

ANZ Bank (Thai) Public Company Limited

Financial statements for the period
from 27 November 2014 (date of incorporation)
to 30 September 2015
and
Independent Auditor's Report



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Independent Auditor's Report

To the Shareholders of ANZ Bank (Thai) Public Company Limited

I have audited the accompanying financial statements of ANZ Bank (Thai) Public Company Limited (the "Bank"), which comprise the statement of financial position as at 30 September 2015, the statements of comprehensive income, changes in equity and cash flows for the period from 27 November 2014 (date of incorporation) to 30 September 2015 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 30 September 2015, and the financial performance and cash flows for the period from 27 November 2014 (date of incorporation) to 30 September 2015 in accordance with Thai Financial Reporting Standards.

P. Gulsantiamrong

(Pantip Gulsantiamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
19 January 2016

ANZ Bank (Thai) Public Company Limited
Statement of financial position

| Assets | <i>Note</i> | 30 September 2015 <i>(in thousand Baht)</i> |
|--|-------------|---|
| Cash | | 7 |
| Interbank and money market items, net | 7, 22 | 6,546,290 |
| Derivative assets | 8, 22 | 2,593 |
| Investments, net | 9 | 9,615,143 |
| Loans to customers and accrued interest receivables, net | 10 | |
| Loans to customers | | 3,648,000 |
| Accrued interest receivables | | 4,020 |
| Total loans to customers and accrued interest receivables | | <u>3,652,020</u> |
| <i>Less</i> allowance for doubtful accounts | 11 | <u>(36,480)</u> |
| Total loans to customers and accrued interest receivables, net | | <u>3,615,540</u> |
| Leasehold building improvements and equipment, net | 12 | 82,557 |
| Intangible assets, net | 13 | 183,509 |
| Deferred tax assets | 14 | 42,796 |
| Other assets | 15, 22 | 22,144 |
| Total assets | | <u><u>20,110,579</u></u> |

The accompanying notes are an integral part of these financial statements.

ANZ Bank (Thai) Public Company Limited
Statement of financial position

| | <i>Note</i> | 30 September 2015 <i>(in thousand Baht)</i> |
|-------------------------------------|---------------|---|
| Liabilities and equity | | |
| <i>Liabilities</i> | | |
| Deposits | <i>16</i> | 328 |
| Liabilities payable on demand | | 4,863 |
| Derivative liabilities | <i>8, 22</i> | 129,590 |
| Other liabilities | <i>17, 22</i> | 147,123 |
| Total liabilities | | <u><u>281,904</u></u> |
| <i>Equity</i> | | |
| Share capital | <i>18</i> | |
| Authorised share capital | | 20,000,000 |
| Issued and paid-up share capital | | <u>20,000,000</u> |
| Other reserves | | (3,442) |
| Deficit | | (167,883) |
| Total equity | | <u>19,828,675</u> |
| Total liabilities and equity | | <u><u>20,110,579</u></u> |

(Warin Paaopanchon)
Chief Financial Officer

(Panadda Manoleehakul)
Chief Executive Officer

The accompanying notes are an integral part of these financial statements.

ANZ Bank (Thai) Public Company Limited
Statement of comprehensive income

| | <i>Note</i> | For the period from 27 November 2014 to 30 September 2015 <i>(in thousand Baht)</i> |
|--|-------------|--|
| Interest income | 22 | 91,357 |
| Interest expense | | 672 |
| Net interest income | 24 | 90,685 |
| Fees and service income | | 82 |
| Fees and service expenses | | 574 |
| Net fees and service income | 25 | (492) |
| Net trading income | 22, 26 | 2,176 |
| Total operating income | | 92,369 |
| Other operating expenses | | |
| Employee expenses | 22, 27 | 94,407 |
| Directors' remuneration | | 3,067 |
| Premises and equipment expenses | 28 | 22,488 |
| Taxes and duties | | 739 |
| Others | 29 | 80,015 |
| Total operating expenses | | 200,716 |
| Impairment provision on loans | 30 | 101,472 |
| Loss from operations before income tax expense | | (209,819) |
| Income tax expense | 31 | (41,936) |
| Net loss for the period | | (167,883) |
| Other comprehensive income (loss) | | |
| Losses on remeasuring available-for-sale investments | | (4,302) |
| Income tax on other comprehensive income | 31 | 860 |
| Total other comprehensive income (loss), net of income tax | | (3,442) |
| Total comprehensive income (loss) for the period | | (171,325) |
| Loss per share | | |
| Basic loss per share <i>(in Baht)</i> | 32 | (0.22) |

(Warin Paaopanchon)
Chief Financial Officer

(Panadda Manoleehakul)
Chief Executive Officer

The accompanying notes are an integral part of these financial statements.

ANZ Bank (Thai) Public Company Limited
Statement of changes in equity

| | Note | Issued and paid-up share capital | Other reserves <i>(in thousand Baht)</i> | Deficit | Total equity |
|--|------|-------------------------------------|---|------------------|-------------------|
| For the period from 27 November 2014 to 30 September 2015 | | | | | |
| Issue of shares on incorporation 27 November 2014 | 18 | 500,000 | - | - | 500,000 |
| Transactions with owners, recorded directly in equity | | | | | |
| <i>Contribution by owners</i> | | | | | |
| Issue of ordinary shares | 18 | 19,500,000 | - | - | 19,500,000 |
| Total contribution by owners | | 20,000,000 | - | - | 20,000,000 |
| Comprehensive income (loss) for the period | | | | | |
| Loss for the period | | - | - | (167,883) | (167,883) |
| Other comprehensive income (loss) | | | | | |
| Available-for-sale investments | | | | | |
| Net change in fair value recognised in equity, net of tax | | - | (3,442) | - | (3,442) |
| Total other comprehensive income (loss) | | - | (3,442) | - | (3,442) |
| Total comprehensive income (loss) for the period | | - | (3,442) | (167,883) | (171,325) |
| Balance as at 30 September 2015 | | 20,000,000 | (3,442) | (167,883) | 19,828,675 |

The accompanying notes are an integral part of these financial statements.

