

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

Financial statements for the year ended
31 December 2018
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 2018, 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 2018 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
25 April 2019

Oversea-Chinese Banking Corporation Limited, Bangkok Branch

Statement of financial position

Assets	Note	31 December	
		2018	2017
		<i>(in thousand Baht)</i>	
Cash		4,681	4,099
Interbank and money market items, net	7, 21	1,480,429	7,928,945
Derivative assets	8, 21	320,069	451,942
Investments, net	9	25,814,185	26,013,941
Loans to customers and accrued interest receivable, net	10		
Loans to customers		12,358,198	14,781,613
Accrued interest receivable		20,655	25,711
Total loans to customers and accrued interest receivable		12,378,853	14,807,324
Less allowance for doubtful accounts	10.4, 11	(321,592)	(186,572)
Total loans to customers and accrued interest receivable, net		12,057,261	14,620,752
Premises and equipment, net	12	10,880	10,710
Deferred tax assets, net	13	83,522	63,994
Other assets, net	14	135,521	141,776
Total assets		39,906,548	49,236,159

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	
		2018	2017
		<i>(in thousand Baht)</i>	
Liabilities			
Deposits	16, 21	6,904,811	8,068,685
Interbank and money market items	17, 21	6,287,176	9,006,605
Liabilities payable on demand		27,572	50,034
Derivative liabilities	8, 21	1,049,754	769,057
Provisions for employee benefits		32,547	27,228
Other liabilities	18, 21	137,400	147,636
Total liabilities		14,439,260	18,069,245
Accounts with head office and other branches			
of the same juristic person			
Funds brought in to maintain assets under the Act	6, 21	11,515,250	11,561,470
Balance of inter-office accounts with head office and other branches of the same juristic person, net	6, 21	14,698,923	20,389,559
Other components of accounts with head office and other branches of the same juristic person	9.2	(22,019)	45,321
Deficit		(724,866)	(829,436)
Total accounts with head office and other branches of the same juristic person		25,467,288	31,166,914
Total liabilities and accounts with head office and other branches of the same juristic person		39,906,548	49,236,159

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	
		2018	2017
		<i>(in thousand Baht)</i>	
Interest income	21, 23	1,070,753	1,022,904
Interest expense	21, 24	759,904	680,838
Net interest income		310,849	342,066
Fees and service income	21	47,225	53,847
Fees and service expenses	21	1,753	2,576
Net fees and service income	25	45,472	51,271
Net gains (losses) on trading and foreign exchange transactions	21, 26	94,108	(126,156)
Net (losses) gains on investments		(9,690)	79,055
Other operating income	21	2,741	7,454
Total operating income		443,480	353,690
Other operating expenses			
Employee benefit expenses	21, 28	166,194	168,991
Premises and equipment expenses		22,002	20,096
Taxes and duties		14,831	13,503
Other expenses	21	39,711	51,913
Total other operating expenses		242,738	254,503
Bad debts, doubtful accounts expense and impairment loss	27	70,503	40,000
Profit from operations before income tax		130,239	59,187
Income tax	29	26,064	11,921
Profit for the year		104,175	47,266
Other comprehensive (expense) income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
(Losses) gains on remeasurement available-for-sale investments		(84,174)	109,514
Income tax relating to items that will be reclassified to profit or loss	29	16,834	(21,903)
Total items that will be reclassified subsequently to profit or loss		(67,340)	87,611
<i>Items that will not be reclassified to profit or loss</i>			
Gains (losses) on remeasurement of defined benefit plans		494	(915)
Income tax relating to items that will not be reclassified to profit or loss	29	(99)	183
Total items that will not be reclassified to profit or loss		395	(732)
Other comprehensive (expense) income for the year, net of income tax	29	(66,945)	86,879
Total comprehensive income for the year		37,230	134,145

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 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	Other components of accounts with head office and other branches of the same juristic person	Deficit	Total
<i>Note</i>			Available-for-sale investments (<i>in thousand Baht</i>)		
Year ended 31 December 2018					
Balance at 1 January 2018	11,561,470	20,389,559	45,321	(829,436)	31,166,914
Comprehensive income (expense) for the year					
Profit for the year	-	-	-	104,175	104,175
Other comprehensive income (expense)					
Losses on remeasurement available-for-sale investments, net of income tax	-	-	(67,340)	-	(67,340)
Gains on remeasurement of defined benefit plan, net of income tax	-	-	-	395	395
Total other comprehensive income (expense)	-	-	(67,340)	395	(66,945)
Total comprehensive income (expense) for the year	-	-	(67,340)	104,570	37,230
Adjustment for foreign currency translation	(46,220)	-	-	-	(46,220)
Movement in balance of inter-office accounts with head office and other branches of the same juristic person, net	-	(5,690,636)	-	-	(5,690,636)
Balance at 31 December 2018	11,515,250	14,698,923	(22,019)	(724,866)	25,467,288

