

ANZ Bank(Thai) Public Company Limited

Basel III – Pillar III

Disclosure of Capital and Liquidity Coverage Ratio

As at 30 September 2020



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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 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. Capital

2.1 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 2020 and 31 March 2020

Table 1: Capital Structure

Unit : THB

Item	30-Sep-20	31-Mar-20
1. Tier 1 capital	20,077,791,522	20,072,512,984
Common equity tier 1 (CET1)	20,077,791,522	20,072,512,984
Paid-up capital (common stock) deducted by buyback of common stock	20,000,000,000	20,000,000,000
Legal reserve	13,246,690	2,982,345
Net profits (losses)	56,664,547	56,664,547
Other comprehensive income	34,483,721	36,028,471
Less deductible items on Common equity tier 1*	(26,603,437)	(23,162,378)
2. Tier 2 capital	218,642,295	205,500,544
General provision for performing loans	218,642,295	205,500,544
3. Total regulatory capital (1+2)	20,296,433,818	20,278,013,529

* Intangible assets, and deferred tax asset (DTA)

2.2 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 2020 and 31 March 2020

Table 2 Minimum capital requirement for credit risk classified by type of assets under Standardised Approach (SA)

Unit : THB

Minimum capital requirement for credit risk classified by type of assets under the SA	30-Sep-20	31-Mar-20
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	197,319,748	256,041,649
3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	2,658,568,997	2,426,005,858
4 Claims on retail portfolios	-	-
5 Claims on housing loans	-	-
6 Other assets	9,407,750	15,428,919
Non-performing claims	-	-
First-to-default credit derivatives and Securitisation	-	-
Total minimum capital requirement for credit risk under the SA	2,865,296,495	2,697,476,425

Table 3: Minimum capital requirement for market risk for positions in the trading book under Standardised Approach (SA)

Unit : THB

Minimum capital requirement for market risk	30-Sep-20	31-Mar-20
1. Standardised method	164,677,834	111,347,122
2. Internal model method	N/A	N/A
Total minimum capital requirement for market risk	164,677,834	111,347,122

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

Unit : THB

Minimum capital requirement for operational risk	30-Sep-20	31-Mar-20
1. Basic Indicator Approach	140,982,383	135,644,084
2. Standardised Approach	N/A	N/A
Total minimum capital requirement for operational risk	140,982,383	135,644,084

Table 5: Capital Adequacy Ratios

Unit : %

Ratio	30-Sep-20		31-Mar-20	
	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	70.41	11.00	75.76	11.00
2. Tier 1 capital to risk-weighted assets	69.65	8.50	74.99	8.50
3. Common equity tier 1 to risk-weighted assets	69.65	7.00	74.99	7.00

3. Risk Exposure and Assessment

3.1 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) such as:

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 2020 and 2019 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-20	30-Sep-19
1. On-balance sheet assets	45,024,977,720	31,415,015,193
1.1 Net loans	32,474,179,978	20,639,385,238
1.2 Net Investment in debt securities	8,000,110,228	7,161,480,326
1.3 Deposits (including accrued interest receivables)	528,837,090	786,599,575
1.4 Derivatives	4,021,850,425	2,827,550,054
2. Off-balance sheet items	310,269,647,397	315,817,251,963
2.1 Aval of bills, guarantees, and letter of credits	3,426,590,213	2,835,553,727
2.2 OTC derivatives	304,573,602,295	310,407,722,431
2.3 Undrawn committed line	2,269,454,889	2,573,975,805

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	30-Sep-20				
	On-balance sheet assets				
	Total	Net loans	Net Investment in debt securities	Deposits (including accrued interest receivables)	Derivatives
1. Thailand	42,387,583,043	32,461,180,168	8,000,110,228	421,792,601	1,504,500,047
2. Asia Pacific (exclude Thailand)	2,575,771,408	12,999,810	-	46,558,663	2,516,212,935
3. North America and Latin America	9,419,420	-	-	9,419,420	-
4. Africa and Middle East	-	-	-	-	-
5. Europe	52,203,849	-	-	51,066,405	1,137,444
Total	45,024,977,720	32,474,179,978	8,000,110,228	528,837,090	4,021,850,425