ANZ Bank (Thai) Public Company Limited

Statement of cash flows

For the period from
27 November 2014 to
30 September 2015
(in thousand Baht)

Cash flows from operating activities

| | |
|---|---------------------|
| Loss before income tax expense | (209,819) |
| <i>Adjustments for</i> | |
| Depreciation and amortisation | 20,315 |
| Impairment provision on loans | 101,472 |
| Amortisation of premium on debt instruments | 3,110 |
| | <u>(84,922)</u> |
| Net interest income | (90,685) |
| Proceeds from interest | 71,878 |
| Interest paid | (672) |
| Income tax paid | (739) |
| | <u>(739)</u> |
| Loss from operations before changes in operating assets and liabilities | (105,140) |
| <i>(Increase) decrease in operating assets</i> | |
| Interbank and money market items | (6,609,700) |
| Derivative assets | (2,593) |
| Loans to customers | (3,648,000) |
| Other assets | (7,528) |
| <i>Increase (decrease) in operating liabilities</i> | |
| Deposits | 328 |
| Liabilities payable on demand | 4,863 |
| Derivative liabilities | 129,590 |
| Other liabilities | 147,123 |
| | <u>147,123</u> |
| Net cash used in operating activities | <u>(10,091,057)</u> |

Cash flows from investing activities

| | |
|--|--------------------|
| Purchases of available-for-sale investments | (12,922,555) |
| Proceeds from available-for-sale investments | 3,300,000 |
| Purchases of leasehold building improvements and equipment | (86,664) |
| Purchases of intangible assets | (199,717) |
| | <u>(199,717)</u> |
| Net cash used in investing activities | <u>(9,908,936)</u> |

Cash flows from financing activities

| | |
|---|-------------------|
| Proceeds from issuance of ordinary shares | 20,000,000 |
| | <u>20,000,000</u> |
| Net cash from financing activities | <u>20,000,000</u> |

| | |
|------------------------------|----------|
| Net increase in cash | 7 |
| Cash as at 30 September 2015 | <u>7</u> |

Supplementary disclosures of cash flow information

| | |
|--|---------|
| Significant non-cash items | |
| Losses on remeasuring available-for-sale investments | (4,302) |

The accompanying notes are an integral part of these financial statements.

ANZ Bank (Thai) Public Company Limited

Notes to the financial statements

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| 27 | Employee expenses |
| 28 | Premises and equipment expenses |
| 29 | Other expenses |
| 30 | Impairment provision on loans |
| 31 | Income tax expense |
| 32 | Basic loss per share |
| 33 | Thai Financial Reporting Standards (TFRS) not yet adopted |

ANZ Bank (Thai) Public Company Limited

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 19 January 2016.

1 General information

ANZ Bank (Thai) Public Company Limited (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. The Bank was 95% held by ANZ Funds Pty. Ltd., a wholly owned subsidiary of ANZ Banking Group Limited.

The Bank 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, which enlarged the shareholding by ANZ Funds Pty. Ltd. to 99.875%.

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’s head office is located at 63 Athenee Tower, 8th Floor, Unit 801-807, Wireless Road, Lumpini, Pathumwan, Bangkok. The Bank does not have any other branches.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and presented as prescribed by the Bank of Thailand (BoT) Notification number Sor Nor Sor 11/2553, directive dated 3 December 2010, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are the parent company of a group of companies offering financial services”.

The FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2015 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Bank’s operations are disclosed in note 33.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Bank’s functional currency. All financial information presented in Thai Baht and has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

ANZ Bank (Thai) Public Company Limited

Notes to the financial statements

(d) *Use of estimates and judgments*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements is included in the following notes:

| | |
|---------|---------------------------------|
| Note 8 | Derivatives |
| Note 11 | Allowance for doubtful accounts |

3 **Significant accounting policies**

(a) *Foreign currencies*

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Foreign exchange difference arising from translation are recognised in profit or loss.

(b) *Cash*

Cash comprises cash in hand and cash in collection.

(c) *Investments*

Investments in debt securities

Marketable debt securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of investments in debt securities traded in Thai established market are calculated based on the Thai Bond Market Association yield curve at the reporting date, or at the latest trading date prior to the reporting date if there is no trading on that date.

ANZ Bank (Thai) Public Company Limited

Notes to the financial statements

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Bank disposes part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(d) *Loans to customers*

Loans to customers are stated at the outstanding principal amount, except for Bank overdrafts which include accrued interest receivable. Bill purchased at a discount are stated at the face value of the bills, net of deferred revenue.

(e) *Allowance for doubtful accounts*

The allowance for doubtful accounts is based on management's review and assessment of the status of individual debtors and the Bank's classification of loans as prescribed by the BoT's regulations. Such assessment takes into consideration various factors including the risk involved, value of the collateral and the current status of individual debtors.

The BoT has guidelines for establishing a minimum level of allowance for doubtful accounts, which is primarily determined by applying specified percentages to the different classifications of financing in conjunction with the consideration of collateral valuation. Financing classification is based principally on the period that a financing is past due. The Bank has set up the minimum allowance for doubtful accounts according to the BoT regulations.

Based on the BoT's regulations, the Bank has classified its loan portfolios into six categories, primarily based on the non-accrual period. For loans classified as pass and special-mention, the calculation of allowances for doubtful accounts is based on the regulatory minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans classified as sub-standard, doubtful and doubtful of loss, the allowance on these accounts will be set at 100 percent of the difference between the outstanding book value of the debt and the present value of future cash flows expected to be received, or the expected proceeds from the disposal of collateral, in accordance with the BoT's regulations.

The allowance for doubtful accounts established during the period is charged as an expense in profit or loss.

Bad debts written-off are recorded as charges to the allowance for doubtful accounts. All bad debts recovered are recognised as revenue in profit or loss from operations.

(f) *Leasehold building improvements and equipment*

Recognition and measurement

Owned assets

Leasehold building improvements and equipment are stated at cost less accumulated depreciation and impairment losses.

ANZ Bank (Thai) Public Company Limited

Notes to the financial statements

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of leasehold building improvements and equipment have different useful lives, they are accounted for as separate items (major components) of leasehold building improvements and equipment.

