

**Oversea-Chinese Banking Corporation Limited,
Bangkok Branch**

Financial statements for the year ended
31 December 2017
and
Independent Auditor's report



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Independent Auditor's Report

To the Management of Oversea-Chinese Banking Corporation Limited, Bangkok Branch

Opinion

I have audited the financial statements of Oversea-Chinese Banking Corporation Limited, Bangkok Branch (the "Branch"), which comprise the statement of financial position as at 31 December 2017, the related statements of profit or loss and other comprehensive income, changes in accounts with head office and other branches of the same juristic person and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The Branch is a part of Oversea-Chinese Banking Corporation Limited and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

In my opinion, the accompanying financial statements present fairly, in all material respects, the assets used in, and liabilities arising out of, the Branch's operations in Thailand as at 31 December 2017 and its financial performance and cash flows in Thailand for the year 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 Financial Statements* section of my report. I am independent of the Branch 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 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.

A.



Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the 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 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 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 Branch'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 Branch'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 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 Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

A.



I communicate with management 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.

Aorapin Sinthawornkul

(Aorapin Sinthawornkul)
Certified Public Accountant
Registration No. 9441

KPMG Phoomchai Audit Ltd.
Bangkok
24 April 2018

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Statement of financial position

Assets	Note	31 December	
		2017	2016
		<i>(in thousand Baht)</i>	
Cash		4,099	6,536
Interbank and money market items, net	7, 22	7,928,945	1,049,461
Derivative assets	8, 22	451,942	1,017,823
Investments, net	9	26,013,941	27,776,449
Loans to customers and accrued interest receivable, net	10		
Loans to customers		14,781,613	8,504,083
Accrued interest receivable		25,711	19,624
Total loans to customers and accrued interest receivable		14,807,324	8,523,707
Less allowance for doubtful accounts	10.4, 12	(186,572)	(218,172)
Total loans to customers and accrued interest receivable, net		14,620,752	8,305,535
Premises and equipment, net	13	10,710	12,298
Deferred tax assets, net	14	63,994	97,635
Other assets, net	15	141,776	202,914
Total assets		49,236,159	38,468,651

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch

Statement of financial position

Liabilities and accounts with head office and other branches of the same juristic person	Note	31 December	
		2017	2016
		<i>(in thousand Baht)</i>	
Liabilities			
Deposits	17, 22	8,068,685	7,655,433
Interbank and money market items	18, 22	9,006,605	8,137,657
Liabilities payable on demand		50,034	7,231
Derivative liabilities	8, 22	769,057	482,871
Provisions for employee benefits		27,228	21,692
Other liabilities	19, 22	147,636	169,664
Total liabilities		18,069,245	16,474,548
Accounts with head office and other branches			
of the same juristic person			
Funds brought in to maintain assets under the Act	6, 22	11,561,470	12,191,430
Balance of inter-office accounts with head office and other branches of the same juristic person, net	6, 22	20,389,559	10,720,933
Other components of accounts with head office and other branches of the same juristic person	9.2	45,321	(42,290)
Deficit		(829,436)	(875,970)
Total accounts with head office and other branches of the same juristic person		31,166,914	21,994,103
Total liabilities and accounts with head office and other branches of the same juristic person		49,236,159	38,468,651

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch

Statements of profit or loss and other comprehensive income

	Note	Year ended 31 December	
		2017	2016
		<i>(in thousand Baht)</i>	
Interest income	22, 24	1,022,904	950,301
Interest expense	22, 25	680,838	541,248
Net interest income		342,066	409,053
Fees and service income	22	53,847	47,871
Fees and service expenses	22	2,576	8,297
Net fees and service income	26	51,271	39,574
Net losses on trading and foreign exchange transactions	22, 27	(126,156)	(21,033)
Net gains on investments		79,055	95,455
Other operating income	22	7,454	33,710
Total operating income		353,690	556,759
Other operating expenses			
Employee benefit expenses	22, 29	168,991	178,156
Premises and equipment expenses		20,096	19,926
Taxes and duties		13,503	10,515
Other expenses	22	51,913	82,382
Total other operating expenses		254,503	290,979
Bad debts, doubtful accounts expense and impairment loss	28	40,000	-
Profit from operations before income tax expense		59,187	265,780
Income tax expense	30	11,921	55,623
Profit for the year		47,266	210,157
Other comprehensive income (expense)			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gains (losses) on remeasurement available-for-sale investments		109,514	(311,890)
Income tax relating to items that will be reclassified to profit or loss	30	(21,903)	62,378
		87,611	(249,512)
<i>Items that will not be reclassified to profit or loss</i>			
Gains (losses) on remeasurement of defined benefit plans		(915)	392
Income tax relating to items that will not be reclassified to profit or loss	30	183	(78)
		(732)	314
Total other comprehensive income (expense) for the year, net of income tax	30	86,879	(249,198)
Total comprehensive income (expense) for the year		134,145	(39,041)

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Statement of changes in accounts with head office and other branches of the same juristic person

	Funds brought in to maintain assets under the Act	Balance of inter-office accounts with head office and other branches of the same juristic person, net	Available-for-sale investments <i>(in thousand Baht)</i>	Deficit	Total
Year ended 31 December 2016					
Balance at 1 January 2016	12,243,010	14,331,734	207,222	(1,086,441)	25,695,525
Comprehensive income (expense) for the year					
Profit for the year	-	-	-	210,157	210,157
Other comprehensive income (expense)					
Losses on remeasurement available-for-sale investments, net of income tax	-	-	(249,512)	-	(249,512)
Gains on remeasurement of defined benefit plan, net of income tax	-	-	-	314	314
Total other comprehensive income (expense)	-	-	(249,512)	314	(249,198)
Total comprehensive income (expense) for the year	-	-	(249,512)	210,471	(39,041)
Adjustment for foreign currency translation	(51,580)	-	-	-	(51,580)
Movement in balance of inter-office accounts with head office and other branches of the same juristic person, net	-	(3,610,801)	-	-	(3,610,801)
Balance at 31 December 2016	12,191,430	10,720,933	(42,290)	(875,970)	21,994,103

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Statement of changes in accounts with head office and other branches of the same juristic person

	Funds brought in to maintain assets under the Act	Balance of inter-office accounts with head office and other branches of the same juristic person, net	Available-for-sale investments <i>(in thousand Baht)</i>	Deficit	Total
Year ended 31 December 2017					
Balance at 1 January 2017	12,191,430	10,720,933	(42,290)	(875,970)	21,994,103
Comprehensive income (expense) for the year					
Profit for the year	-	-	-	47,266	47,266
Other comprehensive income (expense)					
Gains on remeasurement available-for-sale investments, net of income tax	-	-	87,611	-	87,611
Losses on remeasurement of defined benefit plan, net of income tax	-	-	-	(732)	(732)
Total other comprehensive income (expense)	-	-	87,611	(732)	86,879
Total comprehensive income (expense) for the year	-	-	87,611	46,534	134,145
Adjustment for foreign currency translation	(629,960)	-	-	-	(629,960)
Movement in balance of inter-office accounts with head office and other branches of the same juristic person, net	-	9,668,626	-	-	9,668,626
Balance at 31 December 2017	11,561,470	20,389,559	45,321	(829,436)	31,166,914

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch

Statement of cash flows

	Year ended 31 December	
	2017	2016
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit from operations before income tax expense	59,187	265,780
<i>Adjustments to reconcile profit from operations before income tax expense to net cash provided by (used in) operating activities</i>		
Depreciation	4,069	4,023
Bad debts, doubtful accounts expense and impairment loss	40,000	-
Provisions for employee benefits	5,130	4,512
Unrealised gains on foreign exchange transactions	(629,960)	(51,580)
Losses on revaluation of derivative contracts, net	852,872	150,212
Amortisation of premium on debt instruments	139,261	195,990
Gains on sales of investments	(79,055)	(95,455)
Gains on disposal of equipments	(4)	-
Net interest income	(342,066)	(409,053)
Proceeds from interest received	1,035,575	1,061,195
Interest paid	(656,105)	(538,268)
Income tax paid	(32,029)	(65,347)
Profit from operations before changes in operations assets and liabilities	396,875	522,009
<i>Decrease (increase) in operating assets</i>		
Interbank and money market items	(6,949,042)	(892,860)
Investment in securities	(1,916,562)	(48,957)
Loans to customers	(6,277,530)	534,976
Other assets	40,338	22,919
<i>Increase (decrease) in operating liabilities</i>		
Deposits	413,252	1,073,457
Interbank and money market items	868,948	(3,005,559)
Liabilities payable on demand	42,803	(82,953)
Provisions for employee benefits	(509)	-
Other liabilities	(4,773)	(6,204)
Net cash used in operating activities	(13,386,200)	(1,883,172)
<i>Cash flows from investing activities</i>		
Acquisition of available-for-sale investments	(17,176,355)	(17,866,983)
Proceeds from sales of available-for-sale investments	20,893,969	23,362,688
Acquisition of equipment	(2,481)	(1,959)
Proceeds from sales of equipment	4	-
Net cash provided by investing activities	3,715,137	5,493,746