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	
	2018	2017
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit from operations before income tax	130,239	59,187
<i>Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities</i>		
Depreciation	4,916	4,069
Bad debts, doubtful accounts expense and impairment loss	70,503	40,000
Provisions for employee benefits	5,860	5,130
Unrealised gains on foreign exchange transactions	(46,220)	(629,960)
Losses on revaluation of derivative contracts, net	488,512	852,872
Amortisation of premium on debt instruments	99,593	139,261
Losses (gains) on sales of investments	9,690	(79,055)
Gains on disposal of equipments	-	(4)
Net interest income	(310,849)	(342,066)
Proceeds from interest received	1,095,423	1,035,575
Interest paid	(779,018)	(656,105)
Income tax paid	(38,468)	(32,029)
Profit from operations before changes in operations assets and liabilities	730,181	396,875
<i>Decrease (increase) in operating assets</i>		
Interbank and money market items	6,510,982	(6,949,042)
Investment in securities	944,050	(1,916,562)
Loans to customers	2,423,415	(6,277,530)
Other assets	(11,308)	40,338
<i>Increase (decrease) in operating liabilities</i>		
Deposits	(1,163,874)	413,252
Interbank and money market items	(2,719,429)	868,948
Liabilities payable on demand	(22,462)	42,803
Provisions for employee benefits	(47)	(509)
Other liabilities	45,417	(4,773)
Net cash from (used in) operating activities	6,736,925	(13,386,200)

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	
	2018	2017
	<i>(in thousand Baht)</i>	
<i>Cash flows from investing activities</i>		
Acquisition of available-for-sale investments	(9,007,897)	(17,176,355)
Proceeds from sale of available-for-sale investments	7,967,276	20,893,969
Acquisition of equipment	(5,086)	(2,481)
Proceeds from sale of equipment	-	4
Net cash (used in) from investing activities	<u>(1,045,707)</u>	<u>3,715,137</u>
<i>Cash flows from financing activities</i>		
(Decrease) Increase in balance of inter-office accounts with head office and other branches of the same juristic person, net	<u>(5,690,636)</u>	<u>9,668,626</u>
Net cash (used in) from financing activities	<u>(5,690,636)</u>	<u>9,668,626</u>
Net increase (decrease) in cash	582	(2,437)
Cash at 1 January	<u>4,099</u>	<u>6,536</u>
Cash at 31 December	<u>4,681</u>	<u>4,099</u>
Supplementary disclosures of cash flow information		
Non - cash transactions :		
(Losses) gains on remeasurement available-for-sale investments	(84,174)	109,514
Gains (losses) on remeasurement of defined benefits plans	494	(915)

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
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For the year ended 31 December 2018

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Oversea-Chinese Banking Corporation Limited, Bangkok Branch

Notes to the financial statements

For the year ended 31 December 2018

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 25 April 2019.

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). The Branch received approval from the Ministry of Finance to undertake Full Branch banking activities on 29 August 1994.

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; and presented as prescribed by the Bank of Thailand (“BoT”) notification number. Sor Nor Sor. 21/2558, directive dated 4 December 2015, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are the parent company of a group of companies offering financial services”.

New and revised TFRSs are effective for annual accounting periods beginning on or after 1 January 2018. 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 a number of new and revised TFRSs are not yet effective for current periods. The Branch has not early adopted these standards in preparing these financial statements. Those new and revised TFRSs that are relevant to the Branch operations are disclosed in Note 30.

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
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(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>
Derivatives	Fair value
Trading and available-for-sale investments	Fair value

(c) Functional and presentation currency

The financial statements are prepared and 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 carrying amounts of assets and liabilities within the year ending 31 December 2019 is included in the following notes:

Note 5	Fair value of assets and liabilities
Note 8	Derivatives
Note 11	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.

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, and reports directly of the chief financial officer.

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.

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Notes to the financial statements
For the year ended 31 December 2018

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.

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.

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
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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.

(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.

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
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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 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.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of premises and equipment. 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.

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Notes to the financial statements
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(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.

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.

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(i) *Derivatives*

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. 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.

The fair value of forward exchange contracts is based on 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 based on their market price at the reporting date, being the present value of the credit default swaps.

(j) *Hedging*

Fair value hedges

Where a derivative hedges the changes in fair value of a recognised asset, 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.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in accounts with head office and other branches of the same juristic person. Any ineffective portion is recognised immediately in profit or loss.

When a hedged forecast transaction occurs and results in the recognition of a financial asset or financial liability, the gain or loss recognised in other comprehensive income does not adjust the initial carrying amount of the asset or liability but remains in accounts with head office and other branches of the same juristic person and is reclassified from accounts with head office and other branches of the same juristic person to profit or loss consistently with the recognition of gains and losses on the asset or liability as a reclassification adjustment.

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(k) Employee benefits

Defined contribution plans

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

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.

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
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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.

(l) 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.

(m) 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.

(n) Fees and commission income recognition

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

(o) Interest expense recognition

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

(p) 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.

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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.

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.

(g) 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.

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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.

Derivatives contracts classified by type and at regulatory credit equivalent values as at 31 December 2018 and 2017 were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
Forward exchange contracts	544,620	822,538
Currency swap contracts	245,433	552,730
Interest rate swap contracts	347,320	119,897
Credit default swap contracts	35,000	11,000
Total	<u>1,172,373</u>	<u>1,506,165</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 2018 and 2017 were as follows:

	2018			
	Floating interest rate	Fixed interest rate	Non interest bearing	Total
	<i>(in thousand Baht)</i>			
Financial assets				
Cash	-	-	4,681	4,681
Interbank and money market items*	4,334	1,308,337	180,841	1,493,512
Investments	1,619,930	24,194,255	-	25,814,185
Loans to customers and accrued interest receivables**	10,528,630	1,500,000	350,223	12,378,853
Other assets	-	-	110,971	110,971
Total financial assets	<u>12,152,894</u>	<u>27,002,592</u>	<u>646,716</u>	<u>39,802,202</u>