Gains and losses on disposal of an item of leasehold building improvements and equipment are determined by comparing the proceeds from disposal with the carrying amount of leasehold building improvements and equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of leasehold building improvements and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of leasehold building improvements and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of leasehold building improvements and equipment. The estimated useful lives are as follows:

| | |
|--|---|
| Leasehold building improvements | 10 years (or remaining of lease contract) |
| Furniture, fixtures and office equipment | 5 years |
| Computer equipment | 3 years |
| Vehicles | 5 years |

No depreciation is provided on assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(g) Intangible assets

Software licenses

Software licenses that are acquired by the Bank and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

ANZ Bank (Thai) Public Company Limited

Notes to the financial statements

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the software licenses is 3 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(h) Impairment

The carrying amounts of the Bank's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

ANZ Bank (Thai) Public Company Limited

Notes to the financial statements

(i) *Financial instruments*

Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contracts are entered into (trade date) and are subsequently re-measured at their fair values. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The Bank enters into derivative transactions for trading purposes, for which the realised and unrealised gain or loss is recognised in profit or loss.

The fair value of forward exchange agreements is their market price at the reporting date, being the present value of the quoted forward price.

(j) *Employee benefits*

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(k) *Provisions*

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(l) *Recognition of income*

Interest income on loans to customers is recognised on an accrual basis, except for interest on loans to customers classified as overdue in excess of three months where, regardless of whether the loans to customers are covered by collateral, the interest is recognised on a cash basis in accordance with the BoT's regulations. The accrued interest income from loans to customers is reversed against interest income when interest income on loans overdue for more than three months or being downgraded to classified assets.

Interest income on interbank and money market items and investments is recognised on an accrual basis. Discounts received on purchase of debt securities are recognised on effective interest method over the period to maturity.

Fees and service income is recognised on an accrual basis.

ANZ Bank (Thai) Public Company Limited

Notes to the financial statements

(m) Recognition of expenses

Interest expense is recognised on an accrual basis.

(n) Income tax

Income tax expense for the period comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Bank believe that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

ANZ Bank (Thai) Public Company Limited

Notes to the financial statements

(o) *Loss per share*

The Bank presents basic loss per share for its ordinary shares which is calculated by dividing the loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares issued during the period.

(p) *Offsetting*

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Bank has a legal, enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(q) *Trade date – Settlement date policy*

The Bank recognises investments in debt securities, interbank and money market items and derivatives on trade date.

4 **Financial risk management**

Risk management policies

Financial instruments are fundamental to the Bank's business, constituting the core element of its operations. Accordingly, the risks associated with financial instruments are a significant component of the risks for monitoring and managing. The Board of Directors is responsible for Bank strategies and policies relating to risk management that are adopted from ANZ Banking Group Limited and compliance with regulatory requirement.

The important risks for the Bank are operational risk, credit risk, market risk and liquidity risk that are further described below:

4.1 **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.

ANZ Bank (Thai) Public Company Limited

Notes to the financial statements

4.2 Credit risk

Credit risk is the risk of financial loss from counterparties being unable to fulfil their contractual loan or other credit obligations. The credit risks arise not only from traditional lending to customers, but also from inter-bank, treasury, and international trade.

The Bank 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.

Responsibility for the strategies and policies relating to the management of credit risk lies with the Board of Directors. Responsibility for day to day management of credit risk is delegated by the Board of Directors to the Bank Risk Management Committee [RMC].

4.3 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.

The Bank conducts trading operations in interest rates, foreign exchange, and government securities.

The Bank has a detailed risk management and control framework to support its trading and banking book activities. The framework incorporates a risk measurement approach to quantify the magnitude of market risk within trading and banking book portfolios. This approach and related analysis identifies the range of possible outcomes that can be expected over a given period of time, establishes the relative likelihood of those outcomes and allocates an appropriate amount of capital to support these activities.

Responsibility for the strategies and policies and comprehensive limit relating to the management of market risk lies with the Board of Directors. Responsibility for day to day management of both market risk and compliance with market risk policy is delegated by the Board of Directors to the RMC and the Assets & Liabilities Management Committee.

Market risk management is supported by a comprehensive limit and policy framework to control the amount of risk that the Bank will accept. Market risk limits are allocated to trading book and banking book and are reported and monitored by Market Risk on a daily basis. The detailed limit framework allocates individual limits to manage and control asset classes (e.g. interest rates, currency), risk factors and profit and loss limits (to monitor and manage the performance of the trading portfolio).

ANZ Bank (Thai) Public Company Limited
Notes to the financial statements

(a) Interest rate risk

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.

Significant financial assets and liabilities classified by types of interest rate as at 30 September 2015 are as follows:

| | Floating interest rate | 2015 | | Total |
|---|---------------------------|---|-------------------------|-------------------|
| | | Fixed interest rate <i>(in thousand Baht)</i> | Non-interest bearing | |
| Financial assets | | | | |
| Cash | - | - | 7 | 7 |
| Interbank and money market items* | 515 | 6,499,248 | 111,519 | 6,611,282 |
| Investments, net | - | 9,615,143 | - | 9,615,143 |
| Loans to customers and accrued interest receivable** | - | 3,648,000 | 4,020 | 3,652,020 |
| Total financial assets | 515 | 19,762,391 | 115,546 | 19,878,452 |
| Financial liabilities | | | | |
| Deposits | - | - | 328 | 328 |
| Total financial liabilities | - | - | 328 | 328 |

* Before deducting allowance for doubtful accounts amounting to Baht 65 million

** Before deducting allowance for doubtful accounts amounting to Baht 36 million

The Bank's average interest bearing financial assets and financial liabilities, together with the average interest rates are as follows:

| | Average balance <i>(in thousand Baht)</i> | 2015 | |
|----------------------------------|---|--|--|
| | | Average Interest <i>(in thousand Baht)</i> | Average interest rate <i>(% per annum)</i> |
| Financial assets | | | |
| Interbank and money market items | 11,538,742 | 36,642 | 1.03 |
| Investments | 7,940,659 | 29,593 | 1.49 |
| Loans to customers | 2,115,231 | 9,913 | 1.88 |
| Total | 21,594,632 | 76,148 | 1.41 |
| Financial liabilities | | | |
| Interbank and money market items | 169,353 | 672 | 1.59 |
| Total | 169,353 | 672 | 1.59 |