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch

Statement of cash flows

	Year ended 31 December	
	2017	2016
	<i>(in thousand Baht)</i>	
<i>Cash flows from financing activities</i>		
Increase (decrease) in balance of inter-office accounts with head office and other branches of the same juristic person, net	<u>9,668,626</u>	<u>(3,610,801)</u>
Net cash provided by (used in) financing activities	<u>9,668,626</u>	<u>(3,610,801)</u>
Net decrease in cash	(2,437)	(227)
Cash at 1 January	<u>6,536</u>	<u>6,763</u>
Cash at 31 December	<u>4,099</u>	<u>6,536</u>
Supplementary disclosures of cash flow information		
Non - cash transactions :		
Gains (losses) on remeasurement available-for-sale investments	109,514	(311,890)
Gains (losses) on remeasurement of defined benefits plans	(915)	392

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Notes to the financial statements
For the year ended 31 December 2017

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Oversea-Chinese Banking Corporation Limited, Bangkok Branch

Notes to the financial statements

For the year ended 31 December 2017

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Management of Oversea-Chinese Banking Corporation Limited, Bangkok Branch (the “Branch”) on 24 April 2018.

1 General information

Oversea-Chinese Banking Corporation Limited is incorporated and domiciled in Singapore. The registered office of its Bangkok Branch is located at Unit 2501-2, 25th floor, Q House Lumpini, 1 South Sathorn Road, Tungmahamek, Sathorn, Bangkok, Thailand.

The operations of the Branch are the Domestic Banking Activities (Full Branch) and Bangkok International Banking Facility (“BIBF”). The Branch received approval from the Ministry of Finance to undertake Full Branch banking activities on 29 August 1994. Approval was obtained to undertake international banking facility activities on 31 August 1994.

According to the Financial Sector Master Plan (“FSMP”) for the consolidation of the banking and finance sector in Thailand, the Branch returned the BIBF licence to the Ministry of Finance on 30 December 2005 and integrated the BIBF business into the domestic banking business on 4 January 2006, according to the approval from the Ministry of Finance dated 18 May 2005.

2 Basis of preparation of the financial statements

The Branch is a part of Oversea-Chinese Banking Corporation Limited and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRSs”); guidelines promulgated by the Federation of Accounting Professions (“FAP”); 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”.

The FAP has issued new and revised TFRSs effective for annual accounting periods beginning on or after 1 January 2017. The initial application of these new and revised TFRSs has resulted in changes in certain of the Branch’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRSs, the FAP has issued a number of other new and revised TFRSs which are effective for annual financial periods beginning on or after 1 January 2018 and have not been adopted in the preparation of these financial statements. The Branch has made a preliminary assessment of the potential initial impact on the Branch’s financial statements of these new and revised TFRSs and expects that there will be no material impact on the financial statements in the period of initial application.

Moreover, the FAP has issued TFRS 15 *Revenue from Contracts with Customers* which is effective for annual periods beginning on or after 1 January 2019. The Branch has not early adopted this standard in preparing these financial statements.

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
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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. It replaces existing revenue recognition standards as follows:

- TAS 11 (revised 2017) *Construction Contracts*,
- TAS 18 (revised 2017) *Revenue*,
- TSIC 31 (revised 2017) *Revenue-Barter Transactions Involving Advertising Services*,
- TFRIC 13 (revised 2017) *Customer Loyalty Programmes*,
- TFRIC 15 (revised 2017) *Agreements for the Construction of Real Estate*, and
- TFRIC 18 (revised 2017) *Transfers of Assets from Customers*.

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items.

<i>Items</i>	<i>Measurement bases</i>
Derivative financial instruments	Fair value
Trading and available-for-sale investments	Fair value

(c) Functional and presentation currency

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

(d) Use of judgements and estimates

The preparation of financial statements in conformity with TFRSs 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 amounts recognised in the financial statements is included in the following notes:

Note 5	Fair value of assets and liabilities
Note 8	Derivatives
Note 12	Allowance for doubtful accounts

Measurement of fair values

A number of the Branch's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Oversea-Chinese Banking Corporation Limited, Bangkok Branch

Notes to the financial statements

For the year ended 31 December 2017

The Branch has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements.

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.

Further information about the assumptions made in measuring fair values is included in Note 5 Fair value of assets and liabilities.

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, liabilities and funds remitted into Thailand denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognised in profit or loss in that periods.

(b) *Cash*

Cash comprises of cash on hand and cash on collection.

(c) *Investments*

Investments in debt securities

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

Debt securities that the Branch has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in the accounts with head office and other branches of the same juristic person. 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 the accounts with head office and other branches of the same juristic person 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.

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Notes to the financial statements
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The fair value of investments in debt securities traded in the 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. If the debt securities are not traded in the Thai established market, the fair value is determined by the par value after taking into consideration the yield curve calculated by the Thai Bond Market Association.

Recognition

Purchases or sales of investments are recognised on settlement date.

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 the accounts with head office and other branches of the same juristic person is recognised in profit or loss.

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

(d) Loans to customers

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

(e) Allowance for doubtful accounts

The allowance for doubtful accounts is based on management's review and assessment of the status of individual debtors and the Branch's classification of loans as prescribed by the BoT's regulations. Such assessment takes into consideration various factors including the risk involved, value of collaterals 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 classifications are based principally on the period that a financing is past due. The Branch has set up the minimum allowance for doubtful accounts according to the BoT's regulations.

Based on the BoT's regulations, the Branch has classified its loan portfolio into six categories, primarily based on the non-accrual period. For loans classified as pass and special-mention, the calculation of allowance 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 cashflows 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 or recovered are recorded as charges or credit, respectively, to the allowance for doubtful accounts.

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Notes to the financial statements
For the year ended 31 December 2017

(f) Troubled debt restructuring

Losses on troubled debt restructuring resulting from the reduction of principal and accrued interest and other restructuring concessions including modification of terms are recognised as expenses in profit or loss.

In case the troubled debt restructuring modifies the terms of payment, the Branch complies with the BoT's criteria requiring the Branch to choose between the collateral method by which a loss amount is to be estimated and/or the net present value method which represents expected cash flow in the future and applying the market interest rate on the restructuring date for discounting purposes to calculate fair value. Losses from such debt restructuring are recognised in profit or loss for that periods.

Subsequent to the troubled debt restructuring, the Branch recalculates fair value of restructured debt based on the aforementioned discount rates as of the reporting date and makes an adjustment for the valuation on the restructured debt, if the fair value has changed. The recalculation for fair value of restructured debt made at the reporting date is calculated in accordance with the aforementioned BoT's criteria. The adjustment in the valuation of restructured debt shall not cause the book value of restructured debt to exceed the investment value of restructured debt.

(g) Premises and equipment

Recognition and measurement

Owned assets

Premises 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.

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

Any gains or losses on disposal of an item of premises and equipment are determined by comparing the proceeds from disposal with the carrying amount of premises and equipment, and are recognised in profit or loss.

Subsequent costs

The cost of replacing a part of an item of premises 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 Branch, 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 premises 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.

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Notes to the financial statements
For the year ended 31 December 2017

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

Condominium	20 years
Furniture, fixtures and office equipment	5 years
Computer equipment	3 - 5 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.

(h) Impairment

The carrying amounts of the Branch'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 the accounts with head office and other branches of the same juristic person, in which case it is charged to the accounts with head office and other branches of the same juristic person.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in the accounts with head office and other branches of the same juristic person and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in the accounts with head office and other branches of the same juristic person 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 held-to-maturity securities carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

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 financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

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Impairment losses recognised in prior periods in respect of other 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.

(i) Financial instruments

Derivatives

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, they are remeasured at fair value by using the market price. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The Branch enters into derivative transactions for trading purposes, for which the realised and unrealised gain or loss is recognised in profit or loss. The Branch also enters into hedging derivative transactions to manage exposures to foreign exchange and interest rate arising from its core banking activities of the Branch. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Where a derivative financial instrument hedges the changes in fair value, 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.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the accounts with head office and other branches of the same juristic person.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated cumulative gains or losses that were recognised directly in the accounts with head office and other branches of the same juristic person are recognised in profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

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

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.