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
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	2018			Total
	Floating interest rate	Fixed interest rate (in thousand Baht)	Non interest bearing	
Financial liabilities				
Deposits	1,270,198	5,023,319	611,294	6,904,811
Interbank and money market items	31,434	6,150,283	105,459	6,287,176
Liabilities payable on demand	-	-	27,572	27,572
Other liabilities	-	-	14,367	14,367
Funds remitted into Thailand - borrowings from head office	6,489,960	-	-	6,489,960
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	17,901,478	(3,202,555)	14,698,923
Total financial liabilities	7,791,592	29,075,080	(2,443,863)	34,422,809
Effect of derivatives held for risk management***	11,786,610	(11,786,610)	(694,942)	(694,942)

* Excluding allowance for doubtful accounts amounting to Baht 13 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 322 million

*** Risk management for investments and borrowings

	2017			Total
	Floating interest rate	Fixed interest rate (in thousand Baht)	Non interest bearing	
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 receivables**	12,941,504	1,500,000	365,820	14,807,324
Other assets	-	-	128,535	128,535
Total financial assets	14,925,136	33,293,941	741,367	48,960,444
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

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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 2018 and 2017 were as follows:

	2018			2017		
	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	6,244,562	143,746	2.3	5,883,002	113,190	1.9
Investments	13,509,248	532,812	3.9	25,956,795	557,427	2.1
Loans to customers	13,931,638	394,195	2.8	12,904,977	352,287	2.7
Total	33,685,448	1,070,753	3.2	44,744,774	1,022,904	2.3
<i>Financial liabilities</i>						
Deposits	7,787,365	86,752	1.1	7,953,677	93,086	1.2
Interbank and money market items	10,067,066	137,718	1.4	11,427,663	149,727	1.3
Balance of inter-office accounts with head office and other branches of the same juristic person, net	21,660,532	95,412	0.4	21,465,155	179,978	0.8
Total	39,514,963	319,882	0.8	40,846,495	422,791	1.0

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As at 31 December 2018 and 2017, 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:

	2018						Total
	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years <i>(in thousand Baht)</i>	More than 5 years	Non-interest bearing	
Financial assets							
Cash	-	-	-	-	-	4,681	4,681
Interbank and money market items*	4,334	1,308,337	-	-	-	180,841	1,493,512
Investments	-	4,834,227	6,028,960	14,152,481	798,517	-	25,814,185
Loans to customers and accrued interest receivables**	2,595,709	7,925,852	1,507,069	-	-	20,655	12,378,853
Other assets	-	-	-	-	-	110,971	110,971
Total financial assets	2,600,043	14,068,416	7,536,029	14,152,481	798,517	317,148	39,802,202
Financial liabilities							
Deposits	1,270,198	4,795,395	227,924	-	-	611,294	6,904,811
Interbank and money market items	31,434	6,150,283	-	-	-	105,459	6,287,176
Liabilities payable on demand	-	-	-	-	-	27,572	27,572
Other liabilities	-	-	-	-	-	14,367	14,367
Funds remitted into Thailand - borrowings from head office	-	6,489,960	-	-	-	-	6,489,960
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	10,580,682	7,320,796	-	-	(3,202,555)	14,698,923
Total financial liabilities	1,301,632	28,016,320	7,548,720	-	-	(2,443,863)	34,422,809
Effect of derivatives held for risk management***	-	5,524,711	50,613	(5,575,324)	-	(694,942)	(694,942)

* Excluding allowance for doubtful accounts amounting to Baht 13 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 322 million

*** Risk management for investments and borrowings

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	2017						Total
	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	More than 5 years	Non-interest bearing	
<i>(in thousand Baht)</i>							
Financial assets							
Cash	-	-	-	-	-	4,099	4,099
Interbank and money market items*	403,632	7,360,000	-	-	-	242,913	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 receivables**	2,136,695	10,633,573	171,236	1,500,000	-	25,711	14,807,324
Other assets	-	-	-	-	-	128,535	128,535
Total financial assets	2,540,327	20,237,961	2,496,697	21,682,930	1,261,162	401,258	48,960,444
Financial liabilities							
Deposits	1,195,063	6,359,111	150,512	7,500	-	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	-	17,851,817	2,145,857	-	-	391,885	20,389,559
Total financial liabilities	1,228,350	38,701,214	2,296,369	7,500	-	1,844,667	44,078,100
Effect of derivatives held for risk management***	-	11,008,352	(1,697,066)	(9,311,286)	-	(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

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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 2018 and 2017, the Branch had net open position assets (liabilities) denominated in the various currencies as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
Net foreign currency exposure*		
US Dollar	(21,926)	(50,060)
Singapore Dollar	14,798	9,151
Japanese Yen	377	10,888
Other currencies	(32,833)	(38,306)

* Including long-term borrowing from head office to maintain assets under Act amounting to Baht 6,490 million (2017: Baht 6,536 million) and excluding non-performing loans amounting to Baht nil (2017: 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.

According to Bank of Thailand notification number Sor Nor Sor 2/2561, dated 25 January 2018, the Bank is required to disclose Liquidity Coverage Ratio (LCR) in the Bank's website. The Bank will disclose the LCR of the Bank as at 31 December 2018 within 4 months after the year end through the Branch's website "<http://www.ocbc.com/business-banking/large-corporates/international-presence-thailand.html>", under Financial Report section.