Unit : THB

Country or geographic area of debtor	30-Sep-20			
	Off-balance sheet items			
	Total	Aval of bills, guarantees, and letter of credits	OTC derivatives	Undrawn committed line
1. Thailand	120,642,424,243	1,664,893,843	116,708,075,511	2,269,454,889
2. Asia Pacific (exclude Thailand)	187,560,139,670	1,464,454,054	186,095,685,616	-
3. North America and Latin America	-	-	-	-
4. Africa and Middle East	-	-	-	-
5. Europe	2,067,083,483	297,242,316	1,769,841,167	-
Total	310,269,647,398	3,426,590,214	304,573,602,295	2,269,454,889

Unit : THB

Country or geographic area of debtor	30-Sep-19				
	On-balance sheet assets				
	Total	Net loans	Net Investment in debt securities	Deposits (including accrued interest receivables)	Derivatives
1. Thailand	28,850,527,240	20,631,304,857	7,161,480,327	96,459,831	961,282,226
2. Asia Pacific (exclude Thailand)	2,413,719,894	8,080,382	-	539,371,684	1,866,267,828
3. North America and Latin America	34,989,941	-	-	34,989,941	-
4. Africa and Middle East	-	-	-	-	-
5. Europe	115,778,119	-	-	115,778,119	-
Total	31,415,015,193	20,639,385,238	7,161,480,327	786,599,575	2,827,550,054

Unit : THB

Country or geographic area of debtor	30-Sep-19			
	Off-balance sheet items			
	Total	Aval of bills, guarantees, and letter of credits	OTC derivatives	Undrawn committed line
1. Thailand	104,773,211,612	913,753,959	101,285,481,848	2,573,975,805
2. Asia Pacific (exclude Thailand)	210,174,949,127	1,654,384,643	208,520,564,484	-
3. North America and Latin America	-	-	-	-
4. Africa and Middle East	-	-	-	-
5. Europe	869,091,223	267,415,123	601,676,100	-
Total	315,817,251,963	2,835,553,727	310,407,722,431	2,573,975,805

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-20		
	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total
1. On-balance sheet assets	27,629,498,301	17,395,479,419	45,024,977,720
1.1 Net loans	23,862,117,196	8,612,062,782	32,474,179,978
1.2 Net Investment in debt securities	2,236,367,495	5,763,742,733	8,000,110,228
1.3 Deposits (including accrued interest receivables)	528,837,090	-	528,837,090
1.4 Derivatives	1,002,176,521	3,019,673,904	4,021,850,425
2. Off-balance sheet items	109,954,209,982	200,315,437,415	310,269,647,397
2.1 Aval of bills, guarantees, and letter of credits	3,055,802,181	370,788,032	3,426,590,213
2.2 OTC derivatives	105,798,407,800	198,775,194,494	304,573,602,295
2.3 Undrawn committed line	1,100,000,000	1,169,454,889	2,269,454,889

Unit : THB

Item	30-Sep-19		
	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total
1. On-balance sheet assets	20,042,746,199	11,372,268,994	31,415,015,193
1.1 Net loans	13,006,961,391	7,632,423,847	20,639,385,238
1.2 Net Investment in debt securities	5,808,197,478	1,353,282,849	7,161,480,327
1.3 Deposits (including accrued interest receivables)	786,599,575	-	786,599,575
1.4 Derivatives	440,987,755	2,386,562,298	2,827,550,054
2. Off-balance sheet items	142,641,373,884	173,175,878,079	315,817,251,963
2.1 Aval of bills, guarantees, and letter of credits	1,483,428,657	1,352,125,070	2,835,553,727
2.2 OTC derivatives	139,227,945,228	171,179,777,204	310,407,722,431
2.3 Undrawn committed line	1,930,000,000	643,975,805	2,573,975,805

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	30-Sep-20						Investment in debt securities (Specific provision)
	Loans including accrued interest receivables						
	Normal	Special mentioned	Sub standard	Doubtful	Doubtful loss	Total	
1. Thailand	32,679,691,169	-	-	-	-	32,679,691,169	-
2. Asia Pacific (exclude Thailand)	13,131,104	-	-	-	-	13,131,104	-
3. North America and Latin America	-	-	-	-	-	-	-
4. Africa and Middle East	-	-	-	-	-	-	-
5. Europe	-	-	-	-	-	-	-
Total	32,692,822,273	-	-	-	-	32,692,822,273	-