The fair value of credit default swaps is their market price at the reporting date, being the present value of the credit default swaps.

(j) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

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Defined benefit plans

The Branch'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 by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Branch, 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 other comprehensive income. The Branch 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 recognised 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 Branch recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

- Legal severance payment and Retirement gratuity

The severance payment plan covers on the requirements of Thai Labour Protection Act B.E. 2541 (1998).

The retirement gratuity plan covers certain employees who joined the Branch before 1 July 1987 and is based on the length of service. The employees are entitled to receive this benefit upon resignation, retirement or death.

Other long-term employee benefits

The Branch's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

- Long service award

The Branch provides other long-term benefits to the eligible employees in return for their long service to the Branch.

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 Branch 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.

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(k) Provisions

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

(l) Interest income recognition

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 and recognised on the cash basis in accordance with the BoT's regulations. The accrued interest income from loan to customer 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 placements and investment in securities is recognised on an accrual basis. Discounts received on the purchase of debt securities are recognised on effective interest method over the period to maturity.

(m) Fees and commission income recognition

Fees and commission income is recognised when the services are rendered.

(n) Interest expense recognition

Interest expense on deposits and borrowings is recognised on an accrual basis.

(o) Income tax

Income tax expense for the year 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 the accounts with head office and other branches of the same juristic person or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and joint ventures 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 Branch expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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In determining the amount of current and deferred tax, the Branch takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Branch 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 Branch 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.

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

(p) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Branch 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

Financial risk management policies

The Branch adopts a comprehensive approach to risk management in order to manage its risk profile within pre-defined limits and to protect the Branch against severe losses from unlikely but plausible stress events. The Board Risk Committee is the principal committee that supports in the oversight of the credit, market, operational and any other category of risks as may be deemed necessary. It is responsible for ensuring effective risk oversight of the Branch. Various risk management committees have been set up to manage specific areas of risks.

4.1 Credit risk

Credit risk is the risk of loss due to borrower or counterparty defaults on payment. Such risk arises from lending, underwriting, trading and other activities of the Branch.

Credit extensions to corporate and institutional customers are generally required to meet pre-defined target markets and risk acceptance criteria. Individual credit signers from the business units make underwriting decisions jointly with those from the credit risk management units. This co-grantor approval approach is designed to ensure objectivity in credit extensions.

Credit risk also arises from the possibility that a counterparty to derivatives contracts will not adhere to the terms of the contract with the Branch when settlement becomes due.

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Derivatives contracts classified by type and at regulatory credit equivalent values as at 31 December 2017 and 2016 were as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Forward exchange contracts	822,538	551,502
Currency swap contracts	552,730	1,302,918
Interest rate swap contracts	119,897	106,390
Credit default swap contracts	11,000	-
Total	<u>1,506,165</u>	<u>1,960,810</u>

4.2 Market risk

Market risk is the risk of loss of income or market value due to fluctuations in factors such as interest rates, foreign exchange rates, equity and commodity prices, or changes in volatility or correlations of such factors. The Branch is exposed to market risks from its trading and client servicing activities.

The Branch market risk management strategy and market risk limits are established within the risk appetite and business strategies of the Branch, taking into account macroeconomic and market conditions. Market risk limits are subject to regular review.

(a) Interest rate risk

Interest rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest rates. The material sources of interest rate risk are repricing risk, yield curve risk, basis risk and optionality risk.

Limits and policies to manage interest rate exposures are established in line with the business strategy and risk appetite. Thresholds and policies are appropriately approved, and reviewed regularly to ensure they remain relevant against the external environment. Control systems are in place to monitor the risk profile against the approved risk thresholds.

The Branch charges interest rates on loans to customers mainly based on the cost of borrowings plus a profit margin which depends on the credit risk of each individual customer.

Significant financial assets and liabilities classified by types of interest rate as at 31 December 2017 and 2016 were as follows:

	2017			Total
	Floating interest rate	Fixed interest rate	Non interest bearing	
	<i>(in thousand Baht)</i>			
Financial assets				
Cash	-	-	4,099	4,099
Interbank and money market items*	1,983,632	5,780,000	242,913	8,006,545
Investments	-	26,013,941	-	26,013,941
Loans to customers and accrued interest receivable**	12,941,504	1,500,000	365,820	14,807,324
Other assets	-	-	128,535	128,535
Total financial assets	<u>14,925,136</u>	<u>33,293,941</u>	<u>741,367</u>	<u>48,960,444</u>

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	2017			Total
	Floating interest rate	Fixed interest rate <i>(in thousand Baht)</i>	Non interest bearing	
Financial liabilities				
Deposits	1,195,063	6,517,123	356,499	8,068,685
Interbank and money market items	33,287	7,954,106	1,019,212	9,006,605
Liabilities payable on demand	-	-	50,034	50,034
Other liabilities	-	-	27,037	27,037
Funds remitted into Thailand - borrowings from head office	6,536,180	-	-	6,536,180
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	19,997,674	391,885	20,389,559
Total financial liabilities	7,764,530	34,468,903	1,844,667	44,078,100
Effect of derivatives held for risk management***	13,868,352	(13,868,352)	(135,558)	(135,558)

* Excluding allowance for doubtful accounts amounting to Baht 78 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 187 million

*** Risk management for investments and borrowings

	2016			Total
	Floating interest rate	Fixed interest rate <i>(in thousand Baht)</i>	Non interest bearing	
Financial assets				
Cash	-	-	6,536	6,536
Interbank and money market items*	604,853	358,307	92,301	1,055,461
Investments	-	27,776,449	-	27,776,449
Loans to customers and accrued interest receivable**	8,147,103	-	376,604	8,523,707
Other assets	-	-	149,335	149,335
Total financial assets	8,751,956	28,134,756	624,776	37,511,488
Financial liabilities				
Deposits	600,480	6,866,660	188,293	7,655,433
Interbank and money market items	20,882	8,100,693	16,082	8,137,657
Liabilities payable on demand	-	-	7,231	7,231
Other liabilities	-	-	14,158	14,158
Funds remitted into Thailand - borrowings from head office	7,166,140	-	-	7,166,140
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	10,570,057	150,876	10,720,933
Total financial liabilities	7,787,502	25,537,410	376,640	33,701,552
Effect of derivatives held for risk management***	9,768,352	(9,768,352)	618,296	618,296

* Excluding allowance for doubtful accounts amounting to Baht 6 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 218 million

*** Risk management for investments and borrowings

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The Branch has the following interest-bearing financial assets and liabilities. The average balances of the financial assets and liabilities and the average interest rates per annum for each of the years ended 31 December 2017 and 2016 were as follows:

	2017			2016		
	Average balance <i>(in thousand Baht)</i>	Interest	Average interest rate <i>(% per annum)</i>	Average balance <i>(in thousand Baht)</i>	Interest	Average interest rate <i>(% per annum)</i>
<i>Financial assets</i>						
Interbank and money market items	5,883,002	113,190	1.9	2,182,972	23,914	1.1
Investments	25,956,795	557,427	2.1	28,878,114	665,837	2.3
Loans to customers	12,904,977	352,287	2.7	8,533,111	260,550	3.1
Total	44,744,774	1,022,904	2.3	39,594,197	950,301	2.4
<i>Financial liabilities</i>						
Deposits	7,953,677	93,086	1.2	7,476,321	94,880	1.3
Interbank and money market items	11,427,663	149,727	1.3	11,468,650	145,887	1.3
Balance of inter-office accounts with head office and other branches of the same juristic person, net	21,465,155	179,978	0.8	16,537,182	129,158	0.8
Total	40,846,495	422,791	1.0	35,482,153	369,925	1.0

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As at 31 December 2017 and 2016, the details of the Branch's interest rate risk based on the period to the earlier of the contractual repricing date or maturity were as follows:

	2017					Total
	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years (in thousand Baht)	More than 5 years	
Financial assets						
Cash	-	-	-	-	-	4,099
Interbank and money market items*	403,632	7,360,000	-	-	-	8,006,545
Investments	-	2,244,388	2,325,461	20,182,930	1,261,162	26,013,941
Loans to customers and accrued interest receivable**	2,136,695	10,633,573	171,236	1,500,000	-	14,807,324
Other assets	-	-	-	-	-	128,535
Total financial assets	2,540,327	20,237,961	2,496,697	21,682,930	1,261,162	48,960,444
Financial liabilities						
Deposits	1,195,063	6,359,111	150,512	7,500	-	8,068,685
Interbank and money market items	33,287	7,954,106	-	-	-	9,006,605
Liabilities payable on demand	-	-	-	-	-	50,034
Other liabilities	-	-	-	-	-	27,037
Funds remitted into Thailand - borrowings from head office	-	6,536,180	-	-	-	6,536,180
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	17,851,817	2,145,857	-	-	20,389,559
Total financial liabilities	1,228,350	38,701,214	2,296,369	7,500	-	44,078,100
Effect of derivatives held for risk management***	-	11,008,352	(1,697,066)	(9,311,286)	-	(135,558)