As at 31 December 2018 and 2017, a maturity analysis for financial assets and liabilities were as follows:

	2018						
	At call	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No maturity	Total
	<i>(in thousand Baht)</i>						
Financial assets							
Cash	-	-	-	-	-	4,681	4,681
Interbank and money market*	184,409	1,309,103	-	-	-	-	1,493,512
Derivative assets	-	206,813	4,753	91,541	16,962	-	320,069
Investments	-	3,214,298	6,028,960	15,772,410	798,517	-	25,814,185
Loans to customers and accrued interest receivables**	2,206,815	4,454,652	2,431,320	3,262,666	23,400	-	12,378,853
Other assets	-	13,396	97,575	-	-	-	110,971
Total financial assets	2,391,224	9,198,262	8,562,608	19,126,617	838,879	4,681	40,122,271

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	At call	Within 3 months	Over 3 months to 1 year	2018 Over 1 year to 5 years <i>(in thousand Baht)</i>	Over 5 years	No maturity	Total
Financial liabilities							
Deposits	1,881,492	4,795,395	227,924	-	-	-	6,904,811
Interbank and money market items	136,893	6,150,283	-	-	-	-	6,287,176
Liabilities payable on demand	18,250	9,322	-	-	-	-	27,572
Derivative liabilities	-	484,755	243,105	301,973	19,921	-	1,049,754
Other liabilities	121	13,955	291	-	-	-	14,367
Funds remitted into Thailand - borrowings from head office	-	-	-	6,489,960	-	-	6,489,960
Balance of inter-office accounts with head office and other branches of the same juristic person, net	44,385	7,325,367	7,320,413	8,758	-	-	14,698,923
Total financial liabilities	2,081,141	18,779,077	7,791,733	6,800,691	19,921	-	35,472,563
Liquidity gap, net	310,083	(9,580,815)	770,875	12,325,926	818,958	4,681	4,649,708

* Excluding allowance for doubtful accounts amounting to Baht 13 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 322 million

	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 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 receivables**	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	Over 5 years	No maturity	Total
	<i>(in thousand Baht)</i>						
<i>Financial liabilities</i>							
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

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).

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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 <i>(in thousand Baht)</i>	Level 3	
31 December 2018				
<i>Financial assets</i>				
Derivatives				
- Forward exchange contracts	-	147,043	-	147,043
- Currency swap contracts	-	63,032	-	63,032
- Interest rate swap contracts	-	109,994	-	109,994
Trading investments	-	293,462	728,007	1,021,469
Available-for-sale investments	-	24,792,716	-	24,792,716
<i>Financial liabilities</i>				
Derivatives				
- Forward exchange contracts	-	393,593	-	393,593
- Currency swap contracts	-	411,328	-	411,328
- Interest rate swap contracts	-	206,813	-	206,813
- Credit default swap contracts	-	-	38,020	38,020
31 December 2017				
<i>Financial assets</i>				
Derivatives				
- Forward exchange contracts	-	352,494	-	352,494
- Currency swap contracts	-	73,007	-	73,007
- Interest rate swap contracts	-	26,441	-	26,441
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

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 2018 and 2017.

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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 floating 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.

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 2018 and 2017, could be summarised as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
Thai Government bonds and the Bank of Thailand's bonds	8,885,740	7,243,349
Bonds guaranteed by Government	1,766,863	3,499,843
Immovable assets	2,087	2,521
Total	<u>10,654,690</u>	<u>10,745,713</u>

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As at 31 December 2018 and 2017, the Branch's capital fund could be summarised as follows:

	2018 <i>(in thousand Baht)</i>	2017
Assets maintained under Section 32	<u>10,654,690</u>	<u>10,745,713</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*	9,661,989	9,708,209
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>14,709,477</u>	<u>20,484,264</u>
Total	<u>24,371,466</u>	<u>30,192,473</u>

* As at 31 December 2018, net of funds remitted from head office for losses compensation of Baht 2,024 million (2017: Baht 2,024 million)

	2018	2017
Capital Fund (in thousand Baht)	9,661,989	9,708,209
Capital Adequacy Ratio (%)	43.84	31.59

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 2018 and 2017, the Branch has no add-on arising from Single Lending Limit.

As at 31 December 2018 and 2017, 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 2018 and 2017, 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 10.375% and 9.750%, 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 2018 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)

	2018			2017		
	At call	Term	Total (in thousand Baht)	At call	Term	Total
Domestic						
Bank of Thailand	162,765	-	162,765	228,534	-	228,534
Commercial banks	4,334	428,337	432,671	3,632	2,880,000	2,883,632
Specialised financial institutions	-	-	-	-	2,900,000	2,900,000
Other financial institutions	-	880,000	880,000	400,000	1,580,000	1,980,000
Total	167,099	1,308,337	1,475,436	632,166	7,360,000	7,992,166
Add accrued interest receivables	-	766	766	85	2,732	2,817
Less allowance for doubtful accounts	-	(13,083)	(13,083)	(4,000)	(73,600)	(77,600)
Total domestic, net	167,099	1,296,020	1,463,119	628,251	7,289,132	7,917,383
Foreign						
US Dollar	11,874	-	11,874	9,205	-	9,205
Other currencies	5,436	-	5,436	2,357	-	2,357
Total foreign	17,310	-	17,310	11,562	-	11,562
Total domestic and foreign	184,409	1,296,020	1,480,429	639,813	7,289,132	7,928,945

8 Derivatives

8.1 Derivatives held for trading

As at 31 December 2018 and 2017, the fair value and notional amount classified by type of risks were as follows:

Type of risk	Fair value		2018 Notional Amount		Total
	Assets	Liabilities	Less than 1 year (in thousand Baht)	Over 1 year	
Forward exchange contracts	147,043	393,593	60,999,499	-	60,999,499
Currency swap contracts	63,032	411,328	7,839,782	2,302,732	10,142,514
Interest rate swap contracts	109,099	186,603	1,700,000	42,867,992	44,567,992
Credit default swap contracts	-	38,020	700,000	-	700,000
Total	319,174	1,029,544	71,239,281	45,170,724	116,410,005

