to the regulated single lending limit
- Industry sector concentration
- Country risk [definition: Transfer risk is the risk of loss caused by the unavailability of foreign exchange (convertibility) arising from the actions of the country's government such that ANZ Thai's counterparties are unable to settle their debts or obligations in the currency of the original contract].

ANZ Thai uses portfolio monitoring and analysis tools, technologies and techniques to assist with portfolio risk assessment and management. These assist in:

- Monitoring, analysing and reporting ANZ Thai's credit risk profile and progress in meeting portfolio objectives; and
- Assessing impact of emerging issues, and conducting ad-hoc investigations and analysis.

Credit risk reporting and analysis is managed by the Research & Analysis department of ANZ Thai, independent from lending or credit approval functions. Periodic reporting provides confirmation of the effectiveness of the process highlights emerging issues requiring attention and allows monitoring of portfolio trends by all levels of management and the ANZ Thai Board.

Collateral is used to mitigate credit risk, as the secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations. Types of collateral typically taken by ANZ Thai include:

- Security over residential, commercial, industrial or rural property;
- Charges over business assets;
- Security over specific plant and equipment;
- Charges over cash deposits; and
- Guarantees and pledges.

Credit risk exposure under the Standardised Approach (SA)

The Bank calculates regulatory capital requirement for credit risk using the Standardised Approach (SA) methodology according to the Bank of Thailand's notification Re: Regulations for Credit Risk Asset Calculations for Commercial Banks Using the Standardised Approach (SA).

In setting risk weights of claims, the Bank use rating assessed by External Credit Assessment Institutions (ECAIs) as below:

1. Standard and Poor's
2. Moody's Investors Service
3. Fitch Rating
4. Fitch Ratings (Thailand)
5. Thai Rating and Information Services Co., Ltd (TRIS)

In the absence of credit rating from ECAIs, then the non-rating risk weighted as defined by Bank of Thailand will apply.

Below table presents the outstanding amounts of significant on-balance sheet assets and off-balance sheet items as of 30 September 2021 and 2020 before adjusted by credit risk mitigation.

Table 7 : Outstanding amounts of significant on-balance sheet assets and off-balance sheet items before adjusted by credit risk mitigation

Unit : Million THB

Item	30-Sep-21	30-Sep-20
1. On-balance sheet assets	47,396	45,025
1.1 Loan and accrued interest receivable (net)	34,642	32,474
1.2 Net Investment in debt securities	7,365	8,000
1.3 Deposits and accrued interest receivable (net)	620	529
1.4 Derivatives	4,768	4,022
2. Off-balance sheet items	339,564	310,270
2.1 Aval of bills, guarantees, and letter of credits	2,000	3,427
2.2 OTC derivatives	335,554	304,574
2.3 Undrawn committed line	2,009	2,269

Table 8 : Outstanding amounts of on-balance sheet assets and off-balance sheet items before credit risk mitigation classified by country or geographic area of debtor

Country or geographic area of debtor	30-Sep-21					Unit : Million THB
	On-balance sheet assets					
	Total	Loan and accrued interest receivable (net)	Net Investment in debt securities	Deposits and accrued interest receivable (net)	Derivatives	
1. Thailand	45,615	34,642	7,365	414	3,193	
2. Asia Pacific (exclude Thailand)	1,662	-	-	124	1,538	
3. North America and Latin America	61	-	-	61	-	
4. Africa and Middle East	-	-	-	-	-	
5. Europe	58	-	-	21	37	
Total	47,396	34,642	7,365	620	4,768	

Country or geographic area of debtor	30-Sep-21				Unit : Million THB
	Off-balance sheet items				
	Total	Aval of bills, guarantees, and letter of credits	OTC derivatives	Undrawn committed line	
1. Thailand	146,990	1,473	143,508	2,009	
2. Asia Pacific (exclude Thailand)	188,647	244	188,403	-	
3. North America and Latin America	-	-	-	-	
4. Africa and Middle East	-	-	-	-	
5. Europe	3,927	283	3,643	-	
Total	339,564	2,000	335,554	2,009	