* Excluding allowance for doubtful accounts amounting to Baht 78 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 187 million

*** Risk management for investments and borrowings

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	2016						Total
	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years (in thousand Baht)	More than 5 years	Non- interest bearing	
Financial assets							
Cash	-	-	-	-	-	6,536	6,536
Interbank and money market items*	4,853	958,307	-	-	-	92,301	1,055,461
Investments	-	745,571	3,720,817	21,928,307	1,381,754	-	27,776,449
Loans to customers and accrued interest receivable**	2,683,527	5,440,077	23,499	-	-	19,626	356,978
Other assets	-	-	-	-	-	149,335	149,335
Total financial assets	2,688,380	7,143,955	3,744,316	21,928,307	1,381,754	267,798	37,511,488
Financial liabilities							
Deposits	600,480	6,620,814	245,846	-	-	188,293	7,655,433
Interbank and money market items	20,882	8,100,693	-	-	-	16,082	8,137,657
Liabilities payable on demand	-	-	-	-	-	7,231	7,231
Other liabilities	-	-	-	-	-	14,158	14,158
Funds remitted into Thailand - borrowings from head office	-	7,166,140	-	-	-	-	7,166,140
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	10,570,057	-	-	-	150,876	10,720,933
Total financial liabilities	621,362	32,457,704	245,846	-	-	376,640	33,701,552
Effect of derivatives held for risk management***	-	9,768,352	-	(9,768,352)	-	618,296	618,296

* Excluding allowance for doubtful accounts amounting to Baht 6 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 218 million

*** Risk management for investments and borrowings

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(b) Foreign exchange risk

Foreign exchange risk is the risk that occurs from the change in exchange rates which may affect the value of the Branch's financial instruments or may cause volatility in the Branch's earnings or fluctuations in the value of the Branch's assets and liabilities. The Branch engages in foreign currency denominated transactions, which may create foreign exchange risk.

As at 31 December 2017 and 2016, the Branch had net open position assets (liabilities) denominated in the various currencies as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Net foreign currency exposure*		
US Dollar	(50,060)	(2,672)
Singapore Dollar	9,151	18,014
Japanese Yen	10,888	15,582
Other currencies	(38,306)	16,295

* Including long-term borrowing from head office to maintain assets under Act amounting to Baht 6,536 million (2016: Baht 7,166 million) and excluding non-performing loans amounting to Baht nil (2016: Baht nil)

4.3 Liquidity risk

Liquidity risk is the risk that the Branch may not be able to meet its obligations as they fall due, because of inability to realise its assets or to cover funding requirements at an appropriate price which results in a loss to the Branch.

The Liquidity risk Management of the Branch is under the control of head office ("Group ALCO"), to ensure compliance with the risk management policy of head office which is also in line with the BoT's Notification related to liquidity risk. The Branch ALCO is responsible to Group ALCO for the overall management and oversight of the risk of the financial position of the Branch. The Treasury Department continues to play the key role in managing the Branch's funding requirements.

As at 31 December 2017 and 2016, a maturity analysis for financial assets and liabilities were as follows:

	At call	Within 3 months	2017			No maturity	Total
			Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years		
<i>(in thousand Baht)</i>							
Financial assets							
Cash	-	-	-	-	-	4,099	4,099
Interbank and money market*	643,813	7,362,732	-	-	-	-	8,006,545
Derivative assets	-	294,675	70,816	83,038	3,413	-	451,942
Investments	-	2,244,388	2,325,461	20,182,930	1,261,162	-	26,013,941
Loans to customers and accrued interest receivable**	4,725,987	2,852,932	500,041	6,728,364	-	-	14,807,324
Other assets	-	106,117	22,418	-	-	-	128,535
Total financial assets	5,369,800	12,860,844	2,918,736	26,994,332	1,264,575	4,099	49,412,386

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	At call	Within 3 months	Over 3 months to 1 year	2017 Over 1 year to 5 years <i>(in thousand Baht)</i>	Over 5 years	No maturity	Total
Financial liabilities							
Deposits	1,551,562	6,359,111	150,512	7,500	-	-	8,068,685
Interbank and money market items	1,052,499	7,954,106	-	-	-	-	9,006,605
Liabilities payable on demand	1,721	48,313	-	-	-	-	50,034
Derivative liabilities	-	159,704	79,413	516,552	13,388	-	769,057
Other liabilities	132	26,584	321	-	-	-	27,037
Funds remitted into Thailand - borrowings from head office***	-	-	6,536,180	-	-	-	6,536,180
Balance of inter-office accounts with head office and other branches of the same juristic person, net	154,059	18,086,333	2,149,167	-	-	-	20,389,559
Total financial liabilities	2,759,973	32,634,151	8,915,593	524,052	13,388	-	44,847,157
Liquidity gap, net	2,609,827	(19,773,307)	(5,996,857)	26,470,280	1,251,187	4,099	4,565,229

* Excluding allowance for doubtful accounts amounting to Baht 78 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 187 million

*** Under renewal process of borrowings contract with head office

	At call	Within 3 months	Over 3 months to 1 year	2016 Over 1 year to 5 years <i>(in thousand Baht)</i>	Over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	6,536	6,536
Interbank and money market*	696,462	358,999	-	-	-	-	1,055,461
Derivative assets	-	312,239	10,993	659,353	35,238	-	1,017,823
Investments	-	745,571	3,720,817	21,928,307	1,381,754	-	27,776,449
Loans to customers and accrued interest receivable**	2,683,866	2,667,977	324,940	2,489,946	356,978	-	8,523,707
Other assets	-	149,335	-	-	-	-	149,335
Total financial assets	3,380,328	4,234,121	4,056,750	25,077,606	1,773,970	6,536	38,529,311

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	At call	Within 3 months	Over 3 months to 1 year	2016 Over 1 year to 5 years <i>(in thousand Baht)</i>	Over 5 years	No maturity	Total
Financial liabilities							
Deposits	788,761	6,620,814	245,858	-	-	-	7,655,433
Interbank and money market items	36,964	8,100,693	-	-	-	-	8,137,657
Liabilities payable on demand	783	6,448	-	-	-	-	7,231
Derivative liabilities	-	215,503	60,887	206,481	-	-	482,871
Other liabilities	122	13,779	257	-	-	-	14,158
Funds remitted into Thailand - borrowings from head office	-	-	-	7,166,140	-	-	7,166,140
Balance of inter-office accounts with head office and other branches of the same juristic person, net	138,809	10,582,124	-	-	-	-	10,720,933
Total financial liabilities	965,439	25,539,361	307,002	7,372,621	-	-	34,184,423
Liquidity gap, net	2,414,889	(21,305,240)	3,749,748	17,704,985	1,773,970	6,536	4,344,888

* Excluding allowance for doubtful accounts amounting to Baht 6 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 218 million

5 Fair value of assets and liabilities

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Branch uses observable market 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).

5.1 Financial assets and liabilities measured at fair value

The following table analyses financial assets and liabilities measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Fair value			Total
	Level 1	Level 2	Level 3	
<i>(in thousand Baht)</i>				
31 December 2017				
Financial assets				
Derivatives				
- Forward exchange contracts	-	352,494	-	352,494
- Currency swap contracts	-	73,007	-	73,007
- Interest rate swap contracts	-	26,441	-	26,441

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	Fair value			Total
	Level 1	Level 2 <i>(in thousand Baht)</i>	Level 3	
31 December 2017				
Trading investments	-	1,738,713	226,806	1,965,519
Available-for-sale investments	-	24,048,422	-	24,048,422
<i>Financial liabilities</i>				
Derivatives				
- Forward exchange contracts	-	161,174	-	161,174
- Currency swap contracts	-	341,019	-	341,019
- Interest rate swap contracts	-	254,213	-	254,213
- Credit default swap contracts	-	-	12,651	12,651
31 December 2016				
<i>Financial assets</i>				
Derivatives				
- Forward exchange contracts	-	317,953	-	317,953
- Currency swap contracts	-	658,862	-	658,862
- Interest rate swap contracts	-	41,008	-	41,008
Trading investments	-	48,957	-	48,957
Available-for-sale investments	-	27,727,492	-	27,727,492
<i>Financial liabilities</i>				
Derivatives				
- Forward exchange contracts	-	177,407	-	177,407
- Currency swap contracts	-	94,543	-	94,543
- Interest rate swap contracts	-	210,921	-	210,921

The Branch determines Level 2 fair values for debt securities using a discounted cash flow technique, which uses contractual cash flows and a market-related discount rate.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Branch and counterparty when appropriate.

