

**OVERSEA-CHINESE BANKING CORPORATION LIMITED,
BANGKOK BRANCH**

FINANCIAL STATEMENTS

31 DECEMBER 2020



Independent Auditor's Report

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

My opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Oversea-Chinese Banking Corporation Limited, Bangkok Branch (the Branch) as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs) and the Bank of Thailand notifications in relation to the preparation and presentation of financial reporting as described in the notes to the financial statements no. 2 and no. 4.

What I have audited

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in head office and other branches of the same juristic person for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements which include significant accounting policies and other explanatory information.

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 are 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.

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 the Bank of Thailand notifications in relation to the preparation and presentation of financial reporting as described in the notes to the financial statements no. 2 and no. 4, and for such internal control as management determine 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 scepticism 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 the 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.

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.

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in blue ink, appearing to read 'Boonlert Kamolchanokkul'.

Boonlert Kamolchanokkul
Certified Public Accountant (Thailand) No. 5339
Bangkok
28 April 2021

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Statement of Financial Position
As at 31 December 2020

		2020	2019
	Notes	Thousand Baht	Thousand Baht
Assets			
Cash		3,124	2,894
Interbank and money market items, net	10, 28	2,563,208	1,718,682
Financial assets measured at fair value through profit or loss	11	1,646,286	-
Derivative assets	12, 28	1,786,393	837,211
Investments, net	13	24,146,132	32,782,153
Loans to customers and accrued interest receivable, net	14	16,416,891	11,416,265
Premises and equipment, net	17	4,777	6,364
Right-of-use assets, net	18	9,774	-
Deferred tax assets, net	19	52,624	40,993
Other assets, net	20	134,419	142,168
Total assets		46,763,628	46,946,730

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch

Statement of Financial Position (Cont'd)

As at 31 December 2020

	Notes	2020 Thousand Baht	2019 Thousand Baht
Liabilities and accounts with head office and other branches of the same juristic person			
Liabilities			
Deposits	21	5,555,819	6,892,960
Interbank and money market items	22, 28	15,382,237	10,392,478
Liabilities payable on demand		6,972	5,466
Derivative liabilities	12, 28	2,438,863	1,649,755
Lease liabilities	18	9,947	-
Provisions for employee benefits	23	46,906	45,314
Provisions	24	88,372	-
Other liabilities	25	125,193	136,987
Total liabilities		<u>23,654,309</u>	<u>19,122,960</u>
Accounts with head office and other branches of the same juristic person			
Funds brought in to maintain assets under the Act	9, 28	11,032,710	11,056,090
Balance of inter-office accounts with head office and other branches of the same juristic person, net	9, 28	12,418,597	17,237,478
Other components of accounts with head office and other branches of the same juristic person	13.2	126,737	104,914
Deficits		<u>(468,725)</u>	<u>(574,712)</u>
Total accounts with head office and other branches of the same juristic person		<u>23,109,319</u>	<u>27,823,770</u>
Total liabilities and accounts with head office and other branches of the same juristic person		<u><u>46,763,628</u></u>	<u><u>46,946,730</u></u>

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Statement of Comprehensive Income
For the year ended 31 December 2020

		2020	(Restated) 2019
	Notes	Thousand Baht	Thousand Baht
Interest income	28, 30	879,975	1,109,739
Interest expenses	28, 31	264,368	502,449
Net interest income		615,607	607,290
Fees and service income	32	32,894	39,092
Fees and service expenses	32	11,398	12,254
Net fees and service income		21,496	26,838
Net losses on financial instruments measured at fair value through profit or loss	28, 33	(161,230)	-
Net losses on trading and foreign exchange transactions	28, 34	-	(282,172)
Net gains on investments		75,076	90,600
Other operating income	28	2,048	20,967
Total operating income		552,997	463,523
Other operating expenses			
Employee benefit expenses	28, 35	182,937	169,267
Premises and equipment expenses		21,347	21,707
Taxes and duties		16,802	17,169
Other expenses	28, 36	68,095	65,260
Total other operating expenses		289,181	273,403
Expected credit losses	37	148,104	-
Bad debts, doubtful accounts expense and impairment loss	38	-	-
Profit from operations before income tax		115,712	190,120
Income tax	39	23,234	38,088
Net profit for the year		92,478	152,032