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Type of risk	Fair value		2017		Total
	Assets	Liabilities	Less than 1 year (in thousand Baht)	Notional Amount Over 1 year	
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

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 2018 and 2017, proportions of the notional amount of derivative transactions classified by counterparties, consisted of:

Counterparty	2018	2017
	(%)	
Financial institutions	69.2	71.7
Related parties	30.5	26.2
Third parties	0.3	2.1
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 2018 and 2017, the fair value and notional amount of derivatives designated as fair value hedges were as follows:

Type of risk	Fair value		2018		Total
	Assets	Liabilities	Less than 1 year (in thousand Baht)	Notional Amount Over 1 year	
Interest rate	895	20,210	6,211,286	577,332	6,788,618
Total	895	20,210	6,211,286	577,332	6,788,618

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

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9 Investments, net

9.1 Classification of investment in securities

As at 31 December 2018 and 2017, investments classified by investment type, consisted of:

	2018	2017
	Fair value (in thousand Baht)	
<i>Trading investments</i>		
Government securities	293,462	1,738,713
Corporate debt securities	728,007	226,806
Total	<u>1,021,469</u>	<u>1,965,519</u>
<i>Available-for-sale investments</i>		
Government and state enterprise securities	21,405,510	23,060,232
Corporate debt securities	3,387,206	988,190
Total	<u>24,792,716</u>	<u>24,048,422</u>
Total investments	<u>25,814,185</u>	<u>26,013,941</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 19.

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

	2018	2017
	(in thousand Baht)	
Unrealised gains (losses) on remeasurement available-for-sale investments in debt securities	(13,158)	146,959
Less fair value changes in fair value hedged investments	(14,366)	(90,309)
Add (Less) deferred tax	5,505	(11,329)
Net	<u>(22,019)</u>	<u>45,321</u>

10 Loans to customers and accrued interest receivable, net

10.1 Classified by type of loans

	2018	2017
	(in thousand Baht)	
Overdrafts	120,709	136,695
Loans	12,096,329	14,197,233
Bills	141,160	447,685
Total loans to customers	12,358,198	14,781,613
Add accrued interest receivables	20,655	25,711
Total loans to customers and accrued interest receivables	12,378,853	14,807,324
Less allowance for doubtful accounts		
- BoT's minimum requirement - Individual approach	(217,652)	(180,947)
- Allowance in excess	(103,940)	(5,625)
Total loans to customers and accrued interest receivables, net	<u>12,057,261</u>	<u>14,620,752</u>

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10.2 Classified by currencies and residence of borrowers

	2018	2017
	Domestic (in thousand Baht)	
Baht	12,355,892	13,860,242
US Dollar	1,881	660,922
Other currencies	425	260,449
Total	<u>12,358,198</u>	<u>14,781,613</u>

10.3 Classified by industry and loan classification

	2018			
	Pass	Special mention (in thousand Baht)	Doubtful of loss	Total
Manufacturing and commerce	4,008,711	59,651	329,568	4,397,930
Property development and construction	567,912	-	-	567,912
Infrastructure and services	3,012,075	150,000	-	3,162,075
Other financial intermediaries	4,230,281	-	-	4,230,281
Total	<u>11,818,979</u>	<u>209,651</u>	<u>329,568</u>	<u>12,358,198</u>

	2017			
	Pass	Special mention (in thousand Baht)	Doubtful of loss	Total
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>

10.4 Classified by loan classification

	2018			
	Loans to customers and accrued interest receivables (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	11,839,496	8,528,312	1	85,283
- Special mention	209,789	39,651	2	793
- Doubtful of loss	329,568	131,576	100	131,576
Total	<u>12,378,853</u>	<u>8,699,539</u>		<u>217,652</u>
Allowance in excess				<u>103,940</u>
Total				<u>321,592</u>

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	2017			
	Loans to customers and accrued interest receivables <i>(in thousand Baht)</i>	Net amount for set up allowance for doubtful accounts <i>(in thousand Baht)</i>	Rate used for allowance for doubtful accounts <i>(%)</i>	Allowance for doubtful accounts <i>(in thousand Baht)</i>
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	14,807,324	11,816,546		180,947
Allowance in excess				5,625
Total				186,572

10.5 Non-performing loans

As at 31 December 2018 and 2017, the Branch had non-performing loans ("NPLs Gross") on accrual basis (including financial institutions) based on the BoT's notification as follows:

	2018	2017
NPLs, gross <i>(in thousand Baht)</i>	329,568	340,109
Loans used for NPLs ratio calculation ⁽¹⁾ <i>(in thousand Baht)</i>	13,666,536	22,541,613
Percentage of total loans ⁽²⁾	2.41	1.51

(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 2018 and 2017, the Branch had non-performing loans net ("NPLs Net") (including financial institutions) based on the BoT's notification as follows:

	2018	2017
NPLs, net <i>(in thousand Baht)</i>	197,992	279,036
Loans used for NPLs net ratio calculation ⁽¹⁾ <i>(in thousand Baht)</i>	13,534,960	22,480,540
Percentage of total loans ⁽²⁾	1.46	1.24

(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 2018, allowance for doubtful accounts of Baht 132 million (2017: Baht 61 million) have been provided against the Branch's non-performing loans classified as doubtful of loss.

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10.6 Troubled debt restructuring

As at 31 December 2018, the Branch had outstanding balance for restructured loan classified as NPL 1 case amounted to Baht 330 million (2017: 1 case amounted to Baht 340 million).

The Branch recognised interest income from debt restructuring for the years ended 31 December 2018 amounted to Baht 3.6 million (2017: Baht 11.5 million).

