

ANZ Bank (Thai) Public Company Limited

Interim Financial statements
for the six-month period ended
31 March 2019
and
Independent Auditor's Report



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Independent Auditor's Report

To the Board of Directors ANZ Bank (Thai) Public Company Limited

Opinion

I have audited the interim financial statements of ANZ Bank (Thai) Public Company Limited (the "Bank"), which comprise the statement of financial position as at 31 March 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended; and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Bank as at 31 March 2019 and the financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the interim Financial Statements* section of my report. I am independent of the Bank in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the interim financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



Responsibilities of Management and Those Charged with Governance for the Interim Financial Statements

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

In preparing the interim financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Interim Financial Statements

My objectives are to obtain reasonable assurance about whether the interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the interim financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the interim financial statements, including the disclosures, and whether the interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

A handwritten signature in black ink, appearing to read 'P. Gulsanthamrong'.

(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
29 May 2019

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

Assets	<i>Note</i>	31 March 2019	30 September 2018
		<i>(in thousand Baht)</i>	
Cash		764	572
Interbank and money market items, net	7, 23	23,707,216	13,825,876
Derivative assets	8, 23	1,698,786	1,112,297
Investments, net	9	4,636,780	4,039,654
Loans to customers and accrued interest receivables, net	10		
Loans to customers		18,567,630	14,427,843
Accrued interest receivables		81,124	48,983
Total loans to customers and accrued interest receivables		18,648,754	14,476,826
<i>Less</i> deferred revenue		-	(146)
<i>Less</i> allowance for doubtful accounts	11	(185,676)	(144,329)
Total loans to customers and accrued interest receivables, net		18,463,078	14,332,351
Leasehold building improvements and equipment, net	12	23,186	31,767
Deferred tax assets, net	13	34,688	55,057
Trading securities receivable		-	84,020
Other assets	14, 23	356,744	49,989
Total assets		48,921,242	33,531,583

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

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

Liabilities and equity	<i>Note</i>	31 March 2019	30 September 2018
		<i>(in thousand Baht)</i>	
Liabilities			
Deposits	<i>15</i>	11,424,100	4,264,610
Interbank and money market items	<i>16, 23</i>	15,428,482	8,051,975
Liabilities payable on demand		21,164	4,256
Derivative liabilities	<i>8, 23</i>	1,758,566	1,203,946
Trading securities payable		-	-
Provisions for employee benefits		57,331	55,759
Other liabilities	<i>17, 23</i>	298,662	180,820
Total liabilities		28,988,305	13,761,366
Equity			
Share capital	<i>19</i>		
Authorised share capital		20,000,000	20,000,000
Issued and paid-up share capital		20,000,000	20,000,000
Other reserves		1,043	432
Deficit		(68,106)	(230,215)
Total equity		19,932,937	19,770,217
Total liabilities and equity		48,921,242	33,531,583



(Warin Paaopanchon)
Chief Financial Officer



(Panadda Manoleehakul)
President and Chief Executive Officer

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ANZ Bank (Thai) Public Company Limited
Statement of profit or loss and other comprehensive income

		For the six-month period ended	
		31 March	
	Note	2019	2018
		<i>(in thousand Baht)</i>	
Interest income	23, 25	331,432	322,687
Interest expenses	23, 26	153,047	115,658
Net interest income		178,385	207,029
Fees and service income		13,862	11,397
Fees and service expenses		8,004	6,971
Net fees and service income	27	5,858	4,426
Gains on trading and foreign exchange transactions, net	28	246,061	56,438
Net gain on investments	29	2,947	1,466
Other operating income	23	46,558	-
Total operating income		479,809	269,359
Other operating expenses			
Employee expenses	23,30	152,408	153,026
Directors' remuneration		2,400	2,400
Premises and equipment expenses	31	31,915	33,753
Taxes and duties		11,364	15,571
Others	32	24,421	23,036
Total operating expenses		222,508	227,786
Bad debts, (reversal) allowance for doubtful accounts and impairment loss	33	53,598	(87,138)
Profit from operations before income tax expense		203,703	128,711
Income tax expense	34	41,594	23,480
Net profit for the period		162,109	105,231
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gains on remeasuring available-for-sale investments		764	3,592
Income tax relating to items that will be reclassified	34	(153)	(718)
Total items that will be reclassified subsequently to profit or loss, net of tax		611	2,874
Total comprehensive income for the period		162,720	108,105
Earnings per share			
Basic earnings per share <i>(in Baht)</i>	35	0.08	0.05



(Warin Paaopanchon)
Chief Financial Officer



(Panadda Manoleehakul)
President and Chief Executive Officer

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

	Issued and paid-up share capital	Other reserves <i>(in thousand Baht)</i>	Deficit	Total equity
For the six-month period ended 31 March 2018				
Balance at 1 October 2017	20,000,000	21,774	(399,809)	19,621,965
Comprehensive income for the period	-	-	105,231	105,231
Profit for the period				
Other comprehensive income				
Available-for-sale investments		2,874	-	2,874
Net change in fair value recognised in equity, net of tax		2,874	105,231	108,105
Total comprehensive income for the period	-	2,874	105,231	108,105
Balance as at 31 March 2018	20,000,000	24,648	(294,578)	19,730,070

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

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

	Issued and paid-up share capital	Other reserves <i>(in thousand Baht)</i>	Deficit	Total equity
For the six-month period ended 31 March 2019				
Balance at 1 October 2018	20,000,000	432	(230,215)	19,770,217
Comprehensive income for the period	-	-	162,109	162,109
Profit for the period	-	-	162,109	162,109
Other comprehensive income	-	-	-	-
Available-for-sale investments	-	611	-	611
Net change in fair value recognised in equity, net of tax	-	611	162,109	162,720
Total comprehensive income for the period	-	611	162,109	162,720
Balance as at 31 March 2019	20,000,000	1,043	(68,106)	19,932,937



(Warin Paoapanchon)
 Chief Financial Officer



(Panadda Manotechakul)
 President and Chief Executive Officer

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

ANZ Bank (Thai) Public Company Limited
Statement of cash flows

For the six-month period ended
31 March
2019 2018

(in thousand Baht)

Cash flows from operating activities

Profit from operations before income tax expense	203,703	128,711
<i>Adjustments to reconcile profit from operations before income tax expense to cash receipts (payments)</i>		
Depreciation and amortisation	8,663	13,733
Bad debts, (reversal) allowance for doubtful accounts and impairment loss	53,598	(87,138)
Losses (gain) on trading and foreign exchange transactions	(246,061)	(56,438)
Gain on sale of investment, net	(2,947)	(1,466)
Provision made	1,572	4,294
Net interest income	(178,385)	(207,029)
Proceeds from interest	310,477	300,007
Interest paid	(82,050)	(117,611)
Income tax paid	(627)	(526)
Profit from operations before changes in operating assets and liabilities	<u>67,943</u>	<u>(23,463)</u>