ANZ Bank (Thai) Public Company Limited
Notes to the financial statements

Significant financial assets and financial liabilities classified by earlier of maturity or interest repricing as at 30 September 2015 are as follows:

| | 2015 | | | | Non interest bearing | Total |
|--|----------------|------------------|------------------------------|------------------|----------------------|-------------------|
| | At call | 3 months | Reprice within 3 - 12 months | 1-5 years | | |
| <i>(in thousand Baht)</i> | | | | | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | 7 | 7 |
| Interbank and money market items* | 515 | 5,408,160 | 1,091,088 | - | 111,519 | 6,611,282 |
| Investments, net | - | 3,490,144 | 4,966,181 | 1,158,818 | - | 9,615,143 |
| Loans to customers and accrued interest receivable** | 500,000 | 1,000,000 | 1,548,000 | 600,000 | 4,020 | 3,652,020 |
| Total financial assets | 500,515 | 9,898,304 | 7,605,269 | 1,758,818 | 115,546 | 19,878,452 |
| Financial liabilities | | | | | | |
| Deposits | - | - | - | - | 328 | 328 |
| Total financial liabilities | - | - | - | - | 328 | 328 |

* Before deducting allowance for doubtful accounts amounting to Baht 65 million

** Before deducting allowance for doubtful accounts amounting to Baht 36 million

(b) Currency exchange rate risk

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.

As at 30 September 2015, net open position assets (liabilities) denominated in various currencies, are as follows:

| | 2015 |
|--------------------------------------|--------------------------------|
| | <i>(in thousand US Dollar)</i> |
| Net foreign currency exposure | |
| US Dollar | 178,938 |
| AUD (*) | (16) |

(*) Balance denominated in AUD is stated in USD equivalent.

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Notes to the financial statements

4.4 Liquidity risk

Liquidity Risk is the risk that the Bank is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt, or that the Bank has insufficient capacity to fund increases in assets. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored.

The Bank's liquidity risk is governed by a set of principles which are approved by the Board of Directors. In response to the impact of the global financial crisis, the framework has been reviewed and updated regularly.

The remaining periods to maturity of significant financial assets and financial liabilities as at 30 September 2015 based on contractual maturity are as follows:

| | Maturity on demand | 2015 | | | No maturity | Total |
|--|--------------------|------------------|---|------------------|-------------|-------------------|
| | | 3 months | Maturity within 3 - 12 months (in thousand Baht) | 1 - 5 years | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | 7 | 7 |
| Interbank and money market items* | 110,452 | 5,409,732 | 1,091,098 | - | - | 6,611,282 |
| Investments, net | - | 3,490,144 | 4,966,181 | 1,158,818 | - | 9,615,143 |
| Loans to customers and accrued interest receivable** | 500,731 | 1,000,384 | 1,550,905 | 600,000 | - | 3,652,020 |
| Total financial assets | 611,183 | 9,900,260 | 7,608,184 | 1,758,818 | 7 | 19,878,452 |
| Financial liabilities | | | | | | |
| Deposits | 328 | - | - | - | - | 328 |
| Total financial liabilities | 328 | - | - | - | - | 328 |
| Net liquidity gap | 610,855 | 9,900,260 | 7,608,184 | 1,758,818 | 7 | 19,878,124 |

* Before deducting allowance for doubtful accounts amounting to Baht 65 million

** Before deducting allowance for doubtful accounts amounting to Baht 36 million

Derivatives

The remaining periods to maturity of the notional amount of derivatives as at 30 September 2015 are as follows:

| | Within 1 year | 2015 | | Total |
|---------------------------------|---------------|-------------|--------------------|-----------|
| | | Over 1 year | (in thousand Baht) | |
| Foreign currency related | | | | |
| Forward exchange contracts | 9,515,713 | - | | 9,515,713 |

ANZ Bank (Thai) Public Company Limited
Notes to the financial statements

5 Fair value of financial instruments

Fair value is the estimated value that the Bank could receive from selling its financial assets or the estimated cost for redeeming its financial liabilities based on market values, or estimated values that can be derived from using general market principles of calculation.

The following is a summary of the carrying value and estimated fair values of financial assets and financial liabilities.

| | 2015 | |
|---|---------------------------|--------------------------|
| | Carrying value | Fair value |
| | <i>(in thousand Baht)</i> | |
| <i>Financial assets</i> | | |
| Cash | 7 | 7 |
| Interbank and money market items, net | 6,546,290 | 6,546,290 |
| Derivative assets | 2,593 | 2,593 |
| Investments, net | 9,615,143 | 9,615,143 |
| Loans to customers and interest receivable, net | 3,615,540 | 3,613,021 |
| Other assets | 13,877 | 13,877 |
| Total financial assets | <u>19,793,450</u> | <u>19,790,931</u> |
| <i>Financial liabilities</i> | | |
| Deposits | 328 | 328 |
| Liabilities payable on demand | 4,863 | 4,863 |
| Derivative liabilities | 129,590 | 129,590 |
| Total financial liabilities | <u>134,781</u> | <u>134,781</u> |

The following methods and assumptions were used by the Bank in estimating the fair value of financial instruments as disclosed herein.

| | |
|---|--|
| Cash: | The carrying amount approximates fair value. |
| Interbank and money market items (assets): | Fair value calculated based on present value of estimated cash flows, using the current interest rate in the money market. |
| Derivatives: | Fair value of the derivative assets and liabilities as described in Note 3 (i). |
| Investments: | Fair value of investments as described in Note 3 (c). |
| Loans to customers and accrued interest receivable: | Fair value of fixed rate loans to customers that have remaining maturity within 1 year of the reporting date approximates the carrying value at the reporting date. Fair value for fixed interest loans to customers which the remaining maturity more than 1 year is estimated using discounted cash flow analysis and using interest rates currently being offered for loans to customers with similar terms to borrowers of similar credit quality. |