Country or geographic area of debtor	30-Sep-20					Unit : Million THB
	On-balance sheet assets					
	Total	Net loans	Net Investment in debt securities	Deposits (including accrued interest receivables)	Derivatives	
1. Thailand	42,388	32,461	8,000	422	1,505	
2. Asia Pacific (exclude Thailand)	2,576	13	-	47	2,516	
3. North America and Latin America	9	-	-	9	-	
4. Africa and Middle East	-	-	-	-	-	
5. Europe	52	-	-	51	1	
Total	45,025	32,474	8,000	529	4,022	

Country or geographic area of debtor	30-Sep-20				Unit : Million THB
	Off-balance sheet items				
	Total	Aval of bills, guarantees, and letter of credits	OTC derivatives	Undrawn committed line	
1. Thailand	120,642	1,665	116,708	2,269	
2. Asia Pacific (exclude Thailand)	187,560	1,464	186,096	-	
3. North America and Latin America	-	-	-	-	
4. Africa and Middle East	-	-	-	-	
5. Europe	2,067	297	1,770	-	
Total	310,270	3,427	304,574	2,269	

Table 9 : Outstanding amounts of on-balance sheet assets and off balance sheet items before credit risk mitigation classified by residual maturity

Item	30-Sep-21			Unit : Million THB
	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total	
1. On-balance sheet assets	33,588	13,807	47,396	
1.1 Loan and accrued interest receivable (net)	24,900	9,742	34,642	
1.2 Net Investment in debt securities	5,290	2,075	7,365	
1.3 Deposits and accrued interest receivable (net)	620	0	620	
1.4 Derivatives	2,778	1,990	4,768	
2. Off-balance sheet items	170,118	169,445	339,564	
2.1 Aval of bills, guarantees, and letter of credits	1,674	327	2,000	
2.2 OTC derivatives	167,195	168,359	335,554	
2.3 Undrawn committed line	1,250	759	2,009	

Item	30-Sep-20			Unit : Million THB
	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total	
1. On-balance sheet assets	27,629	17,395	45,025	
1.1 Loan and accrued interest receivable (net)	23,862	8,612	32,474	
1.2 Net Investment in debt securities	2,236	5,764	8,000	
1.3 Deposits (including accrued interest receivables)	529	0	529	
1.4 Derivatives	1,002	3,020	4,022	
2. Off-balance sheet items	109,954	200,315	310,270	
2.1 Aval of bills, guarantees, and letter of credits	3,056	371	3,427	
2.2 OTC derivatives	105,798	198,775	304,574	
2.3 Undrawn committed line	1,100	1,169	2,269	

Table 10 : Outstanding amounts of financial instruments before the recognition of credit risk mitigation and provisions (General provision and specific provisions)

Item	30-Sep-21						Unit : Million THB
	Outstanding amount		Amount of provisions	Provisions for exposure under the SA		Net amount	
	Defaulted exposures	Non-defaulted exposures		General provisions	Specific provisions		
1. Loans and accrued interest receivable	-	34,804	162	39	123	34,642	
2. Investments in debt securities	-	7,372	7	-	7	7,365	
3. Deposits and accrued interest receivable	-	620	-	-	-	620	
4. Committed lines and financial guarantees	-	4,010	12	-	12	3,997	
Total	-	46,806	181	39	142	46,625	

Table 11: Outstanding amounts of loans including accrued interest receivable and investments in debt securities before the recognition of credit risk mitigation classified by country or geographic area of debtors and assets classifications as specified by the Bank of Thailand

Country or geographic area of debtors	30-Sep-21										Unit : Million THB
	Loan including accrued interest receivable					Investments in debt securities					
	With an insignificant increase in credit risk	With a significant increase in credit risk	Credit-impaired	Purchased and originated credit impaired	Total	With an insignificant increase in credit risk	With a significant increase in credit risk	Credit-impaired	Purchased and originated credit impaired	Total	
1. Thailand	34,479	325	-	-	34,804	7,372	-	-	-	7,372	
2. Asia Pacific (exclude Thailand)	-	-	-	-	-	-	-	-	-	-	
3. North America and Latin America	-	-	-	-	-	-	-	-	-	-	
4. Africa and Middle East	-	-	-	-	-	-	-	-	-	-	
5. Europe	-	-	-	-	-	-	-	-	-	-	
Total	34,479	325	-	-	34,804	7,372	-	-	-	7,372	