The Branch recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the years ended 31 December 2017 and 2016.

The Branch has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation team 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 these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

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Measurement of fair values

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Investment	Discounted Cash Flow	• Credit Spread
Credit Default Swap	CDS model	• Credit spread

Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Note	Investment (in thousand Baht)	Credit Default Swap
Balance at 1 January 2017		-	-
Purchase		220,000	1,805
Gains / (losses) recognised in profit or loss		6,806	(14,456)
Balance at 31 December 2017	8.1, 9.1	226,806	(12,651)

5.2 Financial assets and liabilities not measured at fair value

The carrying value of significant financial assets and liabilities not measured at fair value approximates the fair value.

The following methods and assumptions were used by the Branch in estimating the fair value of financial assets and liabilities as disclosed herein.

Interbank and money market items (assets, liabilities, and accounts with head office and other branches of the same juristic person)

The fair value of interbank and money market items (assets, liabilities, and accounts with head office and other branches of the same juristic person) which bear variable rates of interest approximates their carrying value at the reporting date. The fair value of fixed rate instruments with remaining maturities greater than 1 year is estimated by using a discounted cash flow calculation applying average interest rates currently being offered on similar instruments.

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Loans to customers

For floating-rate loans to customers that reprice frequently and have no significant change in credit risk, fair value approximates carrying value at the reporting date. The fair value of fixed rate loans to customers that reprice within 1 year of the reporting date approximates the carrying value at the reporting date. The fair value of other fixed interest loans to customers is estimated using discounted cash flow analysis and using interest rates currently being offered for loans to customers with similar credit quality.

Deposits

The fair value of deposits which are payable on demand by the depositor is equal to the carrying value of such deposits. The carrying amounts of floating-rate, and fixed rate deposits repricing within 1 year of the reporting date approximates the carrying value at the reporting date. The fair value for other fixed interest deposits is estimated using a discounted cash flow calculation that applies interest rates currently being offered on deposits to a schedule of aggregate expected monthly maturities on time deposits.

Other financial instruments

The fair value of other financial assets and liabilities approximate the carrying value at which they are stated on the statement of financial position.

6 Maintenance of capital fund

The Branch maintains its capital funds in accordance with Section 32 of the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk-weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand as at 31 December 2017 and 2016, could be summarised as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Thai Government bonds and the Bank of Thailand's bonds	7,243,349	8,049,658
Bonds guaranteed by Government	3,499,843	2,704,686
Immovable assets	2,521	2,955
Total	<u>10,745,713</u>	<u>10,757,299</u>

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As at 31 December 2017 and 2016, the Branch's capital fund could be summarised as follows:

	2017 <i>(in thousand Baht)</i>	2016
Assets maintained under Section 32	<u>10,745,713</u>	<u>10,757,299</u>
Sum of net capital fund for maintenance of assets under Section 32 and net balance of inter-office accounts		
Net fund brought in to maintenance assets under Section 32*	9,708,209	10,338,169
Net balance of inter-office accounts which the Branch is the debtor to the head office and other branches of the same juristic person, the parent company and subsidiaries of the head office	<u>20,484,264</u>	<u>10,750,144</u>
Total	<u>30,192,473</u>	<u>21,088,313</u>

* As at 31 December 2017, net of funds remitted from head office for losses compensation of Baht 2,024 million (2016: Baht 2,024 million).

Capital Fund (in thousand Baht)	9,708,209	10,338,169
Capital Adequacy Ratio (%)	31.59	51.77

According to the Bank of Thailand Notification No. For Nor Sor. (23) Wor 263/2556 dated 22 February 2013 the Branch 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 December 2017 and 2016, the Branch has no add-on arising from Single Lending Limit.

As at 31 December 2017 and 2016, the Branch has applied the calculation for credit risk capital, market risk capital and operational risk capital under the Standardised Approach ("SA") as approved by the Bank of Thailand and in accordance with the Bank of Thailand notification.

As at 31 December 2017 and 2016, the Branch met the minimum Capital Adequacy Ratio requirements established by the Bank of Thailand, which is in compliance with the requirements of Basel III, for total Capital Adequacy Ratio at minimum of 9.750% and 9.125%, respectively.

In accordance with the Bank of Thailand Notification No. Sor Nor Sor. 4/2556 dated 2 May 2013, Re: "The Public Disclosure of Capital Maintenance for Commercial Banks", the Branch intends to disclose Capital maintenance information as of 31 December 2017 within 4 months after the year end as indicated in the notification through the Branch's website "<http://www.ocbc.com/business-banking/large-corporates/international-presence-thailand.html>".

Capital management

The Branch'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 and to maintain appropriate credit ratings.

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7 Interbank and money market items, net (assets)

	2017			2016		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
Domestic						
Bank of Thailand	228,534	-	228,534	54,194	-	54,194
Commercial banks	3,632	5,780,000	5,783,632	4,853	358,307	363,160
Other financial institutions	400,000	1,580,000	1,980,000	-	600,000	600,000
Total	632,166	7,360,000	7,992,166	59,047	958,307	1,017,354
Add accrued interest receivable	85	2,732	2,817	-	775	775
Less allowance for doubtful accounts	(4,000)	(73,600)	(77,600)	-	(6,000)	(6,000)
Total domestic, net	628,251	7,289,132	7,917,383	59,047	953,082	1,012,129
Foreign						
US Dollar	9,205	-	9,205	28,690	-	28,690
Other currencies	2,357	-	2,357	8,642	-	8,642
Total foreign	11,562	-	11,562	37,332	-	37,332
Total domestic and foreign	639,813	7,289,132	7,928,945	96,379	953,082	1,049,461

8 Derivatives

8.1 Derivatives held for trading

As at 31 December 2017 and 2016, the fair value and notional amount classified by type of risks were as follows:

Type of risk	Fair value		2017 Notional Amount		Total
	Assets	Liabilities	Less than 1 year	Over 1 year	
	<i>(in thousand Baht)</i>				
Forward exchange contracts	352,494	161,174	59,143,524	-	59,143,524
Currency swap contracts	73,007	341,019	2,020,366	9,569,804	11,590,170
Interest rate swap contracts	26,441	154,181	4,778,000	10,530,000	15,308,000
Credit default swap contracts	-	12,651	220,000	-	220,000
Total	451,942	669,025	66,161,890	20,099,804	86,261,694

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Type of risk	Fair value		2016		Total
	Assets	Liabilities	Less than 1 year (in thousand Baht)	Notional Amount Over 1 year	
Forward exchange contracts	317,953	177,407	38,337,761	-	38,337,761
Currency swap contracts	658,862	94,543	1,074,921	11,653,166	12,728,087
Interest rate swap contracts	23,216	100,934	2,000,000	6,298,000	8,298,000
Total	1,000,031	372,884	41,412,682	17,951,166	59,363,848

The “notional amount” is a measure of volume, which may be used for examining changes in derivative activities over time. The notional amount is the face value of the contract. Unlike on-financial reporting financial instruments, the notional amount of a derivative does not necessarily reflect the amount at risk, which is generally only a small fraction of this value.

As at 31 December 2017 and 2016, proportions of the notional amount of derivative transactions classified by counterparties, consisted of:

Counterparty	2017	2016
	(%)	
Financial institutions	71.7	90.7
Related parties	26.2	2.3
Third parties	2.1	7.0
Total	100.0	100.0

8.2 Derivatives designated as fair value hedges

The Branch enters into certain interest rate swaps to hedge the Branch’s exposure to interest rate risk arising on investments. The derivatives which the Branch enters into are interest rate swaps.

As at 31 December 2017 and 2016, the fair value and notional amount of derivatives designated as fair value hedges were as follows:

Type of risk	Fair value		2017		Total
	Assets	Liabilities	Less than 1 year (in thousand Baht)	Notional Amount Over 1 year	
Interest rate	-	100,032	567,066	6,211,286	6,778,352
Total	-	100,032	567,066	6,211,286	6,778,352

Type of risk	Fair value		2016		Total
	Assets	Liabilities	Less than 1 year (in thousand Baht)	Notional Amount Over 1 year	
Interest rate	17,792	109,987	-	6,778,352	6,778,352
Total	17,792	109,987	-	6,778,352	6,778,352

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9 Investments, net

9.1 Classification of investment in securities

As at 31 December 2017 and 2016, investments classified by investment type, consisted of:

	2017	2016
	Fair value (in thousand Baht)	
<i>Trading investments</i>		
Government securities	1,738,713	48,957
Corporate debt securities	226,806	-
Total	<u>1,965,519</u>	<u>48,957</u>
<i>Available-for-sale investments</i>		
Government and state enterprise securities	23,060,232	26,869,717
Corporate debt securities	988,190	857,775
Total	<u>24,048,422</u>	<u>27,727,492</u>
Total investments	<u>26,013,941</u>	<u>27,776,449</u>

Investments in government and state enterprise securities are for liquid assets and capital fund in accordance with Section 32 of the Thai Financial Institution Businesses Act, B.E. 2551 as mentioned in note 6 and note 20.