Unit : THB

Country or geographic area of debtor	30-Sep-19						Investment in debt securities (Specific Provision)
	Loans including accrued interest receivables						
	Normal	Special mentioned	Sub standard	Doubtful	Doubtful loss	Total	
1. Thailand	20,513,910,025	314,193,111	-	-	-	20,828,103,135	-
2. Asia Pacific (exclude Thailand)	8,162,002	-	-	-	-	8,162,002	-
3. North America and Latin America	-	-	-	-	-	-	-
4. Africa and Middle East	-	-	-	-	-	-	-
5. Europe	-	-	-	-	-	-	-
Total	20,522,072,026	314,193,111	-	-	-	20,836,265,137	-

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	30-Sep-20			
	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	218,642,295	-	-	-

Unit : THB

Country or geographic area of debtor	30-Sep-19			
	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	196,879,899	-	-	-

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	30-Sep-20					Total
	Normal	Special mentioned	Sub standard	Doubtful	Doubtful loss	
- Agriculture	-	-	-	-	-	-
- Manufacturing and commerce	12,733,893,022	-	-	-	-	12,733,893,022
- Real estate business and construction	4,582,124,071	-	-	-	-	4,582,124,071
- Public utilities and services	1,069,482,588	-	-	-	-	1,069,482,588
- Housing loans	-	-	-	-	-	-
- Financial leasing	702,829,918	-	-	-	-	702,829,918
- Commercial banks	11,601,513,870	-	-	-	-	11,601,513,870
- Others	2,002,978,804	-	-	-	-	2,002,978,804
Total	32,692,822,272	-	-	-	-	32,692,822,272

Unit : THB

Type of business	30-Sep-19					Total
	Normal	Special mentioned	Sub standard	Doubtful	Doubtful loss	
- Agriculture	85,091,178	-	-	-	-	85,091,178
- Manufacturing and commerce	10,484,833,034	314,193,111	-	-	-	10,799,026,144
- Real estate business and construction	2,006,656,543	-	-	-	-	2,006,656,543
- Public utilities and services	893,734,957	-	-	-	-	893,734,957
- Housing loans	-	-	-	-	-	-
- Financial leasing	4,579,722,819	-	-	-	-	4,579,722,819
- Commercial banks	2,472,033,497	-	-	-	-	2,472,033,497
- Others	-	-	-	-	-	-
Total	20,522,072,027	314,193,111	-	-	-	20,836,265,138

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-20		
	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	218,642,295	-	-

Unit : THB

Type of business	30-Sep-19		
	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		-	
Total	196,879,899	-	-

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

Unit : THB

Item	30-Sep-20		
	General provision	Specific provision	Total
- Provisions at the beginning of the period	196,879,899	-	196,879,899
- Bad debts written-off during the period	-	-	-
- Increases or Decreases of provisions during the period	21,762,397	-	21,762,397
- Other provisions (provisions for losses from foreign exchange,provisions for merger and sale of businesses)	-	-	-
Provisions at the end of the period	218,642,295	-	218,642,295

Unit : THB

Item	30-Sep-19		
	General provision	Specific provision	Total
- Provisions at the beginning of the period	147,606,621	-	147,606,621
- Bad debts written-off during the period	-	-	-
- Increases or Decreases of provisions during the period	49,273,278	-	49,273,278
- Other provisions (provisions for losses from foreign exchange,provisions for merger and sale of businesses)	-	-	-
Provisions at the end of the period	196,879,899	-	196,879,899

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-20		
	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	8,417,208,689	-	8,417,208,689
1.2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	11,713,281,791	2,074,853,036	13,788,134,828
1.3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	21,091,308,401	3,077,500,664	24,168,809,064
1.4 Claims on retail portfolios	-	-	-
1.5 Housing loans	-	-	-
1.6 Other assets	4,294,563,685	-	4,294,563,685
2. Non-performing claims	-	-	-
3. First-to-default credit derivatives and Securitisation	-	-	-
Total	45,516,362,566	5,152,353,700	50,668,716,266