Table 12: Provisions (General provision and Specific provision) and bad debt written-off during period for loan including accrued interest receivables and investment in debt securities classified by country or geographic area

Country or geographic area of debtors	30-Sep-21					Unit : Million THB
	Loans including accrued interest receivable			Investments in debt securities		
	Provisions for exposures under the SA		Write-offs during the period	Provision for exposures under the SA		
	General provisions	Specific provisions		General provisions	Specific provisions	
1. Thailand		123	-			7
2. Asia Pacific (exclude Thailand)		-	-			0
3. North America and Latin America		-	-			-
4. Africa and Middle East		-	-			-
5. Europe		-	-			-
Total	39	123	-	-	-	7

Country or geographic area of debtor	30-Sep-20				Unit : Million THB
	Loans including accrued interest receivables			Specific provision for Investment in debt securities	
	General provision	Specific provision	Bad debt written-off during period		
1. Thailand		-	-		-
2. Asia Pacific (exclude Thailand)		-	-		-
3. North America and Latin America		-	-		-
4. Africa and Middle East		-	-		-
5. Europe		-	-		-
Total	219	-	-	-	-

Table 13: Outstanding amounts of loans including accrued interest receivable before the recognition of credit risk mitigation classified by type of business and asset classifications as specified by the Bank of Thailand

Type of Business	30-Sep-21					Unit : Million THB
	With an insignificant increase in credit risk	With a significant increase in credit risk	Credit-impaired	Purchased and originated credit impaired	Total	
- Agriculture						-
- Manufacturing and commerce	11,469	213				11,682
- Real estate business and construction	1,697	-				1,697
- Public utilities and services	865	112				977
- Housing loans	-	-				-
- Financial leasing	1,157	-				1,157
- Commercial banks	15,249	-				15,249
- Others	4,043	-				4,043
Total	34,479	325	-	-	-	34,804

Table 14 : Provisions (General provision and Specific provision) and bad debt written-off during the period for loans including accrued interest receivables classified by types of business

Item	30-Sep-21		Unit : Million THB
	Provisions for exposures under the SA		Write-offs during the period
	General provisions	Specific provisions	
- Agriculture		-	-
- Manufacturing and commerce		75	-
- Real estate business and construction		5	-
- Public utilities and services		11	-
- Housing loans		0	-
- Financial leasing		5	-
- Commercial banks		8	-
- Others		20	-
Total	39	123	-

Type of business	30-Sep-20			Unit : Million THB
	General provision	Specific provision	Bad debt written-off during period	
- Agriculture		-		
- Manufacturing and commerce				
- Real estate business and construction				
- Public utilities and services				
- Housing loans				
- Financial leasing				
- Commercial banks				
- Others				
Total	219	-		-

Table 15 : Reconciliation of change in provisions (General provision and Specific provision) for loans including accrued interest receivables

Item	30-Sep-21		Unit : Million THB
	Provision for exposures under the SA		Total
	General provisions	Specific provisions	
- Provisions at the beginning of the period	49	170	219
- Increases or decreases in provisions during the period	(10)	(47)	(57)
- Write-offs during the period	-	-	-
Provisions at the end of the period	39	123	162

Item	30-Sep-20		Unit : Million THB
	General provision	Specific provision	Total
- Provisions at the beginning of the period	197	-	197
- Bad debts written-off during the period	-	-	-
- Increases or Decreases of provisions during the period	22	-	22
- Other provisions (provisions for losses from foreign exchange,provisions for merger and sale of businesses)	-	-	-
Provisions at the end of the period	219	-	219

Table 16: Outstanding amounts of on-balance sheet assets and credit equivalent amounts of off-balance sheet items net of specific provisions classified by type of assets under the SA

Type of asset	30-Sep-21		Unit : Million THB
	On-balance sheet assets	Off-balance sheet item	Total
1. Performing claims			
1.1 Claims on sovereign and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereign	7,774	-	7,774
1.2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	15,461	2,379	17,839
1.3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	19,561	3,114	22,675
1.4 Claims on retail portfolios	-	-	-
1.5 Housing loans	-	-	-
1.6 Other assets	5,370	-	5,370
2. Non-performing claims	-	-	-
3. First-to-default credit derivatives and Securitisation	-	-	-
Total	48,165	5,492	53,657