ANZ Bank (Thai) Public Company Limited
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| | |
|--|---|
| Deposits and interbank and money market items (liabilities): | Fair value of deposits and interbank and money market items approximate the carrying value at which they are stated on the statement of financial position as these carry market variable rates of interest and are short term. |
| Liabilities payable on demand: | The carrying amount of liabilities payable on demand approximates fair value as these carry short settlement terms |

6 Maintenance of capital fund

The ratios of capital to assets (Capital Adequacy Ratio) as of 30 September 2015 were calculated from the financial statements of the Bank. The Bank has chosen to adopt the Standardised Approach (SA) for credit risk and market risk weight assets calculation, and Basic Indicator Approach (BIA) for operational risk weight assets calculation which is consistent with BoT requirements.

| | 2015 (in thousand Baht) |
|--|----------------------------|
| Tier 1 capital | |
| Common Equity Tier 1 (CET1) | |
| Issued and paid-up share capital | 20,000,000 |
| Other reserves | (1,721) |
| Less Capital deduction items on CET1 | (284,083) |
| Total Tier 1 Capital Base | 19,714,196 |
| Tier 2 capital | |
| Provision for normal classified assets | 66,911 |
| Total Tier 2 Capital Base | 66,911 |
| Total Capital Base | 19,781,107 |
| Total Risk-Weighted Assets | 6,036,061 |

| | The BoT's regulation minimum requirement | 2015 |
|----------------------------|---|--------|
| | | (%) |
| Capital Adequacy Ratio | 8.50 | 327.72 |
| Tier-1 Capital ratio | 6.00 | 326.61 |
| Tier-1 Common Equity ratio | 4.50 | 326.61 |
| Tier-2 Capital ratio | - | 1.11 |

In accordance with the Bank of Thailand Notification No. Sor Nor Sor 4/2556 dated 2 May 2013, Re: "Information Disclosure Regarding Capital Fund Maintenance for Commercial Banks", the Bank intends to disclose Capital Maintenance information as of 30 September 2015 within 4 months after the period end date, as indicated in the notification, through the Bank's website <http://www.anz.com/thailand/en/auxiliary/resource-centre/>

Capital management

The Bank's capital management approach is driven by its desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements (nil credit ratings).

ANZ Bank (Thai) Public Company Limited
Notes to the financial statements

7 Interbank and money market items, net (assets)

| | At call | 2015 Term | Total |
|---|---------------------------|------------------|------------------|
| | <i>(in thousand Baht)</i> | | |
| <i>Domestic</i> | | | |
| Bank of Thailand | 9,474 | - | 9,474 |
| Commercial banks | 550 | - | 550 |
| Total domestic, net | 10,024 | - | 10,024 |
| <i>Foreign</i> | | | |
| USD | 6,198 | 6,499,248 | 6,505,446 |
| AUD | 94,230 | - | 94,230 |
| Total | 100,428 | 6,499,248 | 6,599,676 |
| <i>Add</i> accrued interest receivable | - | 1,582 | 1,582 |
| <i>Less</i> allowance for doubtful accounts | - | (64,992) | (64,992) |
| Total foreign, net | 100,428 | 6,435,838 | 6,536,266 |
| Total domestic and foreign, net | 110,452 | 6,435,838 | 6,546,290 |

8 Derivatives

Derivatives held for trading

As at 30 September 2015, the fair value and notional amount of derivatives classified by type of risks are as follows:

| Type of risks | 2015 | | Notional amount |
|--------------------------|---------------------------|----------------|------------------|
| | Assets | Liabilities | |
| | <i>(in thousand Baht)</i> | | |
| Foreign currency related | 2,593 | 129,590 | 9,515,713 |
| Total | 2,593 | 129,590 | 9,515,713 |

As at 30 September 2015, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

| Counterparties | 2015 |
|------------------------|---------------|
| | (%) |
| Financial institutions | 87.39 |
| Related parties | 12.61 |
| Total | 100.00 |

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Notes to the financial statements

9 Investments, net

As at 30 September 2015, the Bank classifies investment types as follows:

| | Amortised cost | 2015 (in thousand Baht) | | Fair value |
|---------------------------------------|------------------|----------------------------|-------------------|------------------|
| | | Unrealised gains | Unrealised losses | |
| <i>Available-for-sale investments</i> | | | | |
| Government bonds | 9,619,446 | 140 | (4,443) | 9,615,143 |
| Total investments, net | 9,619,446 | 140 | (4,443) | 9,615,143 |

10 Loans to customers and accrued interest receivable, net

10.1 Classified by type of loans

| | 2015 (in thousand Baht) |
|--|----------------------------|
| Loans | 3,648,000 |
| Total | 3,648,000 |
| <i>Add</i> accrued interest receivable | 4,020 |
| Total loans and accrued interest receivable | 3,652,020 |
| <i>Less</i> allowance for doubtful accounts | |
| - Minimum allowance as BoT's regulations - Individual approach | (36,480) |
| Total loans to customers and accrued interest receivable, net | 3,615,540 |

10.2 Classified by currency and residence of debtors

As at 30 September 2015, the Bank's loans are to Thai resident customer and denominated entirely in Baht.

10.3 Classified by industry and loan classification

| | 2015 Pass (in thousand Baht) |
|-----------------------------|------------------------------------|
| Manufacturing and commerce | 1,898,000 |
| Infrastructure and services | 500,000 |
| Others | 1,250,000 |
| Total | 3,648,000 |

ANZ Bank (Thai) Public Company Limited
Notes to the financial statements

10.4 Classified by loan classification

| | Loans to customers and accrued interest receivables <i>(in thousand Baht)</i> | Net amount used to set the allowance for doubtful accounts* | 2015 Rate used for setting the allowance for doubtful accounts <i>(%)</i> | Allowance for doubtful accounts <i>(in thousand Baht)</i> |
|---|---|---|---|--|
| Minimum allowance as per BoT's Regulations | | | | |
| Pass | 3,652,020 | 3,648,000 | 1 | 36,480 |
| Total | <u>3,652,020</u> | <u>3,648,000</u> | | <u>36,480</u> |

* the outstanding debt excluded accrued interest receivables.