11 Allowance for doubtful accounts

Movements in allowance for doubtful accounts for loans to customers during the years ended 31 December 2018 and 2017 consisted of:

	2018				Total
	Pass	Special mention	Doubtful of loss <i>(in thousand Baht)</i>	Allowance established in excess of BoT's regulations	
Beginning balance	115,236	4,638	61,073	5,625	186,572
Doubtful accounts (reversal)	(29,953)	(3,845)	70,503	98,315	135,020
Ending balance	85,283	793	131,576	103,940	321,592
	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	115,236	4,638	61,073	5,625	186,572

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12 Premises and equipment, net

Changes in premises and equipment during the years ended 31 December 2018 and 2017 were as follows:

	Cost					Accumulated depreciation			Net book value at 31 December 2018	
	Net book value at 1 January 2018	Beginning balance	Additions/ Transfers in	Disposals/ Transfers out	Ending balance	Beginning balance (in thousand Baht)	Depreciation	Disposals/ Transfers out		Ending balance
Condominium	2,520	10,600	-	-	10,600	8,080	434	-	8,514	2,086
Furniture, fixtures and office equipment	2,109	22,980	3,226	-	26,206	20,871	993	-	21,864	4,342
Computer equipment	5,602	15,096	2,055	(790)	16,361	9,494	3,205	(790)	11,909	4,452
Vehicles	284	4,894	-	-	4,894	4,610	284	-	4,894	-
Renovation in progress	195	195	-	(195)	-	-	-	-	-	-
Total	10,710	53,765	5,281	(985)	58,061	43,055	4,916	(790)	47,181	10,880

	Cost					Accumulated depreciation			Net book value at 31 December 2017	
	Net book value at 1 January 2017	Beginning balance	Additions/ Transfers in	Disposals/ Transfers out	Ending balance	Beginning balance (in thousand Baht)	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

The gross carrying amount of the Branch's fully depreciated premises and equipment that was still in use as at 31 December 2018 amounted to Baht 33 million (2017: Baht 27 million).

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13 Deferred tax assets, net

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

	2018	2017
	<i>(in thousand Baht)</i>	
Deferred tax assets	83,522	75,323
Deferred tax liabilities	-	(11,329)
Net	<u>83,522</u>	<u>63,994</u>

Movements in total deferred tax assets and liabilities during the years ended 31 December 2018 and 2017 were as follows:

	At 1 January 2018	(Charged) / credited to:		At 31 December 2018
		Profit or loss	Other comprehensive income <i>(Note 29)</i> <i>(in thousand Baht)</i>	
<i>Deferred tax assets</i>				
Amortisation of premium on investments	36,031	6,443	-	42,474
Allowance for doubtful accounts	1,126	19,662	-	20,788
Depreciation of premises and equipment	43	(7)	-	36
Provisions for employee benefits	5,445	1,163	(99)	6,509
Unrealised losses on remeasurement available-for-sale investments	-	-	5,505	5,505
Loss carry forward	18,971	(18,971)	-	-
Others	13,707	(5,497)	-	8,210
Total	<u>75,323</u>	<u>2,793</u>	<u>5,406</u>	<u>83,522</u>
<i>Deferred tax liabilities</i>				
Unrealised gains on remeasurement available-for-sale investments	(11,329)	-	11,329	-
Total	<u>(11,329)</u>	<u>-</u>	<u>11,329</u>	<u>-</u>
Net	<u>63,994</u>	<u>2,793</u>	<u>16,735</u>	<u>83,522</u>

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	At 1 January 2017	(Charged) / credited to:		At 31 December 2017
		Profit or loss	Other comprehensive income (Note 29) (in thousand Baht)	
Deferred tax assets				
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	97,635	(11,921)	(10,391)	75,323
Deferred tax liabilities				
Unrealised gains on remeasurement available-for-sale investments	-	-	(11,329)	(11,329)
Total	-	-	(11,329)	(11,329)
Net	97,635	(11,921)	(21,720)	63,994

14 Other assets, net

	2018	2017
	(in thousand Baht)	
Accrued interest receivables	110,971	128,535
Withholding tax receivables	20,105	7,235
Others	4,445	6,006
Total	135,521	141,776

15 Classified assets

As at 31 December 2018 and 2017, 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*	2018 Loans to customers and accrued interest receivables (in thousand Baht)	Total
Pass	1,309,103	11,839,496	13,148,599
Special mention	-	209,789	209,789
Doubtful of loss	-	329,568	329,568
Total	1,309,103	12,378,853	13,687,956

* Including accrued interest receivables

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	Interbank and money market*	2017 Loans to customers and accrued interest receivables (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 receivables

16 Deposits

16.1 Classified by type of deposits

	2018 (in thousand Baht)	2017
Current	610,970	356,175
Saving	1,270,509	1,195,375
Term		
- Less than 6 months	4,904,213	6,388,492
- 6 months but less than 1 year	119,119	121,143
- 1 year and over	-	7,500
Total	6,904,811	8,068,685

16.2 Classified by currencies and residence of depositors

	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	(in thousand Baht)					
Baht	5,590,804	177,346	5,768,150	6,727,078	112,033	6,839,111
US Dollar	372,931	763,720	1,136,651	610,952	618,611	1,229,563
Other currencies						
	10	-	10	11	-	11
Total	5,963,745	941,066	6,904,811	7,338,041	730,644	8,068,685