Decrease (increase) in operating assets

Interbank and money market items	(9,893,724)	14,299,900
Derivative assets	(378,064)	(1,047,713)
Investment in securities for trading	910,408	(1,532,993)
Loans to customers	(4,139,934)	(1,771,663)
Trading securities receivable	84,020	2,525,064
Other assets	(288,869)	75,034

Increase (decrease) in operating liabilities

Deposits	7,159,490	(823,592)
Interbank and money market items	7,376,507	(12,793,331)
Liabilities payable on demand	16,908	6,170
Derivative liabilities	554,620	1,231,519
Trading securities payable	-	(1,525,800)
Other liabilities	25,465	285,834
Net cash used in operating activities	<u>1,494,770</u>	<u>(1,095,034)</u>

Cash flows from investing activities

Purchases of available-for-sale investments	(3,494,496)	(403,315)
Proceeds from available-for-sale investments	2,000,000	1,500,000
Purchases of leasehold building improvements and equipment	(82)	(11)
Net cash (used in) from investing activities	<u>(1,494,578)</u>	<u>1,096,674</u>

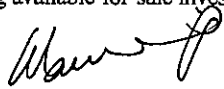
Net increase in cash

Net increase in cash	192	1,640
Cash as at 1 October	572	709
Cash as at 31 March	<u>764</u>	<u>2,349</u>

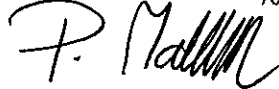
Supplementary disclosures of cash flow information

Significant non-cash items

Gains (loss) on remeasuring available-for-sale investments



(Warin Paaopanchon)
Chief Financial Officer

764 3,592


(Panadda Manoleehakul)
President and Chief Executive Officer

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

ANZ Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 31 March 2019

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ANZ Bank (Thai) Public Company Limited
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These notes form an integral part of interim financial statements.

The interim 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 29 May 2019.

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. The Bank’s head office is located at 63 Athenee Tower, 8th Floor, Unit 801-806, Wireless Road, Lumpini, Pathumwan, Bangkok. The Bank does not have any other branches.

The Bank, incorporated as a commercial bank in Thailand, was given the banking license by The Ministry of Finance on 15 June 2015.

The immediate and ultimate parent companies during the financial period are ANZ Funds Pty. Ltd. and ANZ Banking Group Limited. Both are incorporated in Australia.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared in accordance with Thai Accounting Standards (“TAS”); No. 34 (revised 2017) Interim Financial Reporting; guidelines promulgated by the Federation of Accounting Professions; and presented as prescribed by the Bank of Thailand (“BoT”) Notification number Sor Nor Sor 21/2558, directive dated 4 December 2015, 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”.

New and revised TFRS effective for annual accounting periods beginning on or after 1 January 2018. The initial application of these new and revised TFRS has resulted in change in certain of the Bank’s accounting policies. These changes have no material effect on the interim financial statements.

In addition a number of new and revised TFRS are not yet effective for current periods. The Bank has not early adopted these standards in preparing these interim financial statements. Those new and revised TFRS that are relevant to the Bank operations are disclosed in note 36.

ANZ Bank (Thai) Public Company Limited
Notes to the interim financial statements
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(b) Basis of measurement

The interim financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

<i>Items</i>	<i>Measurement bases</i>
Derivatives	Fair value
Trading securities	Fair value
Available-for-sale securities	Fair value
Loans with hedging instruments	Fair value
Net defined benefit liability	Present value of the defined benefit obligation as explained in Note 3 (j)

(c) Functional and presentation currency

The interim financial statements are prepared and 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.

(d) Use of judgements and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustments to the carrying amounts of assets and liabilities within the period ending 31 March 2020 is included in the following notes:

Note 5	Fair value of assets and liabilities
Note 8	Derivatives
Note 11	Allowance for doubtful accounts
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Measurement of fair values

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Details of the methods and assumptions over the measurement of fair values are provided in note 5.

ANZ Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 31 March 2019

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(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 is recognised in profit or loss.

(b) Cash

Cash comprises cash in hand and cash in collection.

(c) Investments

Investments in debt securities

Debt securities held for trading are classified as trading securities and stated at fair value, with any resultant gain or loss recognised in profit or loss.

Debt securities, other than those securities held for trading 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.

Initial recognition

Purchases and sales of investment are initially recognised on trade date which is the date that the Bank commits to purchase or sell the investments.

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.

ANZ Bank (Thai) Public Company Limited
Notes to the interim financial statements
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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 is 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 year 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 measured at cost less accumulated depreciation and impairment losses.

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.

ANZ Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 31 March 2019

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.

Any 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 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 interim financial statements
For the six-month period ended 31 March 2019

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 life 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 interim financial statements
For the six-month period ended 31 March 2019

(i) Financial instruments

Derivatives

Derivative financial instruments are used to manage exposure to interest and foreign exchange rates and arising from operational, financing and investment activities. Derivative financial instruments that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value from the date a derivative contract is entered into (trade date) and are subsequently remeasured at their fair value. The gain or loss on remeasurement is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss on remeasurement depends on the nature of the item being hedged.

All derivatives are carried as assets when fair value is positive as “Derivatives assets” and as liabilities when fair value is negative as “Derivatives liabilities” in the statements of financial position.

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

The fair value of interest rate swaps is calculated by discounting future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

Hedging

Fair value hedge

Where a derivative hedges the changes in fair value of a recognised asset, liability or unrecognised commitment, an identified portion of such asset, liability or commitment, any gain or loss on remeasuring the fair value of the hedging instrument is recognised in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss.

Discontinuing hedge accounting

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on hedging instrument is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recognised in profit or loss immediately.

(j) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed in profit or loss during the period as the related service is provided.

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Defined benefit plans

The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Bank determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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) *Share-based payments*

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

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(l) 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) 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.

(n) Recognition of expense

Interest expense is recognised on an accrual basis.

(o) 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 periods.

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 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 expects, at the end of the reporting year, 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.

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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 believes 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 judgement 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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered. 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.

(p) *Earnings per share*

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

(q) *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.

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.

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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 assists 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 assists 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.

4.2 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).