Type of asset	30-Sep-20		Unit : Million THB
	On-balance sheet assets	Off-balance sheet item	Total
1. Performing claims			
1.1 Claims on sovereign and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereign	8,417	-	8,417
1.2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	11,713	2,075	13,788
1.3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	21,091	3,078	24,169
1.4 Claims on retail portfolios	-	-	-
1.5 Housing loans	-	-	-
1.6 Other assets	4,295	-	4,295
2. Non-performing claims	-	-	-
3. First-to-default credit derivatives and Securitisation	-	-	-
Total	45,516	5,152	50,669

Table 17 : Outstanding amount of net on-balance sheet assets and credit equivalent amount of off-balance sheet items net of specific provisions and after credit risk mitigation for each type of asset, classified by risk weight under the SA

Type of asset	30-Sep-21								Unit : Million THB
	Rated outstanding amount				Unrated outstanding amount				
	0	20	50	100	0	20	50	100	
Performing claims	7,774	1,126	2	4,820	5,093	23	-	22,929	
Risk weight (%)									
1 Claims on sovereign and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereign	7,774	-	-	484			-	-	
2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	-	1,126	2	4,336				-	
3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	-	-	-	-				22,675	
4 Claims on retail portfolios								0	
5 Claims on housing loans								0	
6 Other assets					5,093	23	-	254	
Risk weight (%)			50	100					
Non-performing claims			-	-			-	-	
Capital deduction items prescribed by the Bank of Thailand	32								

Type of asset	30-Sep-20								Unit : Million THB
	Rated outstanding amount				Unrated outstanding amount				
	0	20	50	100	0	20	50	100	
Performing claims	8,417	1,650	4	1,462	4,197	16	-	24,251	
Risk weight (%)									
1 Claims on sovereign and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereign	8,417	-	-	-			-	-	
2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	-	1,650	4	1,462				-	
3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	-	-	-	-				24,169	
4 Claims on retail portfolios								-	
5 Claims on housing loans								-	
6 Other assets					4,197	16	-	82	
Risk weight (%)			50	100					
Non-performing claims			-	-			-	-	
Capital deduction items prescribed by the Bank of Thailand	27								

4.2 Market Risk

Market Risk stems from the ANZ Thai's trading and balance sheet activities and is the risk to the ANZ Thai's earnings arising from changes in interest rates, foreign exchange rates, credit spreads, volatility, and correlations or from fluctuations in bond, commodity or equity prices.

Risk Management of Market Risk

ANZ Thai has a detailed market risk management and control framework, to support its trading and balance sheet activities, which incorporates an independent risk measurement approach to quantify the magnitude of market risk within the trading and balance sheet portfolios. This approach, along with related analysis, identifies the range of possible outcomes that can be expected over a given period of time, and establishes the likelihood of those outcomes and allocates an appropriate amount of capital to support these activities.

Key ANZ Thai Market risk factors include:

- Interest rate risk is the potential loss arising from the change in the value of a financial instrument due to changes in market interest rates or their implied volatilities.
- Foreign Exchange or Currency risk is the potential loss arising from the decline in the value of a financial instrument due to changes in foreign exchange rates or their implied volatilities.

Market Risk is a specialist risk management unit independent of the business that is responsible for measuring and monitoring market risk. Market Risk have implemented policies and procedures to ensure that ANZ Thai's market risk exposures are managed within the appetite and limit framework set by the Board.

Table 18: Minimum capital requirements for each type of market risk under the Standardised Approach

Unit : Million THB

Minimum capital requirements for market risk under SA	30-Sep-21	31-Mar-21
Interest rate risk	207	171
Equity position risk	-	-
Foreign exchange rate risk	181	19
Commodity risk	-	-
Total minimum capital requirements	388	191

Table 19 : The effect of changes in interest rates to net earnings

Unit : Million THB

Currency	30-Sep-21	30-Sep-20
	Effect to net earnings	Effect to net earnings
THB	205	189
USD	(87)	(119)
EUR	16	39
Others	(0)	(0)
Total effect from changes in interest rate	134	110
% of anticipated net interest income for the next one year*	22	20

* The percentage changes in interest rates of 100 bps .

