

Disclosure of Capital Maintenance Information

Pillar III

For the year ended 30 September 2015

I. 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 Monday 29 June 2015.

The Bank hereby discloses 2015 annual information as specified in Bank of Thailand Notification No. SorNorSor 4/2556 Re: Disclosure of Capital Maintenance Information for Commercial Banks.

II. Capital

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 2015

Table 1: Capital of Locally-Registered Commercial Banks

	Unit : THB
Item	30-Sep-15
1. Tier 1 capital	19,714,196,577
Common equity tier 1 (CET1)	19,714,196,577
Paid-up capital (common stock) deducted by buyback of common stock	20,000,000,000
Net profits (losses)	(167,883,369)
Other comprehensive income	(1,720,987)
Less deductible items on Common equity tier 1*	(116,199,067)
2. Tier 2 capital	66,910,521
General provision for performing loans	66,910,521
Less deductible items on Tier 2 capital	-
3. Total regulatory capital (1+2)	19,781,107,099

* Intangible assets, and deferred tax asset (DTA)

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. For year 2015 the minimum capital adequacy ratio is defined at 8.50%.

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 2015

Table 2 Minimum capital requirement for credit risk classified by type of assets under the SA

Unit : THB

Minimum capital requirement for credit risk classified by type of assets under the SA	30-Sep-15
Performing claims	
1. Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	-
2. Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	121,392,442
3. Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	317,222,843
4. Claims on retail portfolios	-
5. Claims on housing loans	-
6. Other assets	16,376,260
Non-performing claims	-
First-to-default credit derivatives and Securitisation	-
Total minimum capital requirement for credit risk under the SA	454,991,545

Table 3: Minimum capital requirement for market risk for positions in the trading book (Standardized method)

Unit : THB

Minimum capital requirement for market risk (positions in the trading book)	30-Sep-15
1. Standardized method	754,411
2. Internal model method	N/A
Total minimum capital requirement for market risk	754,411

Table 4: Minimum capital requirement for operational risk (Basic Indicator Approach)

Unit : THB

Minimum capital requirement for operational risk	30-Sep-15
1. Basic Indicator Approach	57,319,311
2. Standardized Approach	N/A
3. Alternative Standardized Approach	N/A
4. Advanced Measurement Approaches	N/A
Total minimum capital requirement for operational risk	57,319,311

Table 5: Ratio of total capital to risk-weighted assets, ratio of Tier 1 capital to risk-weighted assets and ratio of Common equity tier 1 to risk-weighted assets

Unit : %

Ratio	Current period	
	Capital ratio of the bank	Minimum capital ratio according to the BOT regulations
1. Total capital to risk-weighted assets	327.72	8.5
2. Tier 1 capital to risk-weighted assets	326.61	6.0
3. Common equity tier 1 to risk-weighted assets	326.61	4.5

III. Risk Exposure and Assessment

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 Standardized Approach (SA)

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

In setting risk weights of claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns and Central Bank, claims on financial institutions, non-central government public sector entities (PSEs) treated as claims on financial institutions, claims on corporate and public sector entities (PSEs) treated as claims on corporate, 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 before adjusted by credit risk mitigation

Table 6 : Outstanding amounts of significant on-balance sheet assets and off-balance sheet items before adjusted by credit risk mitigation

Unit : THB

Item	30-Sep-15
1. On-balance sheet assets	19,779,565,945
1.1 Net loans	10,051,378,102
1.2 Net Investment in debt securities	9,615,143,092
1.3 Deposits (including accrued interest receivables)	110,452,272
1.4 Derivatives	2,592,480
2. Off-balance sheet items	10,518,752,083
2.1 Aval of bills, guarantees, and letter of credits	1,003,720,963
2.2 OTC derivatives	9,515,031,120
2.3 Undrawn committed line	-

Table 7 : Outstanding amounts of on-balance sheet assets and off-balance sheet items before credit risk mitigation classified by country or geographic area of debtor*