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(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 31 March 2019 and 30 September 2018 are as follows:

	31 March 2019			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing	
<i>(in thousand Baht)</i>				
Financial assets				
Cash	-	-	764	764
Interbank and money market items*	2,200	22,452,809	1,267,735	23,722,744
Investments, net	-	4,636,780	-	4,636,780
Loans to customers net of deferred revenue and accrued interest receivable**	54,286	18,513,344	81,124	18,648,754
Total financial assets	56,486	45,602,933	1,349,623	47,009,042
Financial liabilities				
Deposits	-	10,797,349	626,751	11,424,100
Interbank and money market items	-	15,208,345	220,137	15,428,482
Total financial liabilities	-	26,005,694	846,888	26,852,582

* Before deducting allowance for doubtful accounts amounting to Baht 16 million

** Before deducting allowance for doubtful accounts amounting to Baht 186 million and excluding fair value adjustment in loans

	30 September 2018			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing	
<i>(in thousand Baht)</i>				
Financial assets				
Cash	-	-	572	572
Interbank and money market items*	205	13,127,764	701,185	13,829,154
Investments, net	-	4,039,654	-	4,039,654
Loans to customers net of deferred revenue and accrued interest receivable**	60,000	14,372,899	48,983	14,481,882
Trading securities receivable	-	-	84,020	84,020
Total financial assets	60,205	31,540,317	834,760	32,435,282
Financial liabilities				
Deposits	-	3,620,675	643,935	4,264,610
Interbank and money market items	-	7,831,891	220,084	8,051,975
Total financial liabilities	-	11,452,566	864,019	12,316,585

* Before deducting allowance for doubtful accounts amounting to Baht 3 million

** Before deducting allowance for doubtful accounts amounting to Baht 144 million and excluding fair value adjustment in loans

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The Bank's average interest bearing financial assets and financial liabilities, together with the average interest rates as at 31 March 2019 and 30 September 2018 and are as follows:

	31 March 2019		
	Average balance (in thousand Baht)	Interest	Average interest rate (% per annum)
Financial assets			
Interbank and money market items	6,197,504	56,377	1.82
Investments	5,700,230	49,521	1.74
Loans to customers	20,790,486	225,534	2.17
Total	32,688,220	331,432	2.03
Financial liabilities			
Deposits	8,221,680	96,081	2.34
Interbank and money market items	4,696,130	56,966	2.43
Total	12,917,810	153,047	2.37
	30 September 2018		
	Average balance (in thousand Baht)	Interest	Average interest rate (% per annum)
Financial assets			
Interbank and money market items	19,853,854	293,824	1.48
Investments	4,923,276	85,502	1.74
Loans to customers	13,597,863	300,665	2.21
Total	38,374,993	679,991	1.77
Financial liabilities			
Deposits	3,008,157	42,702	1.42
Interbank and money market items	15,139,010	246,766	1.63
Total	18,147,167	289,468	1.60

Significant financial assets and financial liabilities classified by earlier of maturity or interest repricing as at 31 March 2019 and 30 September 2018 are as follows:

	31 March 2019						Total
	At call	3 months	Reprice within 3 - 12 months	1-5 years	Reprice over 5 years	Non interest bearing	
<i>(in thousand Baht)</i>							
Financial assets							
Cash	-	-	-	-	-	764	764
Interbank and money market items*	2,200	21,884,590	568,219	-	-	1,267,735	23,722,744
Investments, net	-	2,730,278	1,099,166	807,336	-	-	4,636,780
Loans to customers net of deferred revenue and accrued interest receivable**	781,000	11,225,970	2,598,160	3,962,500	-	81,124	18,648,754
Total financial assets	783,200	35,840,838	4,265,545	4,769,836	-	1,349,623	47,009,042

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	31 March 2019						Total
	At call	3 months	Reprice within 3 - 12 months	1-5 years	Reprice over 5 years	Non interest bearing	
<i>(in thousand Baht)</i>							
Financial liabilities							
Deposits	1,972,040	8,665,051	160,258	-	-	626,751	11,424,100
Interbank and money market items	-	15,208,345	-	-	-	220,137	15,428,482
Total financial liabilities	1,972,040	23,873,396	160,258	-	-	846,888	26,852,582

* Before deducting allowance for doubtful accounts amounting to Baht 16 million

** Before deducting allowance for doubtful accounts amounting to Baht 186 million and excluding fair value adjustment in loans

	30 September 2018						Total
	At call	3 months	Reprice within 3 - 12 months	1-5 years	Reprice over 5 years	Non interest bearing	
<i>(in thousand Baht)</i>							
Financial assets							
Cash	-	-	-	-	-	572	572
Interbank and money market items*	205	13,127,764	-	-	-	701,185	13,829,154
Investments, net	-	1,524,067	1,707,655	807,932	-	-	4,039,654
Loans to customers net of deferred revenue and accrued interest receivable**	185,000	7,937,038	2,035,860	4,275,001	-	48,983	14,481,882
Trading securities receivable	-	-	-	-	-	84,020	84,020
Total financial assets	185,205	22,588,869	3,743,515	5,082,933	-	834,760	32,435,282
Financial liabilities							
Deposits	699,343	2,921,332	-	-	-	643,935	4,264,610
Interbank and money market items	-	7,831,891	-	-	-	220,084	8,051,975
Total financial liabilities	699,343	10,753,223	-	-	-	864,019	12,316,585

* Before deducting allowance for doubtful accounts amounting to Baht 3 million

** Before deducting allowance for doubtful accounts amounting to Baht 144 million and excluding fair value adjustment in loans

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(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 31 March 2019 and 30 September 2018, net open position assets (liabilities) denominated in various currencies, are as follows:

	31 March 2019	30 September 2018
	<i>(in thousand US Dollar)</i>	
Net foreign currency exposure		
USD	4,313	4,135
AUD ^(*)	75	(1,575)
EUR ^(*)	(166)	(88)
SGD ^(*)	13	64
JPY ^(*)	462	(11)
Others ^(*)	153	83

^(*) Balance is stated in USD equivalent.

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.

According to Bank of Thailand notification number Sor Nor Sor 2/2561, dated 25 January 2018, the Bank is required to disclose Liquidity Coverage Ratio (LCR) in the Bank's website. The Bank will disclose the LCR of the Bank as at 31 March 2019 in the Bank's website, www.anz.com/thailand/en/auxiliary/resource-centre/, under Financial Report section, within June 2019.