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Statement of Comprehensive Income (Cont'd)
For the year ended 31 December 2020

		(Restated)
	2020	2019
	Thousand	Thousand
Notes	Baht	Baht
Other comprehensive income (expense)		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Gains on debt instruments classified at fair value through other comprehensive income	50,385	-
Gains on remeasurement of available-for-sale investments	-	158,666
Income taxes relating to items that will be reclassified subsequently to profit or loss	39 (10,077)	(31,733)
Total items that will be reclassified subsequently to profit or loss	40,308	126,933
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Losses on remeasurement of defined benefit plans	(750)	(2,348)
Income taxes on items that will not be reclassified subsequently to profit or loss	39 150	470
Total items that will not be reclassified subsequently to profit or loss	(600)	(1,878)
Other comprehensive income for the year, net of income tax	39 39,708	125,055
Total comprehensive income for the year	132,186	277,087

The accompanying notes are an integral part of the 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
For the year ended 31 December 2020

	Funds brought in to maintain assets under the Act Thousand Baht	Balance of inter-office accounts with head office and other branches of the same juristic person, net Thousand Baht		Gains on remeasurement of debt instruments classified at fair value through other comprehensive income Thousand Baht		Gains on remeasurement of available-for-sale investments Thousand Baht		Deficits Thousand Baht	Total Thousand Baht
		Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht		
Balance at 1 January 2019	11,515,250	14,698,923	-	(22,019)	-	(724,866)	25,467,288		
Comprehensive income (losses) for the year									
Profit for the year	-	-	-	-	152,032	-	152,032		152,032
Other comprehensive income (losses)									
Gains on remeasurement of available-for-sale investments, net of income tax	-	-	-	-	126,933	-	126,933		126,933
Losses on remeasurement of defined benefit plan, net of income tax	-	-	-	-	-	(1,878)	(1,878)		(1,878)
Total other comprehensive income (losses)	-	-	-	-	126,933	(1,878)	125,055		125,055
Total comprehensive income for the year									
Adjustment for foreign currency translation	(459,160)	-	-	-	126,933	150,154	277,087		(459,160)
Movement in balance of inter-office accounts with head office and other branches of the same juristic person, net		2,538,555	-	-	-	-	-		2,538,555
Balance at 31 December 2019	11,056,090	17,237,478	-	104,914	(574,712)	27,823,770			

The accompanying notes are an integral part of the 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 (Cont'd)
For the year ended 31 December 2020

	Note	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			Total
				Thousand Baht	Thousand Baht	Thousand Baht	
Balance at 1 January 2020 (Reported)	4	11,056,090	17,237,478	-	104,914	(574,712)	27,823,770
Impact of the first-time adoption of new accounting standards		-	-	86,429	(104,914)	14,109	(4,376)
Balance at 1 January 2020 (Restated)		11,056,090	17,237,478	86,429	-	(560,603)	27,819,394
Comprehensive income for the year		-	-	-	-	92,478	92,478
Profit for the year		-	-	-	-	-	-
Other comprehensive income (losses)		-	-	-	-	-	-
Gains on remeasurement of debt instruments classified at fair value through other comprehensive income, net of income tax		-	-	40,308	-	-	40,308
Losses on remeasurement of defined benefit plan, net of income tax		-	-	-	-	(600)	(600)
Total other comprehensive income		-	-	40,308	-	(600)	39,708
Total comprehensive income for the year		-	-	40,308	-	91,878	132,186
Adjustment for foreign currency translation		(23,380)	-	-	-	-	(23,380)
Movement in balance of inter-office accounts with head office and other branches of the same juristic person, net		-	(4,818,881)	-	-	-	(4,818,881)
Balance at 31 December 2020		11,032,710	12,418,597	126,737	-	(468,725)	23,109,319