11 Allowance for doubtful accounts

| | 2015 Pass <i>(in thousand Baht)</i> |
|-----------------------|---|
| Doubtful accounts | |
| Ending balance | <u>36,480</u> |

12 Leasehold building improvements and equipment, net

As at 30 September 2015, changes in leasehold building improvements and equipment are as follows:

| | Cost | | 2015 Accumulated depreciation | | Net book value |
|---|----------------------|----------------------|---|---------------------|----------------------|
| | Purchases | Ending balance | Depreciation <i>(in thousand Baht)</i> | Ending balance | |
| Leasehold building improvements | 30,776 | 30,776 | 776 | 776 | 30,000 |
| Furniture, fixtures and office equipment | 12,683 | 12,683 | 634 | 634 | 12,049 |
| Computer equipment | 34,246 | 34,246 | 2,601 | 2,601 | 31,645 |
| Vehicle | 1,900 | 1,900 | 96 | 96 | 1,804 |
| Assets under construction | 7,059 | 7,059 | - | - | 7,059 |
| Total | <u>86,664</u> | <u>86,664</u> | <u>4,107</u> | <u>4,107</u> | <u>82,557</u> |

ANZ Bank (Thai) Public Company Limited
Notes to the financial statements

13 Intangible assets, net

As at 30 September 2015, the changes in intangible assets are as follows:

| | Cost | | Accumulated amortisation | | Net book value |
|-------------------|----------------|----------------|---|----------------|----------------|
| | Purchases | Ending balance | Amortisation <i>(in thousand Baht)</i> | Ending balance | |
| Software licenses | 192,939 | 192,939 | 16,208 | 16,208 | 176,731 |
| Work in progress | 6,778 | 6,778 | - | - | 6,778 |
| Total | 199,717 | 199,717 | 16,208 | 16,208 | 183,509 |

14 Deferred tax

Deferred tax assets are as follows:

| | 2015 <i>(in thousand Baht)</i> |
|---------------------|-----------------------------------|
| Deferred tax assets | 42,796 |
| Total | 42,796 |

Movements in total deferred tax assets during the period ended 30 September 2015 are as follows:

| | (Charged) / Credited to: | | At 30 September 2015 |
|----------------------------|---|----------------------------------|----------------------------|
| | Profit or loss <i>(note 31)</i> <i>(in thousand Baht)</i> | Other comprehensive income | |
| <i>Deferred tax assets</i> | | | |
| Investments | - | 860 | 860 |
| Intangible asset | 9,812 | - | 9,812 |
| Tax losses | 25,975 | - | 25,975 |
| Other assets | 31 | - | 31 |
| Other liabilities | 6,118 | - | 6,118 |
| Total | 41,936 | 860 | 42,796 |

15 Other assets

| | 2015 <i>(in thousand Baht)</i> |
|-----------------------------|-----------------------------------|
| Accrued interest receivable | 13,877 |
| Guarantee deposits | 5,530 |
| Prepayments | 1,444 |
| Others | 1,293 |
| Total | 22,144 |

ANZ Bank (Thai) Public Company Limited
Notes to the financial statements

16 Deposits

16.1 Classified by type of deposits

| | |
|--------------|----------------------------|
| | 2015 (in thousand Baht) |
| Current | 328 |
| Total | 328 |

16.2 Classified by currency and residence of depositors

As at 30 September 2015, the Bank's deposits are from Thai resident depositors denominated entirely in Baht.

17 Other liabilities

| | | |
|-------------------------------------|-------------|----------------------------|
| | <i>Note</i> | 2015 (in thousand Baht) |
| Other liabilities - related parties | 22 | 94,230 |
| Accrued expenses | | 40,466 |
| VAT payable | | 6,594 |
| Withholding tax payable | | 4,200 |
| Others | | 1,633 |
| Total | | 147,123 |

18 Share capital

| | Par value per share (in Baht) | Number (in thousand shares / thousand Baht) | Amount |
|---|-------------------------------------|--|-------------------|
| <i>Authorised</i> | | | |
| At 27 November 2014 - ordinary shares | 10 | 50,000 | 500,000 |
| Increase of new shares | 10 | 1,950,000 | 19,500,000 |
| At 30 September 2015 - ordinary shares | 10 | 2,000,000 | 20,000,000 |
| <i>Issued and paid-up</i> | | | |
| At 27 November 2014 - ordinary shares | 10 | 50,000 | 500,000 |
| Increase of new shares | 10 | 1,950,000 | 19,500,000 |
| At 30 September 2015 - ordinary shares | 10 | 2,000,000 | 20,000,000 |

On 21 April 2015, the extraordinary meeting of the shareholders approved to increase the Bank's authorised share capital by Baht 19,500 million from Baht 500 million to Baht 20,000 million by issuing 1,950 million new ordinary shares with par value of Baht 10 each called up at 100%. The new issued and paid-up share capital was registered with the Ministry of Commerce on 11 June 2015.

19 Reserves

The Bank has not provided legal reserve due to net losses during the period.

ANZ Bank (Thai) Public Company Limited
Notes to the financial statements

20 Assets pledged as collateral

Assets pledged as collateral as at 30 September 2015 consists of:

| | |
|---|-----------------------------------|
| | 2015 <i>(in thousand Baht)</i> |
| Government bonds | |
| - Pledged for liquidity management with the BoT | 9,474 |
| Total | 9,474 |

21 Contingent liabilities

| | |
|---------------------|-----------------------------------|
| | 2015 <i>(in thousand Baht)</i> |
| Letters of credit | 400,066 |
| Other contingencies | 603,655 |
| Total | 1,003,721 |

Litigation

As at 30 September 2015, there is no litigation case outstanding against the Bank.