The remaining periods to maturity of significant financial assets and financial liabilities as at 31 March 2019 and 30 September 2018 based on contractual maturity are as follows:

	31 March 2019						Total
	Maturity on demand	3 months	Maturity within 3 - 12 months	1 - 5 years	Maturity over 5 years	No maturity	
	<i>(in thousand Baht)</i>						
Financial assets							
Cash	-	-	-	-	-	764	764
Interbank and money market items*	1,264,942	21,884,590	568,219	-	-	4,993	23,722,744
Investments, net	-	2,730,278	1,099,166	807,336	-	-	4,636,780
Loans to customers net of deferred revenue and accrued interest receivable**	-	8,271,515	2,652,445	7,643,670	-	81,124	18,648,754
Total financial assets	<u>1,264,942</u>	<u>32,886,383</u>	<u>4,319,830</u>	<u>8,451,006</u>	<u>-</u>	<u>86,881</u>	<u>47,009,042</u>

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	31 March 2019						Total
	Maturity on demand	3 months	Maturity within 3 - 12 months	1 - 5 years	Maturity over 5 years	No maturity	
<i>(in thousand Baht)</i>							
Financial liabilities							
Deposits	2,598,791	8,665,051	160,258	-	-	-	11,424,100
Interbank and money market items	220,137	15,208,345	-	-	-	-	15,428,482
Total financial liabilities	2,818,928	23,873,396	160,258	-	-	-	26,852,582
Net liquidity gap	(1,553,986)	9,012,987	4,159,572	8,451,006	-	86,881	20,156,460

* Before deducting allowance for doubtful accounts amounting to Baht 16 million

** Before deducting allowance for doubtful accounts amounting to Baht 186 million and excluding fair value adjustment in loans

	30 September 2018						Total
	Maturity on demand	3 months	Maturity within 3 - 12 months	1 - 5 years	Maturity over 5 years	No maturity	
<i>(in thousand Baht)</i>							
Financial assets							
Cash	-	-	-	-	-	572	572
Interbank and money market items*	696,263	13,132,891	-	-	-	-	13,829,154
Investments, net	-	1,524,067	1,707,655	807,932	-	-	4,039,654
Loans to customers net of deferred revenue and accrued interest receivable**	-	7,616,202	2,246,700	4,618,980	-	-	14,481,882
Trading securities receivable	-	-	-	-	-	84,020	84,020
Total financial assets	696,263	22,273,160	3,954,355	5,426,912	-	84,592	32,435,282
Financial liabilities							
Deposits	1,343,278	2,921,332	-	-	-	-	4,264,610
Interbank and money market items	220,084	7,831,891	-	-	-	-	8,051,975
Total financial liabilities	1,563,362	10,753,223	-	-	-	-	12,316,585
Net liquidity gap	(867,099)	11,519,937	3,954,355	5,426,912	-	84,592	20,118,697

* Before deducting allowance for doubtful accounts amounting to Baht 3 million

** Before deducting allowance for doubtful accounts amounting to Baht 144 million and excluding fair value adjustment in loans

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Derivatives

The remaining periods to maturity of the notional amount of derivatives as at 31 March 2019 and 30 September 2018 are as follows:

	31 March 2019			Total
	Less than 1 year	Within 1-5 years	More than 5 years	
	Notional amount (in thousand Baht)			
<i>Foreign currency related</i>				
Forward exchange contracts	69,250,115	2,074,935	-	71,325,050
Currency swap contracts	1,579,500	16,966,300	-	18,545,800
<i>Interest rate related</i>				
Interest rate swap	93,621,706	136,741,777	10,142,000	240,505,483
	30 September 2018			
	Notional amount			
	Less than 1 year	Within 1-5 years	More than 5 years	Total
	(in thousand Baht)			
<i>Foreign currency related</i>				
Forward exchange contracts	58,014,444	2,379,439	-	60,393,883
Currency swap contracts	2,425,000	4,739,025	-	7,164,025
<i>Interest rate related</i>				
Interest rate swap	89,219,536	123,648,572	9,316,818	222,184,926

5 Fair value of assets and liabilities

The Bank has an established control framework with respect to the measurement of fair values. This includes a valuation team in Group level that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports through to the Chief Financial Officer.

The valuation team in Group level regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Audit Committee.

When measuring the fair value of an asset or a liability, the Bank uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank recognised transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the six-month period ended 31 March 2019.

5.1 Financial instruments carried at fair value

The fair values of financial instruments carried at fair value in the statement of financial position are as follows:

	Fair value			Total
	Level 1	Level 2 <i>(in thousand Baht)</i>	Level 3	
31 March 2019				
Financial assets				
Derivative assets				
- Foreign exchange rate	-	1,069,392	-	1,069,392
- Interest rate	-	629,394	-	629,394
Trading securities	-	630,481	-	630,481
Available-for-sale securities	-	4,006,299	-	4,006,299
Financial liabilities				
Derivative liabilities				
- Foreign exchange rate	-	1,103,041	-	1,103,041
- Interest rate	-	655,525	-	655,525
30 September 2018				
Financial assets				
Derivative assets				
- Foreign exchange rate	-	603,969	-	603,969
- Interest rate	-	508,328	-	508,328
Trading securities	-	1,524,067	-	1,524,067
Available-for-sale securities	-	2,515,587	-	2,515,587
Loans to customers	-	-	1,744,798	1,744,798
Financial liabilities				
Derivative liabilities				
- Foreign exchange rate	-	679,809	-	679,809
- Interest rate	-	524,137	-	524,137

The Bank determines Level 2 fair values for debt securities using quoted market prices from Thai BMA for identical or similar instruments in inactive markets or other inputs that are observable market data.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and counterparty when appropriate.

Level 3 fair values for loans to customers is estimated using discounted cash flow analysis and using risk-adjusted current interest rates.

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5.2 Financial instruments not carried at fair value

Fair values hierarchy of financial instruments which are not measured at fair value and for which there is a significant difference with carrying amount as of 31 March 2019 and 30 September 2018 are as follows:

	Carrying amount <i>(in thousand Baht)</i>	Fair value Level 3
31 March 2019		
Financial assets		
Loans to customers and accrued interest receivable	18,648,754	18,643,207
Financial liabilities		
Deposits	11,424,100	11,428,091
	Carrying amount <i>(in thousand Baht)</i>	Fair value Level 3
30 September 2018		
Financial assets		
Loans to customers and accrued interest receivable	12,726,680	12,714,878
Financial liabilities		
Deposits	4,264,610	4,264,718

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

Interbank and money market items (assets and liabilities) and Deposits:	Fair value of Interbank and money market items 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 receivables:	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.
Liabilities payable on demand:	The carrying amount of liabilities payable on demand approximates fair value.

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6 Maintenance of capital fund

The ratios of capital to assets (Capital Adequacy Ratio) as of 31 March 2019 and 30 September 2018 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.

	31 March 2019	30 September 2018
	<i>(in thousand Baht)</i>	
<i>Tier 1 capital</i>		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	20,000,000	20,000,000
Deficit	(230,215)	(399,809)
Other reserves	1,043	432
<i>Less</i> Capital deduction items on CET1	<u>(34,688)</u>	<u>(55,057)</u>
Total Tier 1 Capital Base	<u>19,736,140</u>	<u>19,545,566</u>
<i>Tier 2 capital</i>		
Provision for normal classified assets	<u>201,204</u>	<u>147,607</u>
Total Tier 2 Capital Base	<u>201,204</u>	<u>147,607</u>
Total Capital Base	<u>19,937,344</u>	<u>19,693,173</u>
Total Risk-Weighted Assets	<u>24,395,738</u>	<u>19,242,249</u>

	The BoT's regulatory minimum requirement	31 March 2019	The BoT's regulatory minimum requirement (%)	30 September 2018
Capital Adequacy Ratio	11.000	81.72	10.375	102.34
Tier-1 Capital ratio	8.500	80.90	7.875	101.58
Tier-1 Common Equity ratio	7.000	80.90	6.375	101.58
Tier-2 Capital ratio	-	0.82	-	0.77

According to Bank of Thailand notification number For Nor Sor (23) Wor 263/2556 dated 22 February 2013, the Bank is required to disclose capital after deducting capital add-on arising from Single Lending Limit, effective at the end of January 2015. As at 31 March 2019 and 30 September 2018, the Bank has no add-on arising from Single Lending Limit.