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch

Statement of Cash Flows

For the year ended 31 December 2020

	2020 Thousand Baht	2019 Thousand Baht
Cash flows from operating activities		
Profit from operations before income tax	115,712	190,120
Adjustments to reconcile profit from operations before income tax to net cash (used in) provided by operating activities:		
Depreciation and amortisation	7,496	3,196
Expected credit losses	148,104	-
Employee benefit expenses	6,107	10,439
Unrealised gains on foreign exchange transactions, net	(23,380)	(459,160)
(Gains) losses on revaluation of derivative contracts, net	(159,128)	21,005
Amortisation of premium on debt instruments	60,077	246,364
Gains on sales of investments, net	(75,076)	(90,600)
Gains on disposal of equipments	(3)	(20,780)
Net interest income	(615,607)	(266,207)
Proceeds from interest received	910,277	1,108,973
Interest paid	(282,128)	(879,956)
Income tax paid	(50,570)	(5,948)
Profit (losses) from operations before changes in operations assets and liabilities	41,881	(142,554)
Decrease (increase) in operating assets		
Interbank and money market items	(831,171)	(241,099)
Financial assets measured at fair value through profit or loss	375,767	-
Investment in securities	-	(1,000,584)
Loans to customers	(5,093,728)	649,678
Other assets	(9,869)	20,418
Increase (decrease) in operating liabilities		
Deposits	(1,337,141)	(11,851)
Interbank and money market items	4,989,155	4,105,302
Liabilities payable on demand	1,506	(22,106)
Provisions for employee benefits	(5,265)	(22)
Other liabilities	34,263	39,719
Net cash (used in) provided by operating activities	(1,834,602)	3,396,901

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2020

	2020 Thousand Baht	2019 Thousand Baht
Cash flows from investing activities		
Purchases of debt securities measured at fair value through other comprehensive income	(5,741,005)	-
Proceeds from sales and maturity of debt securities measured at fair value through other comprehensive income	12,499,100	-
Purchases of debt securities measured at amortised cost	(1,957,142)	-
Proceeds from maturity of debt securities measured at amortised cost	1,853,000	-
Purchases of available-for-sale investments	-	(26,248,843)
Proceeds from sale and maturity of available-for-sale investments	-	20,289,425
Purchases of equipment	(981)	(956)
Proceeds from sale of equipment	3	23,131
Net cash provided by (used in) investing activities	<u>6,652,975</u>	<u>(5,937,243)</u>
Cash flows from (used in) financing activities		
Payment on principal elements of lease liabilities	(5,081)	-
Increase (decrease) in balance of inter-office accounts with head office and other branches of the same juristic person, net	(4,813,062)	2,538,555
Net cash provided by (used in) financing activities	<u>(4,818,143)</u>	<u>2,538,555</u>
Net increase (decrease) in cash and cash equivalents	230	(1,787)
Cash and cash equivalents at the beginning of the year	<u>2,894</u>	<u>4,681</u>
Cash and cash equivalents at the end of the year	<u><u>3,124</u></u>	<u><u>2,894</u></u>

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

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Notes to the Financial Statements
For the year ended 31 December 2020

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1 General Information

Oversea-Chinese Banking Corporation Limited ("the Head Office") is incorporated and domiciled in Singapore.

Oversea-Chinese Banking Corporation Limited, Bangkok Branch ("the Branch") has its registered office 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.

The Branch's financial statements have been approved for issue by the Branch's management on 28 April 2021.

2 Significant accounting policies

The principal accounting policies applied in the preparation of the Branch financial statements are set out below:

2.1 Basis of preparation

The financial statements are prepared in accordance with Thai financial reporting standards ("TFRS") under the Accounting Act B.E. 2543, being those Thai financial reporting standards issued under the Accounting Professions Act B.E. 2547. The primary financial statements are prepared in the full format as required by the Notification of the Bank of Thailand ("BoT"), no. Sor Nor Sor 21/2561 Re: The preparation and announcement of the Financial Statements of Commercial Bank and Holding Parent Company of Financial Group dated 31 October 2018.