9.2 Unrealised gains (losses) on remeasurement available-for-sale investments in debt securities, consisted of:

	2017	2016
	(in thousand Baht)	
Unrealised gains on remeasurement available-for-sale investments in debt securities	146,959	38,249
Less fair value changes in fair value hedged investments	(90,309)	(91,113)
Add (Less) deferred tax	(11,329)	10,574
Net	<u>45,321</u>	<u>(42,290)</u>

10 Loans to customers and accrued interest receivable, net

10.1 Classified by type of loans

	2017	2016
	(in thousand Baht)	
Overdrafts	136,695	139,827
Loans	14,197,233	7,964,794
Bills	447,685	399,460
Others	-	2
Total loans to customers	14,781,613	8,504,083
Add accrued interest receivable	25,711	19,624
Total loans to customers and accrued interest receivable	14,807,324	8,523,707
Less allowance for doubtful accounts		
- BoT's minimum requirement - Individual approach	(180,947)	(124,280)
- Allowance in excess	(5,625)	(93,892)
Total loans to customers and accrued interest receivable, net	<u>14,620,752</u>	<u>8,305,535</u>

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10.2 Classified by currencies and residence of borrowers

	2017	2016
	Domestic (in thousand Baht)	
Baht	13,860,242	7,845,692
US Dollar	660,922	658,391
Other currencies	260,449	-
Total	<u>14,781,613</u>	<u>8,504,083</u>

10.3 Classified by industry and loan classification

	2017			Total
	Pass	Special mention	Doubtful of loss	
	(in thousand Baht)			
Agriculture and mining	1,000,000	-	-	1,000,000
Manufacturing and commerce	4,235,593	266,476	340,109	4,842,178
Property development and construction	619,616	-	-	619,616
Infrastructure and services	3,347,825	150,000	-	3,497,825
Other financial intermediaries	4,821,994	-	-	4,821,994
Total	<u>14,025,028</u>	<u>416,476</u>	<u>340,109</u>	<u>14,781,613</u>

	2016			Total
	Pass	Special mention	Doubtful of loss	
	(in thousand Baht)			
Manufacturing and commerce	3,269,465	70,032	356,978	3,696,475
Property development and construction	756,000	-	-	756,000
Infrastructure and services	2,824,643	150,000	-	2,974,643
Other financial intermediaries	1,076,963	-	-	1,076,963
Others	2	-	-	2
Total	<u>7,927,073</u>	<u>220,032</u>	<u>356,978</u>	<u>8,504,083</u>

10.4 Classified by loan classification

	2017			Allowance for doubtful accounts (in thousand Baht)
	Loans to customers and accrued interest receivable (in thousand Baht)	Net amount for set up allowance for doubtful accounts	Rate used for allowance for doubtful accounts (%)	
Minimum allowance as per BoT's regulations				
- Pass	14,049,712	11,523,557	1	115,236
- Special mention	417,412	231,916	2	4,638
- Doubtful of loss	340,200	61,073	100	61,073
Total	<u>14,807,324</u>	<u>11,816,546</u>		<u>180,947</u>
Allowance in excess				5,625
Total				<u>186,572</u>

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			2016	
	Loans to customers and accrued interest receivable (in thousand Baht)	Net amount for set up allowance for doubtful accounts	Rate used for allowance for doubtful accounts (%)	Allowance for doubtful accounts (in thousand Baht)
Minimum allowance as per BoT's regulations				
- Pass	7,946,573	6,250,071	1	62,501
- Special mention	220,090	35,320	2	706
- Doubtful of loss	357,044	61,073	100	61,073
Total	8,523,707	6,346,464		124,280
Allowance in excess				93,892
Total				218,172

10.5 Non-performing loans

As at 31 December 2017 and 2016, the Branch had non-performing loans ("NPLs Gross") on accrual basis (including financial institutions) based on the BoT's notification as follows:

	2017	2016
NPLs, gross (in thousand Baht)	340,109	356,978
Loans used for NPLs ratio calculation ⁽¹⁾ (in thousand Baht)	22,541,613	9,462,390
Percentage of total loans ⁽²⁾	1.51	3.77

(1) Total loans used for NPLs ratio calculation are loans to customers as presented in the statements of financial position and loans to financial institutions as included in interbank and money market items.

(2) The ratio of NPLs Gross to total loans before allowance for doubtful accounts of non-performing loans.

As at 31 December 2017 and 2016, the Branch had non-performing loans net ("NPLs Net") (including financial institutions) based on the BoT's notification as follows:

	2017	2016
NPLs, net (in thousand Baht)	279,036	295,905
Loans used for NPLs net ratio calculation ⁽¹⁾ (in thousand Baht)	22,480,540	9,401,317
Percentage of total loans ⁽²⁾	1.24	3.15

(1) Total loans used for NPLs ratio calculation are loans to customers as presented in the statements of financial position and loans to financial institutions as included in interbank and money market items, after allowance for doubtful accounts of non-performing loans.

(2) The ratio of NPLs net to total loans after allowance for doubtful accounts of non-performing loans.

As at 31 December 2017, allowance for doubtful accounts of Baht 61 million (2016: Baht 61 million) have been provided against the Branch's non-performing loans classified as doubtful of loss.

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11 Troubled debt restructuring

As at 31 December 2017 and 2016, the Branch had balances of restructured loans as follows:

	Case	2017 Total outstanding debt before restructuring <i>(in thousand Baht)</i>	Case	2016 Total outstanding debt before restructuring <i>(in thousand Baht)</i>
Restructured loans which are classified as NPL	1	485,518	1	485,518
Total	1	485,518	1	485,518

The Branch recognised interest income from debt restructuring for the years ended 31 December 2017 and 2016 as follows:

	2017 <i>(in thousand Baht)</i>	2016
Interest income	11,515	8,907
Total	11,515	8,907

12 Allowance for doubtful accounts

Movements in allowance for doubtful accounts for loans to customers during the years ended 31 December 2017 and 2016 consisted of:

	2017				Total
	Pass	Special mention	Doubtful of loss <i>(in thousand Baht)</i>	Allowance established in excess of BoT's regulations	
Beginning balance	62,501	706	61,073	93,892	218,172
Doubtful accounts (reversal)	52,735	3,932	-	(88,267)	(31,600)
Ending balance	<u>115,236</u>	<u>4,638</u>	<u>61,073</u>	<u>5,625</u>	<u>186,572</u>
	2016				Total
	Pass	Special mention	Doubtful of loss <i>(in thousand Baht)</i>	Allowance established in excess of BoT's regulations	
Beginning balance	63,391	285	61,073	98,423	223,172
Doubtful accounts (reversal)	(890)	421	-	(4,531)	(5,000)
Ending balance	<u>62,501</u>	<u>706</u>	<u>61,073</u>	<u>93,892</u>	<u>218,172</u>

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13 Premises and equipment, net

Changes in premises and equipment during the years ended 31 December 2017 and 2016 were as follows:

	Net book value at 1 January 2017	Cost				Ending balance	Beginning balance (in thousand Baht)	Accumulated depreciation			Net book value at 31 December 2017
		Beginning balance	Additions/ Transfers in	Disposals/ Transfers out	Ending balance			Depreciation	Disposals/ Transfers out	Ending balance	
Condominium	2,954	10,600	-	-	10,600	7,646	434	-	8,080	2,520	
Furniture, fixtures and office equipment	2,848	22,709	353	(82)	22,980	19,861	1,092	(82)	20,871	2,109	
Computer equipment	5,207	14,467	2,011	(1,382)	15,096	9,260	1,616	(1,382)	9,494	5,602	
Vehicles	1,211	4,894	-	-	4,894	3,683	927	-	4,610	284	
Renovation in progress	78	78	117	-	195	-	-	-	-	195	
Total	12,298	52,748	2,481	(1,464)	53,765	40,450	4,069	(1,464)	43,055	10,710	
	Net book value at 1 January 2016	Cost				Ending balance	Beginning balance (in thousand Baht)	Accumulated depreciation			Net book value at 31 December 2016
	Beginning balance	Additions/ Transfers in	Disposals/ Transfers out	Ending balance	Depreciation			Disposals/ Transfers out	Ending balance		
Condominium	3,391	10,600	-	-	10,600	7,209	437	-	7,646	2,954	
Furniture, fixtures and office equipment	4,010	22,716	87	(94)	22,709	18,706	1,182	(27)	19,861	2,848	
Computer equipment	4,844	12,673	1,794	-	14,467	7,829	1,431	-	9,260	5,207	
Vehicles	2,184	4,894	-	-	4,894	2,710	973	-	3,683	1,211	
Renovation in progress	-	-	78	-	78	-	-	-	-	78	
Total	14,429	50,883	1,959	(94)	52,748	36,454	4,023	(27)	40,450	12,298	

The gross carrying amount of the Branch's fully depreciated premises and equipment that was still in use as at 31 December 2017 amounted to Baht 27 million (2016: Baht 23 million).