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 31 March 2019 within 4 months after the period end date, as indicated in the notification, through the Bank's website 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.

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7 Interbank and money market items, net (assets)

	31 March 2019			30 September 2018		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
Domestic						
Bank of Thailand	280,149	-	280,149	306,398	-	306,398
Commercial banks	2,200	22,418,219	22,420,419	205	12,800,000	12,800,205
Other financial institutions	-	-	-	-	310,000	310,000
Total	282,349	22,418,219	22,700,568	306,603	13,110,000	13,416,603
Add accrued interest receivable	-	4,993	4,993	-	5,128	5,128
Less allowance for doubtful accounts	-	(15,182)	(15,182)	-	(3,100)	(3,100)
Total domestic, net	282,349	22,408,030	22,690,379	306,603	13,112,028	13,418,631
Foreign						
USD	61,629	34,673	96,302	60,444	17,812	78,256
EUR	351,214	-	351,214	299,870	-	299,870
JPY	537,762	-	537,762	1,904	-	1,904
AUD	13,238	-	13,238	17,469	-	17,469
Others	18,751	-	18,751	9,973	-	9,973
Total	982,594	34,673	1,017,267	389,660	17,812	407,472
Less deferred revenue	-	(84)	(84)	-	(50)	(50)
Less allowance for doubtful accounts	-	(346)	(346)	-	(177)	(177)
Total foreign, net	982,594	34,243	1,016,837	389,660	17,585	407,245
Total domestic and foreign, net	1,264,943	22,442,273	23,707,216	696,263	13,129,613	13,825,876

8 Derivatives

8.1 Derivatives held for trading

As at 31 March 2019 and 30 September 2018, the fair value and notional amount of derivatives classified by type of risks are as follows:

Type of risks	31 March 2019			30 September 2018		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	<i>(in thousand Baht)</i>					
Foreign currency related	1,069,392	1,103,041	89,870,850	603,969	679,809	67,557,908
Interest rate related	629,394	655,525	240,505,483	503,683	521,178	220,434,926
Total	1,698,786	1,758,566	330,376,333	1,107,652	1,200,987	287,992,834

As at 31 March 2019 and 30 September 2018, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

	31 March 2019	30 September 2018
Counterparties		
Financial institutions	27.83	21.32
Related parties	66.36	75.32
Other parties	5.81	3.36
Total	100.00	100.00

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8.2 Derivatives held for hedging

Fair value hedges

As at 31 March 2019 and 30 September 2018, the fair value and notional amount of derivatives classified by type of risks are as follows:

Type of risks	31 March 2019			30 September 2018		
	Fair value Assets	Liabilities	Notional amount <i>(in thousand Baht)</i>	Fair value Assets	Liabilities	Notional amount
Interest rate related	-	-	-	4,645	2,959	1,750,000
Total	-	-	-	4,645	2,959	1,750,000

9 Investments, net

9.1 Classification of investments in securities

As at 31 March 2019 and 30 September 2018, the Bank classifies investment types as follows:

	31 March 2019	30 September 2018
	Fair value <i>(in thousand Baht)</i>	
Trading securities		
Government bonds	630,481	1,524,067
Total	630,481	1,524,067
Available-for-sale securities		
Government bonds	4,006,299	2,515,587
Total	4,006,299	2,515,587
Total investments, net	4,636,780	4,039,654

9.2 Unrealised gains (losses) on available-for-sale securities

As at 31 March 2019 and 30 September 2018, unrealised gains (losses) on available-for-sale securities were as follows:

<i>Available-for-sale securities</i>	Amortised cost	31 March 2019		Fair value
		Unrealised gains <i>(in thousand Baht)</i>	Unrealised losses	
Government bonds	4,004,995	1,948	(644)	4,006,299
Total investments, net	4,004,995	1,948	(644)	4,006,299
<i>Available-for-sale securities</i>	Amortised cost	30 September 2018		Fair value
		Unrealised gains <i>(in thousand Baht)</i>	Unrealised losses	
Government bonds	2,515,047	540	-	2,515,587
Total investments, net	2,515,047	540	-	2,515,587

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10 Loans to customers and accrued interest receivables, net

10.1 Classified by type of loans

	31 March 2019	30 September 2018
	<i>(in thousand Baht)</i>	
Loans	18,567,630	14,433,045
<i>Less</i> deferred revenue	-	(146)
Loans to customers net of deferred revenue	<u>18,567,630</u>	<u>14,432,899</u>
<i>(Less)/add</i> fair value adjustment in loans	-	(5,202)
<i>Add</i> accrued interest receivable	<u>81,124</u>	<u>48,983</u>
Total loan to customers net of deferred revenue and accrued interest receivables	18,648,754	14,476,680
<i>Less</i> allowance for doubtful accounts - BoT's minimum requirement - Individual approach	<u>(185,676)</u>	<u>(144,329)</u>
Total loans to customers and accrued interest receivable, net	<u>18,463,078</u>	<u>14,332,351</u>

10.2 Classified by currency and residence of debtors

As at 31 March 2019 and 30 September 2018, the Bank's loans are to Thai resident customer only.

	31 March 2019	30 September 2018
	Domestic	Domestic
	<i>(in thousand Baht)</i>	
Thai Baht	11,199,803	11,611,017
AUD	333,520	417,703
USD	3,372,040	129,626
EUR	<u>3,662,267</u>	<u>2,274,553</u>
Total*	<u>18,567,630</u>	<u>14,432,899</u>

*Loans to customers net of deferred revenue and excluding fair value adjustment in loans

10.3 Classified by industry and loan classification

	31 March 2019	30 September 2018
	Pass	
	<i>(in thousand Baht)</i>	
Agriculture	43,000	167,000
Manufacturing and commerce	12,238,057	9,520,143
Infrastructure and services	1,124,306	3,028,052
Others	<u>5,162,267</u>	<u>1,717,704</u>
Total*	<u>18,567,630</u>	<u>14,432,899</u>

*Loans to customers net of deferred revenue and excluding fair value adjustment in loans

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10.4 Classified by loan classification