Unit : THB

Country or geographic area of debtor	On-balance sheet assets				
	Total	Net loans	Net Investment in debt securities	Deposits (including accrued interest receivables)	Derivatives
1. Thailand	13,243,120,615	3,615,540,329	9,615,143,092	10,023,852	2,413,342
2. Asia Pacific (exclude Thailand)	6,536,445,330	6,435,837,773	-	100,428,420	179,137
3. North America and Latin America	-	-	-	-	-
4. Africa and Middle East	-	-	-	-	-
5. Europe	-	-	-	-	-
Total	19,779,565,945	10,051,378,102	9,615,143,092	110,452,272	2,592,480

Unit : THB

Country or geographic area of debtor	Off-balance sheet items			
	Total	Aval of bills, guarantees, and letter of credits	OTC derivatives	Undrawn committed line
1. Thailand	8,110,938,461	400,065,600	7,710,872,861	-
2. Asia Pacific (exclude Thailand)	2,407,813,623	603,655,363	1,804,158,259	-
3. North America and Latin America	-	-	-	-
4. Africa and Middle East	-	-	-	-
5. Europe	-	-	-	-
Total	10,518,752,083	1,003,720,963	9,515,031,120	-

Table 8 : Outstanding amounts of on-balance sheet assets and off balance sheet items before credit risk mitigation classified by residual maturity

Unit : THB

Item	30-Sep-15		
	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total
1. On-balance sheet assets	18,026,748,084	1,752,817,860	19,779,565,945
1.1 Net loans	9,457,378,102	594,000,000	10,051,378,102
1.2 Net Investment in debt securities	8,456,325,231	1,158,817,860	9,615,143,092
1.3 Deposits (including accrued interest receivables)	110,452,272	-	110,452,272
1.4 Derivatives	2,592,480	-	2,592,480
2. Off-balance sheet items	9,915,181,217	603,570,867	10,518,752,083
2.1 Aval of bills, guarantees, and letter of credits	400,150,097	603,570,867	1,003,720,963
2.2 OTC derivatives	9,515,031,120	-	9,515,031,120
2.3 Undrawn committed line	-	-	-

Table 9 : Outstanding amounts of loans including accrued interest receivables and investment in debt securities before credit risk mitigation classified by country or geographical area of debtor and asset classification as specified by the Bank of Thailand

Unit : THB

Country or geographic area of debtor	Loans including accrued interest receivables						Specific provision for investment in debt securities
	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total	
1. Thailand	3,652,020,329	-	-	-	-	3,652,020,329	-
2. Asia Pacific (exclude Thailand)	6,500,830,250	-	-	-	-	6,500,830,250	-
3. North America and Latin America	-	-	-	-	-	-	-
4. Africa and Middle East	-	-	-	-	-	-	-
5. Europe	-	-	-	-	-	-	-
Total	10,152,850,579	-	-	-	-	10,152,850,579	-

Table 10: 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

Unit : THB

Country or geographic area of debtor	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	101,472,476.95	-	-	-

Table 11: Outstanding amount of loans including accrued interests before adjusted by credit risk mitigation classified by type of business and by asset classification specified by the Bank of Thailand

Unit : THB

Type of business	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total
- Agriculture and mining	-	-	-	-	-	-
- Manufacturing and commerce	1,898,384,438	-	-	-	-	1,898,384,438
- Real estate business and construction	-	-	-	-	-	-
- Public utilities and services	500,731,233	-	-	-	-	500,731,233
- Housing loans	-	-	-	-	-	-
- Financial leasing	1,252,904,658	-	-	-	-	1,252,904,658
- Commercial banks	6,500,830,250	-	-	-	-	6,500,830,250
Total	10,152,850,579	-	-	-	-	10,152,850,579

Table 12 : 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

Unit : THB

Type of business	30-Sep-15		
	General provision	Specific provision	Bad debt written-off during period
- Agriculture and mining	-	-	-
- Manufacturing and commerce	-	-	-
- Real estate business and construction	-	-	-
- Public utilities and services	-	-	-
- Housing loans	-	-	-
- Financial leasing	-	-	-
- Commercial banks	-	-	-
Total	101,472,477	-	-

Table 13 : Reconciliation of change in provisions (General provision and Specific provision) for loans including accrued interest receivables

Unit : THB

Item	30-Sep-15		
	General provision	Specific provision	Total
- Provisions at the beginning of the period	-	-	-
- Bad debts written-off during the period	-	-	-
- Increases or Decreases of provisions during the period	101,472,477	-	101,472,477
- Other provisions (provisions for losses from foreign exchange, provisions for merger and sale of businesses)	-	-	-
Provisions at the end of the period	101,472,477	-	101,472,477