22 Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with key management and other related parties are as follows:

| Name of entity/Personnel | Country of incorporation/ nationality | Nature of relationship |
|---------------------------------|--|---|
| Key management personnel | Thai and other nationality | Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly including any director (whether executive or otherwise). |
| ANZ Banking Group Limited | Australia | Ultimate parent company of the Bank |
| ANZ Funds Pty. Ltd. | Australia | Parent company of the Bank |
| ANZ Bank Singapore | Singapore | Affiliates of ANZ Group |
| ANZ Bank London | United Kingdom | Affiliates of ANZ Group |
| ANZ Bank China | China | Affiliates of ANZ Group |

The pricing policies for particular types of transactions are explained further below:

| Transactions | Pricing policies |
|---------------------|----------------------------|
| Interest rate | Based on market rate |
| Services | Contractually agreed price |
| Derivatives | Based on market price |

ANZ Bank (Thai) Public Company Limited
Notes to the financial statements

Significant transactions for the period ended 30 September 2015 with key management and other related parties are as follows:

| | 2015 <i>(in thousand Baht)</i> |
|--|-----------------------------------|
| Interest income | 1,931 |
| Other expenses | 397 |
| <i>Key management personnel</i> | |
| Short-term employee benefits | 49,631 |
| Total key management personnel compensation | 49,631 |

Directors' and executives' benefits

The Bank has not paid any benefits to its directors and executives other than those in the normal course of business such as salary, executives' bonuses and directors' remuneration approved at a Shareholders' Meeting.

Significant balances and business transactions with other related parties

| | 2015 <i>(in thousand Baht)</i> |
|---|-----------------------------------|
| <i>Interbank and money market items (assets)</i> | |
| ANZ Banking Group Limited | 94,230 |
| ANZ Bank Singapore | 6,500,830 |
| | 6,595,060 |
| <i>Derivative assets</i> | |
| ANZ Banking Group Limited | 179 |
| <i>Other assets</i> | |
| ANZ Banking Group Limited | 554 |
| <i>Derivative liabilities</i> | |
| ANZ Banking Group Limited | 172 |
| <i>Other liabilities</i> | |
| ANZ Banking Group Limited | 94,230 |
| <i>Other guarantees</i> | |
| ANZ Bank London | 73,655 |
| ANZ Bank China | 530,000 |
| | 603,655 |
| <i>Derivatives - Foreign currency related</i> | |
| ANZ Banking Group Limited | 1,199,799 |

ANZ Bank (Thai) Public Company Limited
Notes to the financial statements

Significant agreements with related parties

(a) *Appointment Letter*

On 15 October 2014, which was prior to the incorporation of the Bank, the promoters of the Bank (“Promoters”) had appointed ANZ Banking Group Limited (“ANZBGL”) to act on behalf of the Promoters to facilitate the process of incorporation, management of operational expenses, and preparation for commencement of operations of the Bank. The Appointment Letter was then approved in the statutory meeting of the Bank on 4 November 2014. After the incorporation of the Bank, ANZBGL has been released and discharged from all its obligations and liabilities under any arrangements, performances or agreements, and would be reimbursed for all expenses ANZBGL had paid on the Bank’s behalf under the Appointment Letter. During the period, the Bank has reimbursed expenses with ANZBGL amounting to AUD 3 Million.

(b) *Outsourcing Services*

As a wholly owned subsidiary of ANZBGL, the Bank, upon its commencement date of the banking business, has entered into the outsourcing participation agreement, agreeing to terms and conditions of the Global Master Service Agreement and the Global Head Terms, in obtaining certain non-strategic services including technology from ANZBGL as well as its 3 hubs, namely ANZ Global Services and Operations (Chengdu) Company Limited, ANZ Global Services and Operations (Manila) Inc., and ANZ Support Services India Private Limited. Fees payable are based upon the terms of each participation agreement which include actual costs incurred plus a margin, in accordance with the terms in the agreements. During the period, the Bank still not has expenses from this agreement.

23 Non-cancellable operating lease agreements

The Bank has entered into operating lease and service agreements of premises and office equipment for the periods ranging from 1 year to 5 years. The periods to maturity of long-term lease payments are as follows:

| | 2015 <i>(in thousand Baht)</i> |
|--------------------------------------|-----------------------------------|
| Within one year | 14,835 |
| After one year but within five years | 15,342 |
| Total | 30,177 |

24 Net interest income

| | 2015 <i>(in thousand Baht)</i> |
|---|-----------------------------------|
| Interest income | |
| - Interbank and money market items | 36,642 |
| - Investments in debt securities | 29,593 |
| - Loans to customers | 9,913 |
| - Others | 15,209 |
| | <u>91,357</u> |
| Interest expense | |
| - Interbank and money market items | 671 |
| - Contribution to Deposit Protection Agency | 1 |
| | <u>672</u> |
| Net | 90,685 |

ANZ Bank (Thai) Public Company Limited
Notes to the financial statements

25 Net fees and service income

| | 2015 <i>(in thousand Baht)</i> |
|------------------------------------|-----------------------------------|
| Fees and service income | |
| - Acceptance, avals and guarantees | 44 |
| - Others | 38 |
| | <u>82</u> |
| Fees and service expenses | |
| - Others | 574 |
| | <u>574</u> |
| Net | <u>(492)</u> |

26 Net trading income

| | 2015 <i>(in thousand Baht)</i> |
|---|-----------------------------------|
| Gains on trading and foreign exchange transactions | |
| - Foreign currencies and foreign currency related derivatives | 2,176 |
| Total | <u>2,176</u> |

27 Employee expenses

| | 2015 <i>(in thousand Baht)</i> |
|------------------|-----------------------------------|
| Salary and bonus | 77,335 |
| Others | 17,072 |
| Total | <u>94,407</u> |

28 Premises and equipment expenses

| | 2015 <i>(in thousand Baht)</i> |
|--------------|-----------------------------------|
| Rental | 9,659 |
| Depreciation | 4,107 |
| Others | 8,722 |
| Total | <u>22,488</u> |

29 Other expenses

| | 2015 <i>(in thousand Baht)</i> |
|---------------------------------|-----------------------------------|
| Consultant and professional fee | 48,703 |
| Amortisation | 16,208 |
| License fee | 10,327 |
| Other | 4,777 |
| Total | <u>80,015</u> |