	31 March 2019			
	Loans to customers and accrued interest receivables <i>(in thousand Baht)</i>	Net amount used to set the allowance for doubtful accounts	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	18,648,754	18,567,630	1	185,676
Total*	<u>18,648,754</u>	<u>18,567,630</u>		<u>185,676</u>

*Loans to customers net of deferred revenue including accrued interest receivables, excluding fair value adjustment in loans

	30 September 2018			
	Loans to customers and accrued interest receivables <i>(in thousand Baht)</i>	Net amount used to set the allowance for doubtful accounts	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	14,481,882	14,432,899	1	144,329
Total*	<u>14,481,882</u>	<u>14,432,899</u>		<u>144,329</u>

*Loans to customers net of deferred revenue including accrued interest receivables, excluding fair value adjustment in loans

11 Allowance for doubtful accounts

	31 March 2019	30 September 2018
	Pass <i>(in thousand Baht)</i>	
Beginning balance	144,329	106,924
Doubtful accounts	41,347	37,405
Ending balance	<u>185,676</u>	<u>144,329</u>

12 Leasehold building improvements and equipment, net

As at 31 March 2019 and 30 September 2018, changes in leasehold building improvements and equipment are as follows:

	31 March 2019					
	Beginning balance	Purchases	Cost		Transfer out	Ending balance
			Transfer in	Disposals		
	<i>(in thousand Baht)</i>					
Leasehold building improvements	37,457	-	-	-	-	37,457
Furniture, fixtures and office equipment	14,455	82	-	-	-	14,537
Computer equipment	43,928	-	-	-	-	43,928
Vehicle	5,409	-	-	-	-	5,409
Total	<u>101,249</u>	<u>82</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,331</u>

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	Beginning balance	Depreciation	31 March 2019 Accumulated depreciation			Ending balance	Net book value
			Transfer in	Disposals (in thousand Baht)	Transfer out		
Leasehold building improvements	17,072	5,097	-	-	-	22,169	15,288
Furniture, fixtures and office equipment	8,786	1,452	-	-	-	10,238	4,299
Computer equipment	40,409	1,573	-	-	-	41,982	1,946
Vehicle	3,215	541	-	-	-	3,756	1,653
Total	69,482	8,663	-	-	-	78,145	23,186

	Beginning balance	Purchases	30 September 2018 Cost		Transfer out	Ending balance
			Transfer in	Disposals (in thousand Baht)		
Leasehold building improvements	37,457	-	-	-	-	37,457
Furniture, fixtures and office equipment	14,406	-	49	-	-	14,455
Computer equipment	42,781	1,183	318	-	(354)	43,928
Vehicle	5,409	-	-	-	-	5,409
Total	100,053	1,183	367	-	(354)	101,249

	Beginning balance	Depreciation	30 September 2018 Accumulated depreciation			Ending balance	Net book value
			Transfer in	Disposals (in thousand Baht)	Transfer out		
Leasehold building improvements	7,430	9,642	-	-	-	17,072	20,385
Furniture, fixtures and office equipment	5,893	2,893	-	-	-	8,786	5,669
Computer equipment	28,785	11,624	-	-	-	40,409	3,519
Vehicle	2,133	1,082	-	-	-	3,215	2,194
Total	44,241	25,241	-	-	-	69,482	31,767

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13 Deferred tax

Deferred tax assets and liabilities as of 31 March 2019 and 30 September 2018 are as follows:

	31 March 2019	30 September 2018
	<i>(in thousand Baht)</i>	
Deferred tax assets	34,931	55,356
Deferred tax liabilities	(243)	(299)
Total	34,688	55,057

Movements in total deferred tax assets during the period ended 31 March 2019 and during the year ended 30 September 2018 are as follows:

	At 1 October 2018	(Charged) / Credited to:		At 31 March 2019
		Profit or loss	Other comprehensive income	
		<i>(in thousand Baht)</i>		
<i>Deferred tax assets</i>				
Intangible assets	8,674	(1,910)	-	6,764
Tax losses	16,232	(16,232)	-	-
Other assets	1,978	642	-	2,620
Other liabilities	28,472	(2,925)	-	25,547
Total	55,356	(20,425)	-	34,931
<i>Deferred tax liabilities</i>				
Investments	299	(209)	153	243
Total	299	(209)	153	243
Net	55,057	(20,216)	(153)	34,688
		(Charged) / Credited to:		
	At 1 October 2017	Profit or loss	Other comprehensive income	At 30 September 2018
		<i>(in thousand Baht)</i>		
<i>Deferred tax assets</i>				
Intangible assets	17,834	(9,160)	-	8,674
Tax losses	56,390	(40,158)	-	16,232
Other assets	761	1,217	-	1,978
Other liabilities	20,453	8,019	-	28,472
Total	95,438	(40,082)	-	55,356

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	At 1 October 2017	(Charged) / Credited to:		At 30 September 2018
		Profit or loss <i>(in thousand Baht)</i>	Other comprehensive income	
<i>Deferred tax liabilities</i>				
Investments	5,150	485	(5,336)	299
Total	5,150	485	(5,336)	299
Net	90,288	(40,567)	5,336	55,057

14 Other assets

	Note	31 March 2019	30 September 2018
<i>(in thousand Baht)</i>			
Collateral per Credit Support Annex		273,581	10,484
Accrued interest receivable		17,596	19,575
Advance to intercompany	23	51,292	5,592
Guarantee deposits		5,341	5,341
Prepaid fees		7,417	3,940
Others		1,517	5,057
Total		356,744	49,989

15 Deposits

15.1 Classified by type of deposits

	31 March 2019	30 September 2018
<i>(in thousand Baht)</i>		
Current	2,598,792	1,343,278
Fixed		
- Less than 6 months	8,824,108	2,921,332
- More than 6 months but not over 1 year	1,200	-
Total	11,424,100	4,264,610

15.2 Classified by currency and residence of depositors

	31 March 2019			30 September 2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
<i>(in thousand Baht)</i>						
Thai Baht	3,972,639	1,667	3,974,306	1,713,076	3,018	1,716,094
USD	7,338,401	-	7,338,401	2,543,693	-	2,543,693
GBP	3,009	-	3,009	337	-	337
EUR	103,012	-	103,012	-	-	-
AUD	5,372	-	5,372	4,486	-	4,486
Total	11,422,433	1,667	11,424,100	4,261,592	3,018	4,264,610

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16 Interbank and money market items (liabilities)

	31 March 2019			30 September 2018		
	At call	Term	Total (in thousand Baht)	At call	Term	Total
Domestic						
Commercial banks	-	400,000	400,000	-	-	-
Other financial institutions	220,137	-	220,137	220,084	-	220,084
Total domestic items	220,137	400,000	620,137	220,084	-	220,084
Foreign						
USD	-	14,808,345	14,808,345	-	7,831,891	7,831,891
Total foreign items	-	14,808,345	14,808,345	-	7,831,891	7,831,891
Total domestic and foreign items	220,137	15,208,345	15,428,482	220,084	7,831,891	8,051,975