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14 Deferred tax assets, net

Deferred tax assets and liabilities determined after appropriate offsetting were included in the statement of financial position as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Deferred tax assets	75,323	97,635
Deferred tax liabilities	(11,329)	-
Net	<u>63,994</u>	<u>97,635</u>

Movements in total deferred tax assets and liabilities during the years ended 31 December 2017 and 2016 were as follows:

	At	<u>(Charged) / credited to:</u>		At
	1 January	Profit or	Other	31 December
	2017	loss	comprehensive	2017
			income	
			<i>(Note 30)</i>	
			<i>(in thousand Baht)</i>	
<i>Deferred tax assets</i>				
Amortisation of premium on investments	46,631	(10,600)	-	36,031
Allowance for doubtful accounts	16,107	(14,981)	-	1,126
Depreciation of premises and equipment	49	(6)	-	43
Provisions for employee benefits	4,338	924	183	5,445
Unrealised losses on remeasurement available-for-sale investments	10,574	-	(10,574)	-
Loss carry forward	-	18,971	-	18,971
Others	19,936	(6,229)	-	13,707
Total	<u>97,635</u>	<u>(11,921)</u>	<u>(10,391)</u>	<u>75,323</u>
<i>Deferred tax liabilities</i>				
Unrealised gains on remeasurement available-for-sale investments	-	-	(11,329)	(11,329)
Total	<u>-</u>	<u>-</u>	<u>(11,329)</u>	<u>(11,329)</u>
Net	<u>97,635</u>	<u>(11,921)</u>	<u>(21,720)</u>	<u>63,994</u>

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	At 1 January 2016	(Charged) / credited to:		At 31 December 2016
		Profit or loss	Other comprehensive income (Note 30) (in thousand Baht)	
Deferred tax assets				
Amortisation of premium on investments	34,451	12,180	-	46,631
Allowance for doubtful accounts	24,625	(8,518)	-	16,107
Depreciation of premises and equipment	62	(13)	-	49
Provisions for employee benefits	3,514	902	(78)	4,338
Unrealised losses on remeasurement available-for-sale investments	-	-	10,574	10,574
Others	20,608	(672)	-	19,936
Total	83,260	3,879	10,496	97,635
Deferred tax liabilities				
Unrealised gains on remeasurement available-for-sale investments	(51,804)	-	51,804	-
Total	(51,804)	-	51,804	-
Net	31,456	3,879	62,300	97,635

15 Other assets, net

	2017 (in thousand Baht)	2016
Accrued interest receivables	128,535	149,335
Withholding tax receivables	7,235	4
Others	6,006	53,575
Total	141,776	202,914

16 Classified assets

As at 31 December 2017 and 2016, assets of the Branch were categorised by quality in compliance with the BoT's regulations, taking into account analyses of each loan and appraisal of the financial standing of each borrower, as follows:

	Interbank and money market*	2017 Loans to customers and accrued interest receivable (in thousand Baht)	Total
Pass	7,762,816	14,049,712	21,812,528
Special mention	-	417,412	417,412
Doubtful of loss	-	340,200	340,200
Total	7,762,816	14,807,324	22,570,140

* Including accrued interest receivable

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	Interbank and money market*	2016 Loans to customers and accrued interest receivable <i>(in thousand Baht)</i>	Total
Pass	959,082	7,946,573	8,905,655
Special mention	-	220,090	220,090
Doubtful of loss	-	357,044	357,044
Total	959,082	8,523,707	9,482,789

* Including accrued interest receivable

17 Deposits

17.1 Classified by type of deposits

	2017 <i>(in thousand Baht)</i>	2016
Current	356,175	187,970
Saving	1,195,375	600,791
Term		
- Less than 6 months	6,388,492	6,755,150
- 6 months but less than 1 year	121,143	111,522
- 1 year and over	7,500	-
Total	8,068,685	7,655,433

17.2 Classified by currencies and residence of depositors

	2017 <i>(in thousand Baht)</i>			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	6,727,078	112,033	6,839,111	7,114,260	67,661	7,181,921
US Dollar	610,952	618,611	1,229,563	378,419	94,591	473,010
Other currencies	11	-	11	502	-	502
Total	7,338,041	730,644	8,068,685	7,493,181	162,252	7,655,433

18 Interbank and money market items (liabilities)

	2017 <i>(in thousand Baht)</i>			2016		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	-	500,000	500,000	-	6,768,086	6,768,086
Other financial institutions	34,606	7,454,106	7,488,712	22,101	1,332,607	1,354,708
Total domestic	34,606	7,954,106	7,988,712	22,101	8,100,693	8,122,794
Foreign						
Baht	1,017,893	-	1,017,893	14,863	-	14,863
Total foreign	1,017,893	-	1,017,893	14,863	-	14,863
Total domestic and foreign	1,052,499	7,954,106	9,006,605	36,964	8,100,693	8,137,657

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19 Other liabilities

	2017	2016
	<i>(in thousand Baht)</i>	
Accrued expenses	99,805	126,608
Fees income received in advance	11,112	19,892
Accrued interest payable	27,037	14,158
Withholding tax payable	7,343	6,811
Others	2,339	2,195
Total	<u>147,636</u>	<u>169,664</u>

20 Assets pledged as collateral and under restriction

Assets pledged as collateral and under restriction as at 31 December 2017 consist of government and state enterprise securities amounting to Baht 10,887 million (2016: Baht 10,811 million).

These assets were used as collateral for liquidity management with the BoT and for repurchase transactions.

21 Commitments and contingent liabilities

21.1 Commitments and contingent liabilities as at 31 December 2017 and 2016 were classified as follows:

	2017			2016		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
	<i>(in thousand Baht)</i>					
Guarantees of loans	11,200	270,223	281,423	-	706,724	706,724
Liability under unmatured import bills	-	26,514	26,514	-	31,515	31,515
Letters of credit	-	52,030	52,030	-	171,286	171,286
Other contingencies	1,977,172	2,239,056	4,216,228	1,179,390	2,467,108	3,646,498
Unused credit line of overdrafts	57,505	-	57,505	87,372	-	87,372
Committed line	845,536	-	845,536	1,323,000	-	1,323,000
Total	<u>2,891,413</u>	<u>2,587,823</u>	<u>5,479,236</u>	<u>2,589,762</u>	<u>3,376,633</u>	<u>5,966,395</u>

21.2 The Branch had a commitment for non-cancellable operating leases as at 31 December 2017 and 2016 as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Within one year	9,115	9,115
After one year but within five years	8,355	17,470
Total	<u>17,470</u>	<u>26,585</u>

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22 Related parties

For the purposes of these financial statements, parties are considered to be related to the Branch if the Branch 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 Branch and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with significant key management personnel and related parties were as follows:

Name of entities/personnel	Country of incorporation/ Country of location/ Nationality	Nature of relationships
Key Management Personnel	Singapore	Persons having authority and responsibility for planning, directing and controlling the activities of the Branch directly or indirectly. The Branch's key management personnel consisted of: - General Manager - Operations Manager
Oversea-Chinese Banking Corporation Limited	Singapore	Head office
Other branches of the Head office	Various	Other branches
OCBC Bank (Malaysia) Berhad	Malaysia	Subsidiary company of the Head office
Tat Lee Thomson Development Private Limited	Singapore	Subsidiary company of the Head office
Bank of Singapore Limited	Singapore	Subsidiary company of the Head office
Other subsidiary companies of the Head office	Various	Subsidiary companies of the Head office

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

Transactions	Pricing policies
Derivatives	Market rate
Interest income	Market rate
Interest expense	Market rate
Other operating income	Contractually agreed price
Fee and service expenses	Contractually agreed price
Other operating expenses	Contractually agreed price