17 Interbank and money market items (liabilities)

	2018			2017		
	At call	Term	Total	At call	Term	Total
	(in thousand Baht)					
Domestic						
Commercial banks	-	65,000	65,000	-	500,000	500,000
Other financial institutions	34,807	6,085,283	6,120,090	34,606	7,454,106	7,488,712
Total domestic	34,807	6,150,283	6,185,090	34,606	7,954,106	7,988,712
Foreign						
Baht	102,086	-	102,086	1,017,893	-	1,017,893
Total foreign	102,086	-	102,086	1,017,893	-	1,017,893
Total domestic and foreign	136,893	6,150,283	6,287,176	1,052,499	7,954,106	9,006,605

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18 Other liabilities

	2018	2017
	<i>(in thousand Baht)</i>	
Accrued expenses	102,833	99,805
Fees income received in advance	5,156	11,112
Accrued interest payable	14,367	27,037
Withholding tax payable	12,737	7,343
Others	2,307	2,339
Total	<u>137,400</u>	<u>147,636</u>

19 Assets pledged as collateral and under restriction

Assets pledged as collateral and under restriction as at 31 December 2018 consist of government and state enterprise securities amounting to Baht 10,902 million (2017: Baht 10,887 million).

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

20 Commitments and contingent liabilities

20.1 Commitments and contingent liabilities as at 31 December 2018 and 2017 were classified as follows:

	2018			2017		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
	<i>(in thousand Baht)</i>					
Guarantees of loans	11,200	532,599	543,799	11,200	270,223	281,423
Liability under unmaturing						
import bills	-	1,310	1,310	-	26,514	26,514
Letters of credit	-	21,673	21,673	-	52,030	52,030
Other contingencies	1,423,375	1,482,909	2,906,284	1,977,172	2,239,056	4,216,228
Unused credit line of overdrafts	46,491	-	46,491	57,505	-	57,505
Committed line	631,731	-	631,731	845,536	-	845,536
Total	<u>2,112,797</u>	<u>2,038,491</u>	<u>4,151,288</u>	<u>2,891,413</u>	<u>2,587,823</u>	<u>5,479,236</u>

20.2 The Branch had a commitment for non-cancellable operating leases as at 31 December 2018 and 2017 as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
Within one year	8,738	9,115
After one year but within five years	710	8,355
Total	<u>9,448</u>	<u>17,470</u>

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21 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
Fee and service income	Contractually agreed price
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 2018 and 2017 with key management personnel and related parties were as follows:

Year ended 31 December	2018	2017
	<i>(in thousand Baht)</i>	
Interest income		
Head office and other branches of the same juristic person	32,303	17,120
Subsidiary companies of the Head office	2	2
Total	32,305	17,122

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<i>Year ended 31 December</i>	2018	2017
	<i>(in thousand Baht)</i>	
<i>Fee and service income</i>		
Subsidiary companies of the Head office	<u>513</u>	<u>1,966</u>
<i>Net gains on trading and foreign exchange transactions</i>		
Head office and other branches of the same juristic person	825,252	414,916
Subsidiary companies of the Head office	<u>1,958</u>	<u>9,079</u>
Total	<u>827,210</u>	<u>423,995</u>
<i>Other operating income</i>		
Subsidiary companies of the Head office	<u>2,740</u>	<u>7,367</u>
<i>Interest expense</i>		
Head office and other branches of the same juristic person	95,412	179,977
Subsidiary companies of the Head office	<u>2</u>	<u>301</u>
Total	<u>95,414</u>	<u>180,278</u>
<i>Fee and service expenses</i>		
Subsidiary companies of the Head office	<u>3,368</u>	<u>3,134</u>
<i>Other operating expenses</i>		
Head office and other branches of the same juristic person	33,438	27,992
Subsidiary companies of the Head office	<u>222</u>	<u>252</u>
Total	<u>33,660</u>	<u>28,244</u>
<i>Key management personnel compensation</i>		
Short term employee benefits	<u>29,624</u>	<u>30,838</u>

Significant balances with related parties as at 31 December 2018 and 2017 were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
<i>Interbank and money market items (assets)</i>		
Subsidiary companies of the Head office	<u>134</u>	<u>138</u>
<i>Derivative assets (fair value)</i>		
Head office and other branches of the same juristic person	52,153	280,895
Subsidiary companies of the Head office	<u>259</u>	<u>27</u>
Total	<u>52,412</u>	<u>280,922</u>
<i>Deposits</i>		
Subsidiary companies of the Head office	<u>-</u>	<u>61,863</u>
<i>Interbank and money market items (liabilities)</i>		
Subsidiary companies of the Head office	<u>10,688</u>	<u>32,980</u>
<i>Derivative liabilities (fair value)</i>		
Head office and other branches of the same juristic person	<u>248,647</u>	<u>18,184</u>

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	2018	2017
	<i>(in thousand Baht)</i>	
<i>Other liabilities</i>		
Accrued interest payables		
Subsidiary companies of the Head office	-	53
	<u>-</u>	<u>53</u>
<i>Funds brought in to maintain assets under the Act</i>		
Head office	11,515,250	11,561,470
	<u>11,515,250</u>	<u>11,561,470</u>
<i>Balance of inter-office accounts with head office and other branches of the same juristic person, net</i>		
Lending	(3,244,980)	-
Placements	(11,872)	(12,443)
Borrowings	17,901,478	20,252,445
Deposits	56,257	166,503
Accrued interest receivables	(872)	-
Accrued interest payables	(1,088)	(16,946)
Total	<u>14,698,923</u>	<u>20,389,559</u>
<i>Derivatives - Forward exchange contracts (notional amount)</i>		
Head office and other branches of the same juristic person	17,775,245	21,152,538
Subsidiary companies of the Head office	29,264	16,340
Total	<u>17,804,509</u>	<u>21,168,878</u>
<i>Derivatives - Interest rate swap contracts (notional amount)</i>		
Head office and other branches of the same juristic person	16,932,992	1,210,000
	<u>16,932,992</u>	<u>1,210,000</u>
<i>Derivatives – Credit default swap contracts (notional amount)</i>		
Head office and other branches of the same juristic person	700,000	220,000
	<u>700,000</u>	<u>220,000</u>

As at 31 December 2018, lending to head office was nil (2017: Baht nil).