17 Other liabilities

	Note	31 March 2019	30 September 2018
		<i>(in thousand Baht)</i>	
Due from intercompany	23	27,211	17,698
Accrued expenses		86,032	103,803
Collateral per Credit Support Annex		60,124	24,629
Withholding tax payable		681	9,413
Interest payable		77,779	8,531
Others		46,835	16,746
Total		298,662	180,820

18 Advance received from electronic payment

The Bank of Thailand (BoT) notification number Sor Nor Chor 7/2561, directive dated 16 April 2018, regarding “Regulations on Service Business relating to Electronic Money (E-Money)” and Sor Nor Chor 8/2561 directive dated 16 April 2018 regarding “Regulations on Service Business relating to Electronic Fund Transfer (EFT)” require the Bank to disclose advances from E-Money and advance received from EFT. As at 31 March 2019, the Bank held an amount of money Baht 45.16 million in this regard (30 September 2018: 6.40 million).

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19 Share capital

	Par value per share (in Baht)	31 March 2019		30 September 2018	
		Number	Amount	Number	Amount
<i>Authorised</i>					
At the beginning of the period/year					
- ordinary shares	10	<u>2,000,000</u>	<u>20,000,000</u>	<u>2,000,000</u>	<u>20,000,000</u>
At the ending of the period/year					
- ordinary shares	10	<u>2,000,000</u>	<u>20,000,000</u>	<u>2,000,000</u>	<u>20,000,000</u>
<i>Issued and paid-up</i>					
At the beginning of the period/year					
- ordinary shares	10	<u>2,000,000</u>	<u>20,000,000</u>	<u>2,000,000</u>	<u>20,000,000</u>
At the ending of the period/year					
- ordinary shares	10	<u>2,000,000</u>	<u>20,000,000</u>	<u>2,000,000</u>	<u>20,000,000</u>

20 Reserves

The Bank has not provided for legal reserve due to deficit.

21 Assets pledged as collateral

Assets pledged as collateral as at 31 March 2019 and 30 September 2018 consist of:

	31 March 2019	30 September 2018
	<i>(in thousand Baht)</i>	
Government bonds		
- Pledged for liquidity management with the BoT	<u>33,142</u>	<u>4,679</u>
Total	<u>33,142</u>	<u>4,679</u>

22 Contingent liabilities

	31 March 2019	30 September 2018
	<i>(in thousand Baht)</i>	
Guarantees of loans	420,920	549,658
Letters of credit	99,055	106,372
Other contingencies	<u>2,383,867</u>	<u>2,867,074</u>
Total	<u>2,903,842</u>	<u>3,523,104</u>

Litigation

As at 31 March 2019 and 30 September 2018, there is no litigation case outstanding against the Bank.

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23 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).
Australia and New Zealand Banking Group Limited	Australia	Ultimate parent company of the Bank
ANZ Funds Pty. Ltd.	Australia	Parent company of the Bank
Australia and New Zealand Banking Group Limited Singapore	Singapore	Affiliates of ANZ Group
Australia and New Zealand Banking Group Limited United Kingdom	United Kingdom	Affiliates of ANZ Group
Australia and New Zealand Banking Company Limited China	China	Affiliates of ANZ Group
Australia and New Zealand Banking Group Limited Vietnam	Vietnam	Affiliates of ANZ Group
Australia and New Zealand Banking Group Limited Japan	Japan	Affiliates of ANZ Group
Australia and New Zealand Banking Group Limited New Zealand	New Zealand	Affiliates of ANZ Group
Australia and New Zealand Banking Group Limited Hong Kong	Hong Kong	Affiliates of ANZ Group
Australia and New Zealand Banking Group Limited India	India	Affiliates of ANZ Group
Australia and New Zealand Banking Group Limited Frankfurt	Germany	Affiliates of ANZ Group
ANZ Global Services and Operations (Manila), Inc.	Philippines	Affiliates of ANZ Group
ANZ Support Services India Private Limited	India	Affiliates of ANZ Group
Australia New Zealand Banking Group Limited New York	United States	Affiliates of ANZ Group
PT Bank ANZ Indonesia	Indonesia	Affiliates of ANZ Group

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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

Significant transactions with key management and other related parties are as follows:

<i>For the period ended 31 March</i>	2019	2018
	<i>(in thousand Baht)</i>	
Interest income	6,408	216
Other operating income	46,558	-
Interest expense	29,915	90,575
Technology service expenses charged by ANZ Banking Group	14,141	13,465
<i>Key management personnel</i>		
Short-term employee benefits	48,830	50,020
Post-employment benefit	3,407	3,057
Total key management personnel compensation	52,237	53,077

Significant balances and business transactions with other related parties

	31 March 2019	30 September 2018
	<i>(in thousand Baht)</i>	
<i>Interbank and money market items (assets)</i>		
Australia and New Zealand Banking Group Limited	13,238	17,469
Australia and New Zealand Banking Group Limited New Zealand	789	772
PT Bank ANZ Indonesia	34,589	17,764
	48,616	36,005
<i>Derivative assets</i>		
Australia and New Zealand Banking Group Limited	856,615	551,432
Australia and New Zealand Banking Group Limited Hong Kong	783	-
Australia and New Zealand Banking Group Limited Japan	10,014	17,427
	867,412	568,859
<i>Other assets</i>		
Australia and New Zealand Banking Group Limited	51,292	5,575
Australia and New Zealand Banking Group Limited Singapore	-	17
	51,292	5,592
<i>Interbank and money market items (liabilities)</i>		
Australia and New Zealand Banking Group Limited Singapore	14,808,345	7,831,891

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	31 March 2019	30 September 2018
	<i>(in thousand Baht)</i>	
<i>Derivative liabilities</i>		
Australia and New Zealand Banking Group Limited	658,961	611,848
Australia and New Zealand Banking Group Limited Hong Kong	91	3,410
Australia and New Zealand Banking Group Limited Japan	629	-
	<u>659,681</u>	<u>615,258</u>
<i>Other liabilities</i>		
Australia and New Zealand Banking Group Limited	23,515	15,062
Australia and New Zealand Banking Group Limited Singapore	3,521	1,771
ANZ Support Services India Private Limited	106	466
ANZ Global Services and Operations (Manila), Inc.	69	399
	<u>27,211</u>	<u>17,698</u>
<i>Other guarantees</i>		
Australia and New Zealand Banking Group Limited	4,221	5,774
Australia and New Zealand Banking Group Limited United Kingdom	627,500	379,644
Australia and New Zealand Banking Group Limited Singapore	992,128	1,120,780
Australia and New Zealand Banking Group Limited Frankfurt	285,728	958,105
Australia and New Zealand Banking Group Limited New York	300	-
Australia and New Zealand Banking Group Limited New Zealand	15,906	16,203
	<u>1,925,783</u>	<u>2,480,506</u>
<i>Derivatives - Foreign currency related</i>		
Australia and New Zealand Banking Group Limited	13,298,997	12,227,953
Australia and New Zealand Banking Group Limited Japan	202,601	219,876
Australia and New Zealand Banking Group Limited Hong Kong	70,499	86,934
	<u>13,572,097</u>	<u>12,534,763</u>
<i>Derivatives – Interest rate related</i>		
Australia and New Zealand Banking Group Limited	<u>205,655,483</u>	<u>204,379,927</u>

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Significant agreements with related parties

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 has incurred an expense amounting to AUD 563,018 (30 September 2018: AUD 915,815).