Unit : THB

Type of asset	30-Sep-19		
	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	7,257,577,834	-	7,257,577,834
1.2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	3,162,583,135	2,465,401,949	5,627,985,084
1.3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	18,364,231,628	2,000,051,013	20,364,282,641
1.4 Claims on retail portfolios	-	-	-
1.5 Housing loans	-	-	-
1.6 Other assets	3,194,634,102	-	3,194,634,102
2. Non-performing claims	-	-	-
3. First-to-default credit derivatives and Securitisation	-	-	-
Total	31,979,026,699	4,465,452,962	36,444,479,661

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	30-Sep-20								
	Risk weight (%)	Rated outstanding amount				Unrated outstanding amount			
		0	20	50	100	0	20	50	100
Performing claims		8,417,208,689	1,650,157,740	3,988,839	1,461,789,921	4,196,553,866	15,606,025	0	24,251,212,858
1 Claims on sovereign and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereign	8,417,208,689	-	-	-	-	-	-	-	-
2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	-	1,650,157,740	3,988,839	1,461,789,921	-	-	-	-	-
3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	-	-	-	-	-	-	-	-	24,168,809,064
4 Claims on retail portfolios									-
5 Claims on housing loans									-
6 Other assets					4,196,553,866	15,606,025	0		82,403,794
Risk weight (%)			50	100					
Non-performing claims			-	-	-	-	-	-	-
Capital deduction items prescribed by the Bank of Thailand		26,603,436.55							

Unit : THB

Type of asset	30-Sep-19								
	Risk weight (%)	Rated outstanding amount				Unrated outstanding amount			
		0	20	50	100	0	20	50	100
Performing claims		7,257,577,834	2,719,562,880	8,927,437	1,513,494,223	3,127,980,241	-	-	20,430,936,502
1 Claims on sovereign and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereign	7,257,577,834	-	-	-	-	-	-	-	-
2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	-	2,719,562,880	8,927,437	1,513,494,223	-	-	-	-	-
3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	-	-	-	-	-	-	-	-	20,364,282,641
4 Claims on retail portfolios									-
5 Claims on housing loans									-
6 Other assets						3,127,980,241	-	-	66,653,861
Risk weight (%)			50	100					
Non-performing claims			-	-	-	-	-	-	-
Capital deduction items prescribed by the Bank of Thailand		31,141,286.74							

3.2 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 16: Minimum capital requirements for each type of market risk under the Standardised Approach

Unit : THB

Minimum capital requirements for market risk under SA	30-Sep-20	31-Mar-20
Interest rate risk	152,912,650	69,041,225
Equity position risk	-	-
Foreign exchange rate risk	11,765,184	42,305,897
Commodity risk	-	-
Total minimum capital requirements	164,677,834	111,347,122

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

Unit : THB

Currency	30-Sep-20	30-Sep-19
	Effect to net earnings	Effect to net earnings
THB	189,160,982	85,669,411
USD	(118,635,946)	(19,864,537)
EUR	39,216,899	18,350,785
Others	(15,829)	(421)
Total effect from changes in interest rate	109,726,106	84,155,238
% of anticipated net interest income for the next one year*	20	11

* The percentage changes in interest rates of 100 bps .

3.3 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.

4. 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 18 : Liquidity Coverage Ratio (LCR)**Unit: Million Baht**

Items	Quarter 4 – 2020 (Average)	Quarter 4 – 2019 (Average)
(1) Total high-quality liquid assets (HQLA)	17,943	13,262
(2) Total net cash outflows within the 30-day time horizon	8,838	4,069
(3) LCR* (%)	206%	340%
<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 2020 in comparison with those of 2019 are shown below:

Table 19 : Average LCR for comparison**Unit: %**

Average LCR	2020 Average □	2019 Average □
3rd quarter (April-June)	169%	374%
4th quarter (July-September)	206%	340%

For the 4th quarter of 2020 (end of September 2020), the average LCR was 206%, well above the regulatory minimum requirement of 100%.

The average HQLA was 17,943million Baht (which is the average of HQLA as at the end of July - September2020), 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 8,836 million Baht, which is the average of net cash outflows within 30-day time horizon as at the end of July – September 2020. 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.