As at 31 December 2018, borrowings from head office and other branches were USD 20 million and EUR 465 million (2017: USD 6.5 million, EUR 507 million and AUD 10 million) due to mature from 7 February 2019 to 25 October 2019 (2017: 3 January 2018 to 29 June 2018) and carried interest between negative 0.44% - 3.04% per annum (2017: negative 1.12% - 1.65% per annum). The Branch paid fully amount on maturity date.

22 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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23 Interest income

	2018	2017
	<i>(in thousand Baht)</i>	
Interbank and money market items	143,746	113,190
Investments and trading transactions	532,812	557,427
Loans to customers	394,195	352,287
Total	<u>1,070,753</u>	<u>1,022,904</u>

24 Interest expense

	2018	2017
	<i>(in thousand Baht)</i>	
Deposits	86,752	93,086
Interbank and money market items	514,855	352,806
Contribution to Deposit Protection Agency	62,885	54,968
Loans from Head Office and other branches of the same juristic person	95,412	179,978
Total	<u>759,904</u>	<u>680,838</u>

25 Net fees and service income

	2018	2017
	<i>(in thousand Baht)</i>	
Fees and service income		
- Acceptance, avals and guarantees	18,175	26,745
- Loans related fees	9,747	12,039
- Commission on bills	200	918
- Others	19,103	14,145
Total	<u>47,225</u>	<u>53,847</u>
Fees and service expenses		
- Others	1,753	2,576
Total	<u>1,753</u>	<u>2,576</u>
Net	<u>45,472</u>	<u>51,271</u>

26 Net gains (losses) on trading and foreign exchange transactions

	2018	2017
	<i>(in thousand Baht)</i>	
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and foreign currency related derivatives	157,044	(10,223)
- Interest rate related derivatives	(37,547)	(104,453)
- Credit default swap	(42,002)	(14,456)
- Debt securities	11,840	11,617
Total	<u>89,335</u>	<u>(117,515)</u>
Gain (losses) on hedging transactions	4,773	(8,641)
Total	<u>94,108</u>	<u>(126,156)</u>

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27 Bad debts, doubtful accounts expense and impairment loss

	<i>Note</i>	2018 <i>(in thousand Baht)</i>	2017
Interbank and money market items		(64,517)	71,600
Loans to customers (reversal)			
- Doubtful accounts expense	<i>11</i>	135,020	(31,600)
Total		<u>70,503</u>	<u>40,000</u>

28 Employee benefit expenses

	<i>Note</i>	2018 <i>(in thousand Baht)</i>	2017
<i>Management</i>			
Salaries and bonus		15,829	16,217
Others		13,795	14,621
	<i>21</i>	<u>29,624</u>	<u>30,838</u>
<i>Other employees</i>			
Salaries and bonus		110,659	109,441
Post-employee benefits		5,654	5,068
Others		20,257	23,644
		<u>136,570</u>	<u>138,153</u>
Total		<u>166,194</u>	<u>168,991</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.

29 Income tax

Income tax recognised in profit or loss

	<i>Note</i>	2018 <i>(in thousand Baht)</i>	2017
Current tax			
Current year		28,857	-
		<u>28,857</u>	<u>-</u>
Deferred tax			
Movements in temporary differences		(2,793)	11,921
	<i>13</i>	<u>(2,793)</u>	<u>11,921</u>
Total		<u>26,064</u>	<u>11,921</u>

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Income tax recognised in other comprehensive income

	Before tax	2018 Tax (expense) benefit	Net of tax <i>(in thousand Baht)</i>	Before tax	2017 Tax (expense) benefit	Net of tax
Available-for-sale investments	(84,174)	16,834	(67,340)	109,514	(21,903)	87,611
Defined benefit plan actuarial gains (losses)	494	(99)	395	(915)	183	(732)
Total	(83,680)	16,735	(66,945)	108,599	(21,720)	86,879

Reconciliation of effective tax rate

	Rate (%)	2018 <i>(in thousand Baht)</i>	Rate (%)	2017 <i>(in thousand Baht)</i>
Profit before income tax		130,239		59,187
Income tax using the Thai corporation tax rate	20.00	26,048	20.00	11,837
Expenses not deductible for tax purposes	0.01	16	0.10	84
Total	20.01	26,064	20.10	11,921

30 Thai Financial Reporting Standards (TFRS) not yet adopted

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

TFRS	Topic	Effective
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 15	Revenue from Contracts with Customers	2019
TFRS 16	Leases	2020
TAS 32*	Financial Instruments: Presentation	2020
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	2020
TFRIC 22	Foreign Currency Transactions and Advance Consideration	2019

* TFRS - Financial instruments standards

(a) TFRS 15 Revenue from Contracts with Customers

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

There are no potential significant impact from consideration by Management for adopting and initially applying TFRS 15 on the financial statements.

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(b) *TFRS - Financial instruments standards*

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

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

(c) *TFRS 16 Leases*

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

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

(d) *TFRIC 22 Foreign Currency Transactions and Advance Consideration*

The interpretation clarified that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

There are no potential significant impact from consideration by Management for adopting and initially applying TFRIC 22 on the financial statements.