The Branch's financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

An English version of the financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

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.

2.2 New financial reporting standards, new accounting standard, and related interpretations that are effective for annual periods beginning on or after 1 January 2020 which are relevant and have impacts to the Branch

a) Financial instruments

The new financial reporting standards, new accounting standard and interpretations related to financial instruments are:

TAS 32	Financial Instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The new financial reporting standards related to financial instruments introduce new classification and measurement requirements for financial instruments as well as provide derecognition guidance on financial assets and financial liabilities. The new guidance also provides an option for the Branch to apply hedge accounting to reduce accounting mismatch between hedged item and hedging instrument. In addition, the new rule provides detailed guidance on financial instruments issued by the Bank whether it is a liability or an equity. Among other things, they require extensive disclosure on financial instruments and related risks.

The new classification requirements of financial assets require the Branch to assess both i) business model for holding the financial assets; and ii) cash flow characteristics of the asset whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). The classification also affects the financial assets' measurement. The new guidance requires assessment of allowance for impairment of financial assets as well as contract assets and recognition of expected credit loss from initial recognition.

On 1 January 2020, the Branch has adopted the financial reporting standards related to financial instruments in its financial statements. The impact from the first-time adoption has been disclosed in Note 4.

b) TFRS 16 Leases

TFRS 16 will result in almost all leases where the Branch is a lessee being recognised on the statement of financial position as the distinction between operating and finance lease is removed. An asset (the right to use the leased item) and financial liability to pay rentals are recognised, with exception on short-term and low-value leases.

On 1 January 2020, the Branch has adopted the new lease standard in its financial statements. The impact from the first-time adoption has been disclosed in Note 4.

c) **Other new and revised standards**

The new and revised standards which are relevant to the Branch are:

TAS 12	Income tax
TAS 19	Employee benefits
TFRIC 23	Uncertainty over income tax treatments

Amendment to TAS 12, Income tax - clarified that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

Amendment to TAS 19, Employee benefits (plan amendment, curtailment or settlement) - clarified accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.

TFRIC 23, Uncertainty over income tax treatments - explained how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- That the Branch should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored.
- That the Branch should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- That the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

Management has already assessed that those accounting standards have no significant impact to the Branch.

2.3 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2021 which are relevant and have impacts to the Branch

Certain amended financial reporting standards have been issued that are not mandatory for current reporting period and have not been early adopted by the Branch.

a) **Revised Conceptual Framework for Financial Reporting** added the following key principals and guidance:

- Measurement basis, including factors in considering difference measurement basis
- Presentation and disclosure, including classification of income and expenses in other comprehensive income
- Definition of a reporting entity, which maybe a legal entity, or a portion of an entity
- Derecognition of assets and liabilities

The amendment also includes the revision to the definition of an asset and liability in the financial statements, and clarification to the prominence of stewardship in the objective of financial reporting.

- b) **Amendment to TFRS 9, Financial instruments and TFRS 7, Financial instruments: disclosures** amended to provide relief from applying specific hedge accounting requirements to the uncertainty arising from interest rate benchmark reform such as IBOR. The amendment also requires disclosure of hedging relationships directly affected by the uncertainty.
- c) **Amendment to TAS 1, Presentation of financial statements and TAS 8, Accounting policies, changes in accounting estimates and errors** amended to definition of materiality. The amendment allows for a consistent definition of materiality throughout the Thai Financial Reporting Standards and the Conceptual Framework for Financial Reporting. It also clarified when information is material and incorporates some of the guidance in TAS 1 about immaterial information.

Management is currently considering the impact of applying the standards above.

2.4 Foreign currency translation

- (a) Functional and presentation currency

Items included in the financial statements of the Branch are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") as Thai Baht.

- (b) Transactions and balances

Transactions in foreign currencies are translated to the functional currency at the dates of the transactions or the date of remeasurement. Gains and losses on settlement of foreign currency or translation of monetary assets and liabilities are recognised in profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit and loss.