4.3 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, and the risk of reputational loss or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk.

The Board of Directors has approved the ANZ Thai Operational Risk Management Policy which is an addendum to the ANZ Global Operational Risk Approach. This policy outlines specific Bank of Thailand policy requirements not specifically addressed in the ANZ Operational Risk Approach. The Risk Management Committee assist the Board in the effective discharge of its responsibilities for operational risk management and for the management of the relative compliance obligations. The committee also assist the Board by providing an objective oversight of the implementation by management the Bank risk management framework and its related operation and by enabling an institution-wide view of current and future risk position relative to its risk appetite and capital strength.

5. Liquidity Coverage Ratio (LCR)

The Bank's financial year ending on 30 September therefore the bank will use the data at the end of March for disclosure of the first-half data (Quarter 2), and use the data at the end of September for disclosure of the second-half data (Quarter 4).

Commercial banks are required to maintain the liquidity coverage ratio in accordance with the guideline as specified by the Bank of Thailand ("BOT"). This guideline aims to ensure that each bank has adequate liquidity to support short-term severe liquidity stress scenario. The minimum LCR, which is the ratio of High Quality Liquid Asset (HQLA) to total net cash outflow within the 30-day time horizon, of 60% was introduced on 1 January 2016 (B.E 2559) and increased by 10% each year until it reaches 100% in 2020 (B.E. 2563).

The LCR calculation is as follow.

$$\text{LCR} = \frac{\text{High Quality Liquid Asset (HQLA)}}{\text{Total Net Cash Outflows over the next 30 days}}$$

HQLA refers to unencumbered highly liquid assets with low risk and low volatility that can be easily monetized without any significant changes to their value, even in times of liquidity stress. All high quality liquid assets must also meet the minimum standards as stipulated by BOT. The value of each type of HQLA is after the application of both haircuts and any applicable caps as specified by BOT.

Net COF is equal to total expected cash outflows within the 30-day time horizon subtracted Cash inflow within the 30-day time horizon under liquidity stress scenario. The total expected cash inflow cannot exceed 75% of the total expected cash outflow. Each types of Cash inflows and cash outflows are subjected to inflow rate and run-off rate as specified by BOT.

The Bank's quarterly LCR which is an average of month-end value in each quarter is shown below.

Table 20 : Liquidity Coverage Ratio (LCR)

Unit: Million Baht

Items	Quarter 4 – 2021 (Average)	Quarter 4 – 2020 (Average)
(1) Total high-quality liquid assets (HQLA)	21,720	17,943
(2) Total net cash outflows within the 30-day time horizon	12,086	8,838
(3) LCR* (%)	189%	206%
<i>Minimum LCR as specified by the Bank of Thailand (%)</i>	100%	90%

* LCR in Item (3) is not necessarily equal to the total high-quality liquid assets (Item (1)) divided by the total net cash outflows within the 30-day time horizon (Item (2))

The Bank's average LCR for the 3rd and the 4th quarter of 2021 in comparison with those of 2020 are shown below:

Table 21 : Average LCR for comparison

Unit: %

Average LCR	2021 Average □	2020 Average □
3rd quarter (April-June)	211%	169%
4th quarter (July-September)	189%	206%

For the 4th quarter of 2021 (end of September 2021), the average LCR was 189%, well above the regulatory minimum requirement of 100%.

The average HQLA was 21,720million Baht (which is the average of HQLA as at the end of July - September2021), all HQLA are level 1 liquid assets comprised of cash, deposit at central bank, and debt securities issued or guaranteed by the government, central bank.

The average Net COF was 12,086 million Baht, which is the average of net cash outflows within 30-day time horizon as at the end of July – September 2021. The main contributors to net cash outflows were modelled outflows associated with the deposit and Interbank/Intergroup borrowing offset by cash inflows from loans and Interbank/Intragroup lending. While cash outflows associated with derivatives are material, these are largely offset by derivatives cash inflows.

The Bank assesses and monitors LCR and risk metrics on a daily basis. Key liquidity risk metrics involve a combination of prudential requirements and internally-developed stress scenarios of varying severity in order to provide greater confidence that Bank's balance sheet can withstand a range of different liquidity stress events.