Table 14: 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

Unit : THB

Type of asset	30-Sep-15		
	On-balance sheet assets	Off-balance sheet item	Total
1. Performing claims			
1.1 Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	9,638,494,820	-	9,638,494,820
1.2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	6,601,808,014	350,472,087	6,952,280,101
1.3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	3,652,020,329	80,013,120	3,732,033,449
1.4 Claims on retail portfolios	-	-	-
1.5 Housing loans	-	-	-
1.6 Other assets	319,727,566	-	319,727,566
2. Non-performing claims	-	-	-
3. First-to-default credit derivatives and Securitisation	-	-	-
Total	20,212,050,729	430,485,207	20,642,535,936

Table 15 : 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

Unit : THB

Type of asset	Risk weight (%)	30-Sep-15														
		Rated outstanding amount					Unrated outstanding amount									
		0	20	50	100	150	0	20	35	50	75	100	250	625	937.5	100/8.5%
Performing claims		9,638,494,820	6,905,167,149	-	47,112,952	-	-	-	-	-	-	4,051,761,015	-	-	-	-
1 Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns		9,638,494,820	-	-	-	-										
2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms		-	6,905,167,149	-	47,112,952	-										
3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate		-	-	-	-	-						3,732,033,449				
4 Claims on retail portfolios																
5 Claims on housing loans																
6 Other assets												319,727,566				
	Risk weight (%)			50	100	150					75					
Non-performing claims																
Capital deduction items prescribed by the Bank of Thailand																116,199,067

2. Market Risk

Market risk is the risk to the Bank's earnings arising from changes in market rates, prices and volatilities lead to a decline in the value of assets and liabilities, including financial derivatives. Market risk is generated through both trading and banking book activities.

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:

- Price risk (interest rate, FX, equity, commodity, basis spreads, direct credit spreads)
 - 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.
 - Credit spread risk is the potential loss arising from a change in value of an instrument due to a movement of its margin or spread relative to a benchmark.
- Volatility rates
- Correlation changes
- Term structures of prices, volatility and correlation rates
- Events that give rise to changes in prices include (Prepayments, credit defaults, changes in government policy or market confidence and supply and demand forces)

Market Risk is an independent unit which 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 16: Minimum capital requirements for each type of market risk under the Standardized Approach

Unit : THB

Minimum capital requirements for market risk under the Standardized Approach	Current period
Interest rate risk	-
Equity position risk	-
Foreign exchange rate risk	754,411
Commodity risk	-
Total minimum capital requirements	754,411

Table 17 : The effect of changes in interest rates to net earnings

Unit : THB

Currency	30-Sep-15
	Effect to net earnings
Baht	124,712,907
USD	20,994
EURO	-
Others	-
Total effect from changes in interest rate	124,733,900
% of anticipated net interest income for the next one year	34

*The percentage changes in interest rate of upward 100bps

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 Operational Risk Measurement and Management Policy. This policy is an addendum to the ANZ Global Operational Risk Measurement and Management Policy under ANZ Operational Risk Framework and outlines specific Bank of Thailand policy requirements not specifically addressed in the ANZ Operational Risk Framework. 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.

IV. Composition of capital disclosure requirements

Below table is an additional disclosure of capital information in transition period under the basel III framework.

Table 18 : Disclosure of capital information in transitional period under the Basel III

Unit : Baht

Value of capital, inclusions, adjustments and deductions for the period of 30 September 2015		Net amount of item to be included in or deducted from capital under the Basel III
<u>Common equity tier 1 (CET1)</u>		
Items eligible for inclusion in CET1	19,830,395,644	(2,581,481)
adjust regulatory adjustment to CET1	-	-
less deduction from CET1	116,199,067	110,105,211
Net CET1	19,714,196,577	
Total Tier 1 capital	19,714,196,577	
Tier 2 capital :		
Items eligible for inclusion in Tier 2 capital	66,910,521	
less deduction from Tier 2 capital	-	
Total Tier 2 capital	66,910,521	
Total capital (Tier 1 and Tier 2 capital)	19,781,107,099	