ANZ Bank (Thai) Public Company Limited
Notes to the financial statements

30 Impairment provision on loans

| | |
|----------------------------------|---------------------------|
| | 2015 |
| | <i>(in thousand Baht)</i> |
| Interbank and money market items | 64,992 |
| Loans to customers | 36,480 |
| Total | <u>101,472</u> |

31 Income tax expense

Income tax recognised in profit or loss

| | | |
|------------------------------------|-------------|---------------------------|
| | <i>Note</i> | 2015 |
| | | <i>(in thousand Baht)</i> |
| Current tax expense | | |
| Current period | | - |
| | | <u>-</u> |
| Deferred tax expense | | |
| Movements in temporary differences | 14 | (41,936) |
| Total | | <u>(41,936)</u> |

Income tax recognised in other comprehensive income

| | | | |
|--------------------------------|-----------------------|---------------------------|-----------------------|
| | Before tax | 2015 Tax benefit | Net of Tax |
| | | <i>(in thousand Baht)</i> | |
| Available-for-sale investments | (4,302) | 860 | (3,442) |
| Total | <u>(4,302)</u> | <u>860</u> | <u>(3,442)</u> |

Reconciliation of effective tax rate

| | | |
|--|------------------|---------------------------|
| | <i>Rate</i> | 2015 |
| | <i>(%)</i> | <i>(in thousand Baht)</i> |
| Profit before income tax expense | | (209,819) |
| Income tax using the Thai corporation tax rate | 20 | (41,964) |
| Expenses not deductible for tax purposes | | 28 |
| Total | <u>20</u> | <u>(41,936)</u> |

The Bank has applied the tax rate of 20% in measuring deferred tax assets and liabilities as at 30 September 2015.

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32 Basic loss per share

The calculations of basic loss per share for the period ended 30 September 2015 were based on the loss for the period attributable to equity holders of the Bank and the weighted average number of ordinary shares outstanding during the period as follows:

| | |
|---|---|
| | 2015 <i>(in thousand Baht / thousand shares)</i> |
| Loss for the period attributable to shareholders of the Bank (basic) | <u>(167,883)</u> |
| Weighted average number of ordinary shares outstanding | <u>759,091</u> |
| Basic loss per share (<i>in Baht</i>) | <u>(0.22)</u> |

33 Thai Financial Reporting Standards (TFRS) not yet adopted

The Bank has not adopted the revised Conceptual Framework for Financial Reporting which was announced on 6 November 2015 and the new and revised TFRS have been issued but are not yet effective. Those new and revised TFRS that are applicable to the Bank, which become effective for annual financial periods beginning on or after 1 January in the year indicated, are set out below. The Bank does not plan to adopt these TFRS early.

| TFRS | Topic | Year effective |
|-------------------------|--|-------------------|
| TAS 1 (revised 2014) | Presentation of Financial Statements | 2015 |
| TAS 7 (revised 2014) | Statement of Cash Flows | 2015 |
| TAS 8 (revised 2014) | Accounting Policies, Changes in Accounting Estimates and Errors | 2015 |
| TAS 10 (revised 2014) | Events after the Reporting Period | 2015 |
| TAS 12 (revised 2014) | Income Taxes | 2015 |
| TAS 16 (revised 2014) | Property, Plant and Equipment | 2015 |
| TAS 17 (revised 2014) | Leases | 2015 |
| TAS 18 (revised 2014) | Revenue | 2015 |
| TAS 19 (revised 2014) | Employee Benefits | 2015 |
| TAS 21 (revised 2014) | The Effects of Changes in Foreign Exchange Rates | 2015 |
| TAS 24 (revised 2014) | Related Party Disclosures | 2015 |
| TAS 33 (revised 2014) | Earnings per Share | 2015 |
| TAS 34 (revised 2014) | Interim Financial Reporting | 2015 |
| TAS 36 (revised 2014) | Impairment of Assets | 2015 |
| TAS 37 (revised 2014) | Provisions, Contingent Liabilities and Contingent Assets | 2015 |
| TAS 38 (revised 2014) | Intangible Assets | 2015 |
| TFRS 13 | Fair Value Measurement | 2015 |
| TFRIC 10 (revised 2014) | Interim Financial Reporting and Impairment | 2015 |
| TAS 1 (revised 2015) | Presentation of Financial Statements | 2016 |
| TAS 7 (revised 2015) | Statement of Cash Flows | 2016 |
| TAS 8 (revised 2015) | Accounting Policies, Changes in Accounting Estimates and Errors | 2016 |
| TAS 10 (revised 2015) | Events after the Reporting Period | 2016 |
| TAS 12 (revised 2015) | Income Taxes | 2016 |
| TAS 16 (revised 2015) | Property, Plant and Equipment | 2016 |
| TAS 17 (revised 2015) | Leases | 2016 |
| TAS 18 (revised 2015) | Revenue | 2016 |

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| TFRS | Topic | Year effective |
|-------------------------|--|-----------------------|
| TAS 19 (revised 2015) | Employee Benefits | 2016 |
| TAS 21 (revised 2015) | The Effects of Changes in Foreign Exchange Rates | 2016 |
| TAS 24 (revised 2015) | Related Party Disclosures | 2016 |
| TAS 33 (revised 2015) | Earnings Per Share | 2016 |
| TAS 34 (revised 2015) | Interim Financial Reporting | 2016 |
| TAS 36 (revised 2015) | Impairment of Assets | 2016 |
| TAS 37 (revised 2015) | Provisions, Contingent Liabilities and Contingent Assets | 2016 |
| TAS 38 (revised 2015) | Intangible Assets | 2016 |
| TFRS 13 (revised 2015) | Fair Value Measurement | 2016 |
| TFRIC 10 (revised 2015) | Interim Financial Reporting and Impairment | 2016 |

Management expects to adopt and apply the revised Conceptual Framework for Financial Reporting and these new and revised TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the financial statements of the revised Conceptual Framework for Financial Reporting and those new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.