24 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 4 years. The periods to maturity of long-term lease payments are as follows:

	31 March 2019	30 September 2018
	<i>(in thousand Baht)</i>	
Within one year	13,103	13,129
After one year but within four years	6,530	13,075
Total	19,633	26,204

25 Interest income

<i>For the period ended 31 March</i>	2019	2018
	<i>(in thousand Baht)</i>	
Interbank and money market items	56,377	149,485
Investments in debt securities	49,521	46,470
Loans to customers	225,534	126,584
Others	-	148
Total	331,432	322,687

26 Interest expenses

<i>For the period ended 31 March</i>	2019	2018
	<i>(in thousand Baht)</i>	
Deposits	89,995	4,447
Interbank and money market items	56,966	106,626
Contribution to Deposit Protection Agency	6,086	4,248
Others	-	337
Total	153,047	115,658

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27 Net fees and service income

For the period ended 31 March

	2019	2018
	<i>(in thousand Baht)</i>	
Fees and service income		
- Acceptance, avals and guarantees	5,868	1,946
- Others	7,994	9,451
	<u>13,862</u>	<u>11,397</u>
Fees and service expenses	<u>(8,004)</u>	<u>(6,971)</u>
Net	<u>5,858</u>	<u>4,426</u>

28 Gains on trading and foreign exchange transactions, net

For the period ended 31 March

	2019	2018
	<i>(in thousand Baht)</i>	
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and foreign currency related derivatives	178,181	55,852
- Interest rate related derivatives	49,295	(2,608)
- Debt securities	18,585	3,194
	<u>246,061</u>	<u>56,438</u>
Gains (losses) on hedging	-	-
Net	<u>246,061</u>	<u>56,438</u>

29 Net gain on investments

For the period ended 31 March

	2019	2018
	<i>(in thousand Baht)</i>	
Gains on sales		
- Available-for-sale securities	2,947	1,466
Total	<u>2,947</u>	<u>1,466</u>

30 Employees expenses

For the period ended 31 March

	2019	2018
	<i>(in thousand Baht)</i>	
Salary and bonus	110,933	111,565
Employee defined benefit plans	5,902	5,140
Others	35,573	36,321
Total	<u>152,408</u>	<u>153,026</u>

31 Premises and equipment expenses

For the period ended 31 March

	2019	2018
	<i>(in thousand Baht)</i>	
Rental and service expenses	8,398	8,734
Depreciation	8,663	13,733
Data communication cost	336	327
Telephone expense	1,246	3,464
Information service fee	1,338	1,599
Renovation cost of premises	482	482
Others	11,452	5,414
Total	<u>31,915</u>	<u>33,753</u>

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32 Other expenses

<i>For the period ended 31 March</i>	2019	2018
	<i>(in thousand Baht)</i>	
Consultant and professional fee	5,659	4,579
Advertising expenses	94	104
Information service subscription	2,404	2,748
License fee	14	7
Head Office allocation charges	12,967	11,529
Others	3,283	4,069
Total	24,421	23,036

33 Bad debts, (reversal) allowance for doubtful accounts and impairment loss

<i>For the period ended 31 March</i>	2019	2018
	<i>(in thousand Baht)</i>	
Interbank and money market items	12,251	(104,824)
Loans to customers	41,347	17,686
Total	53,598	(87,138)

34 Income tax

Income tax recognised in profit or loss

<i>For the period ended 31 March</i>	Note	2019	2018
		<i>(in thousand Baht)</i>	
Current tax expense			
Current period		21,378	-
		21,378	-
Deferred tax expense			
Movements in temporary differences	13	20,216	23,480
Total		41,594	23,480

Income tax recognised in other comprehensive income

<i>For the period ended 31 March</i>	2019			2018		
	Before tax	Tax (expense)	Net of Tax	Before tax	Tax (expense)	Net of Tax
	<i>(in thousand Baht)</i>					
Available-for-sale securities	764	(153)	611	3,592	(718)	2,874
Total	764	(153)	611	3,592	(718)	2,874

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Reconciliation of effective tax rate

<i>For the period ended 31 March</i>	2019		2018	
	<i>Rate (%)</i>	<i>(in thousand Baht)</i>	<i>Rate (%)</i>	<i>(in thousand Baht)</i>
Profit before income tax expense		203,703		128,711
Income tax using the Thai corporation tax rate	20.0	40,741	20.0	25,742
Expenses not deductible for tax purposes		71		73
Adjustment for prior years		782		(2,335)
Total	20.4	41,594	18.2	23,480

The Bank has applied the tax rate of 20% in measuring deferred tax assets and liabilities as at 31 March 2019 and 2018.

35 Basic earnings per share

The calculations of basic earnings per share for the period ended 31 March 2019 and 2018 were based on the profit for the period attributable to equity holders of the Bank and the number of ordinary shares outstanding during the period as follows:

<i>For the period ended 31 March</i>	2019	2018
	<i>(in thousand Baht / thousand shares)</i>	
Profit for the period attributable to shareholders of the Bank (basic)	162,109	105,231
The number of ordinary shares outstanding	2,000,000	2,000,000
Basic earnings per share (<i>in Baht</i>)	0.08	0.05

36 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new and revised TFRS which relevant to the Bank operations are expected to have significant impact on the financial statements on the date of initial application. Those TFRS become effective for annual financial reporting periods beginning on or after 1 January of the following years.

TFRS	Topic	Effective
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 15	Revenue from Contracts with Customers	2019
TFRS 16	Leases	2020
TAS 32*	Financial Instruments: Presentation	2020
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	2020

* TFRS - Financial instruments standards

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(a) *TFRS 15 Revenue from Contracts with Customers*

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue should be recognised when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled.

Management is presently considering the potential impact of adopting and initially applying TFRS 15 on the financial statements.

(b) *TFRS - Financial instruments standards*

These TFRS establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

Management is presently considering the potential impact of adopting and initially applying TFRS - Financial instruments standards on the financial statements.

(c) *TFRS 16 Leases*

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases.

Management is presently considering the potential impact of adopting and initially applying TFRS 16 on the financial statements.