Significant transactions for the years ended 31 December 2017 and 2016 with key management personnel and related parties were as follows:

Year ended 31 December	2017	2016
	<i>(in thousand Baht)</i>	
Interest income		
Head office and other branches of the same juristic person	17,120	831
Subsidiary companies of the Head office	2	1
Total	17,122	832

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<i>Year ended 31 December</i>	2017	2016
	<i>(in thousand Baht)</i>	
<i>Fee and service income</i>		
Subsidiary companies of the Head office	<u>1,966</u>	<u>4,182</u>
<i>Net gains on trading and foreign exchange transactions</i>		
Head office and other branches of the same juristic person	414,916	1,163
Subsidiary companies of the Head office	<u>9,079</u>	<u>2,965</u>
Total	<u>423,995</u>	<u>4,128</u>
<i>Other operating income</i>		
Subsidiary companies of the Head office	<u>7,367</u>	<u>9,177</u>
<i>Interest expense</i>		
Head office and other branches of the same juristic person	179,977	129,158
Subsidiary companies of the Head office	<u>301</u>	<u>146</u>
Total	<u>180,278</u>	<u>129,304</u>
<i>Fee and service expenses</i>		
Subsidiary companies of the Head office	<u>3,134</u>	<u>2,702</u>
<i>Other operating expenses</i>		
Head office and other branches of the same juristic person	27,992	46,802
Subsidiary companies of the Head office	<u>252</u>	<u>259</u>
Total	<u>28,244</u>	<u>47,061</u>
<i>Key management personnel compensation</i>		
Short term employee benefits	<u>30,838</u>	<u>36,783</u>

Significant balances with related parties as at 31 December 2017 and 2016 were as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
<i>Interbank and money market items (assets)</i>		
Subsidiary companies of the Head office	<u>138</u>	<u>132</u>
<i>Derivative assets (fair value)</i>		
Head office and other branches of the same juristic person	280,895	2,779
Subsidiary companies of the Head office	<u>27</u>	<u>-</u>
Total	<u>280,922</u>	<u>2,779</u>
<i>Deposits</i>		
Subsidiary companies of the Head office	<u>61,863</u>	<u>14,840</u>
<i>Interbank and money market items (liabilities)</i>		
Subsidiary companies of the Head office	<u>32,980</u>	<u>14,503</u>
<i>Derivative liabilities (fair value)</i>		
Head office and other branches of the same juristic person	18,184	2,616
Subsidiary companies of the Head office	<u>-</u>	<u>5,973</u>
Total	<u>18,184</u>	<u>8,589</u>

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	2017	2016
	<i>(in thousand Baht)</i>	
<i>Other liabilities</i>		
Accrued interest payables		
Subsidiary companies of the Head office	<u>53</u>	<u>56</u>
<i>Funds brought in to maintain assets under the Act</i>		
Head office	<u>11,561,470</u>	<u>12,191,430</u>
<i>Balance of inter-office accounts with head office and other branches of the same juristic person, net</i>		
Lending	-	(2,149,842)
Placements	(12,443)	(13,039)
Borrowings	20,252,445	12,719,899
Deposits	166,503	151,847
Accrued interest receivables	-	(107)
Accrued interest payables	(16,946)	12,175
Total	<u>20,389,559</u>	<u>10,720,933</u>
<i>Derivatives - Forward exchange contracts (notional amount)</i>		
Head office and other branches of the same juristic person	21,152,538	1,157,076
Subsidiary companies of the Head office	<u>16,340</u>	<u>239,759</u>
Total	<u>21,168,878</u>	<u>1,396,835</u>
<i>Derivatives - Interest rate swap contracts (notional amount)</i>		
Head office and other branches of the same juristic person	<u>1,210,000</u>	<u>-</u>
<i>Derivatives - Credit default swap contracts (notional amount)</i>		
Head office and other branches of the same juristic person	<u>220,000</u>	<u>-</u>

As at 31 December 2017, lending to head office was nil (2016: USD 60 million due to mature on 4 January 2017 and carried interest at 0.9% per annum. The Branch received fully amount on maturity date).

As at 31 December 2017, borrowings from head office and other branches were USD 6.5 million, EUR 507 million and AUD 10 million (2016: USD 355 million) due to mature from 3 January 2018 to 29 June 2018 (2016: 3 January 2017 to 20 March 2017) and carried interest between negative 1.12% - 1.65% per annum (2016: 0.71% - 1.12% per annum). The Branch paid fully amount on maturity date.

23 The financial position and results of operations classified by domestic and foreign business

The Branch does not present the financial position and results of operations classified by domestic and foreign business in the financial statements since the Branch is engaged in only domestic business in Thailand.

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24 Interest income

	2017	2016
	<i>(in thousand Baht)</i>	
Interbank and money market items	113,190	23,914
Investments and trading transactions	557,427	665,837
Loans to customers	352,287	260,550
Total	<u>1,022,904</u>	<u>950,301</u>

25 Interest expense

	2017	2016
	<i>(in thousand Baht)</i>	
Deposits	93,086	94,880
Interbank and money market items	352,806	276,588
Contribution to Deposit Protection Agency	54,968	40,622
Loans from Head Office and other branches of the same juristic person	179,978	129,158
Total	<u>680,838</u>	<u>541,248</u>

26 Net fees and service income

	2017	2016
	<i>(in thousand Baht)</i>	
Fees and service income		
- Acceptance, avals and guarantees	26,745	31,700
- Loans related fees	12,039	6,763
- Commission on bills	918	743
- Others	14,145	8,665
Total	<u>53,847</u>	<u>47,871</u>
Fees and service expenses		
- Others	2,576	8,297
Total	<u>2,576</u>	<u>8,297</u>
Net	<u>51,271</u>	<u>39,574</u>

27 Net losses on trading and foreign exchange transactions

	2017	2016
	<i>(in thousand Baht)</i>	
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and foreign currency related derivatives	(10,223)	13,336
- Interest rate related derivatives	(104,453)	(26,452)
- Credit default swap	(14,456)	-
- Debt securities	11,617	(7,395)
Total	<u>(117,515)</u>	<u>(20,511)</u>
Losses on hedging transactions	(8,641)	(522)
Total	<u>(126,156)</u>	<u>(21,033)</u>

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28 Bad debts, doubtful accounts expense and impairment loss

	<i>Note</i>	2017 <i>(in thousand Baht)</i>	2016
Interbank and money market items		71,600	5,000
Loans to customers (reversal)			
- Doubtful accounts expense	12	<u>(31,600)</u>	<u>(5,000)</u>
Total		<u>40,000</u>	<u>-</u>

29 Employee benefit expenses

	<i>Note</i>	2017 <i>(in thousand Baht)</i>	2016
<i>Management</i>			
Salaries and bonus		16,217	18,989
Others		14,621	17,794
	22	<u>30,838</u>	<u>36,783</u>
<i>Other employees</i>			
Salaries and bonus		109,441	114,152
Post-employee benefits		5,068	4,681
Others		23,644	22,540
		<u>138,153</u>	<u>141,373</u>
Total		<u>168,991</u>	<u>178,156</u>

The Branch has established a contributory provident fund for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at a rate of 3-10% of their basic salaries and by the Branch at a rate of 10% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as a juristic entity and is managed by a licensed Fund Manager.

30 Income tax expense

Income tax recognised in profit or loss

	<i>Note</i>	2017 <i>(in thousand Baht)</i>	2016
Current tax expense			
Current year		-	59,502
		<u>-</u>	<u>59,502</u>
Deferred tax expense			
Movements in temporary differences		11,921	(3,879)
	14	<u>11,921</u>	<u>(3,879)</u>
Total		<u>11,921</u>	<u>55,623</u>

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Income tax recognised in other comprehensive income

	Before tax	2017 Tax (expense) benefit	Net of tax <i>(in thousand Baht)</i>	Before tax	2016 Tax (expense) benefit	Net of tax
Available-for-sale investments	109,514	(21,903)	87,611	(311,890)	62,378	(249,512)
Defined benefit plan actuarial gains (losses)	(915)	183	(732)	392	(78)	314
Total	108,599	(21,720)	86,879	(311,498)	62,300	(249,198)

Reconciliation of effective tax rate

	Rate (%)	2017 <i>(in thousand Baht)</i>	Rate (%)	2016 <i>(in thousand Baht)</i>
Profit before income tax expense		59,187		265,780
Income tax using the Thai corporation tax rate	20.0	11,837	20.0	53,156
Expenses not deductible for tax purposes	0.1	84	0.9	2,467
Total	20.1	11,921	20.9	55,623

Income tax reduction

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for accounting periods which begin on or after 1 January 2016.