2.5 Cash

Cash consists of cash on hand and cash on collection according to the BoT's Notification.

2.6 Financial instruments

- (a) Recognition and derecognition

The Branch initially recognises loans to customers, deposits and debts issued on the date of origination. Investments in debt securities are recognised on the settlement date. All other financial instruments are recognised on the trade date.

Financial assets are de-recognised when the Branch's contractual rights to the cash flows from the financial assets expire or when the Branch transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of ownership of the asset. Financial liabilities are derecognised when the Branch's obligations specified in the contract expire or are discharged or cancelled.

(b) Classification and measurement

Financial assets

The Branch classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value either through profit or loss ("FVTPL") or through other comprehensive income ("FVOCI"); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Branch has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Branch reclassifies debt investments only when its business model for managing those assets changes.

Financial liabilities and equity instruments

Financial instruments issued by the Branch must be classified as financial liabilities or equity securities by considering contractual obligations.

- Where the Branch has an unconditional contractual obligation to deliver cash or another financial asset to another entity, it is considered a financial liability unless there is a predetermined or possible settlement for a fixed amount of cash in exchange of a fixed number of the Branch's own equity instruments.
- Where the Branch has no contractual obligation or has an unconditional right to avoid delivering cash or another financial asset in settlement of the obligation, it is considered an equity instrument.

The Branch subsequently measured all financial liabilities at amortised cost, except for:

- Financial liabilities measured at fair value through profit or loss including derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gain or losses on financial liabilities designated at fair value through profit or loss are presented 'Net gains (losses) on financial instruments measured at fair value through profit or loss'.
- Financial guarantee contracts and loan commitments

(c) Financial instruments measured at amortised cost

A financial assets is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the asset until maturity to collect contractual cash flows; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

The Branch accounts for amortised cost financial instruments using trade date accounting. Such financial assets include most loans to customers, interbank and money market items and some investments in debt securities. In addition, most financial liabilities are measured at amortised cost.

Financial assets classified as amortised cost are subject to the expected credit loss requirements in accordance with TFRS 9.

Interest earned whilst holding the financial assets or financial liabilities is included in interest income and expense.

(d) Debt instruments measured at fair value through other comprehensive income

A financial assets is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets measured at FVOCI comprise primarily investment in debt securities. They are recognised on the settlement date when the Branch enters into contractual arrangements to purchase and are normally derecognised when they are either sold or matured. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold or matured. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Net gains (losses) on investments'.

Financial assets classified as FVOCI are subject to the expected credit loss requirements in accordance with TFRS 9.

Interest earned whilst holding the financial assets is included in interest income.

(e) Financial instruments measured at fair value through profit or loss

Financial instruments that do not meet the requirements to be measured at amortised cost or at FVOCI are measured at FVTPL. At the balance sheet date, the Branch recognises realised and unrealised gains and losses as 'Net gains (losses) on financial instruments measured at fair value through profit or loss' in the statement of comprehensive income. Interest earned while holding the assets are included in interest income.

Financial assets measured at FVTPL comprise primarily investment in debt securities, which are recognised on the settlement date

(f) 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.

(g) Hedge accounting

Fair value hedges

Where a derivative hedge 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.

If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the carrying amount of the asset or liability and is amortised to the income statement as a yield adjustment over the remaining maturity of the asset or liability. For fair value portfolio hedge of interest rate exposure, adjustment will be on the straight-line method if amortisation using a re-calculated effective interest rate is not practicable.

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.

(h) Modification

Where the terms of contractual cash flows of a financial asset are renegotiated or modified, the Branch assesses whether the new terms are substantially different from the original terms. For instance, the change in cash flows and the change in interest rate.

If the terms are not substantially different, the Branch recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the modified contractual cash flows that are discounted at the financial asset's original effective interest rate.

If the terms are substantially different, the Branch derecognises the original financial asset and recognises a new financial asset at fair value and recalculates a new effective interest rate for the asset. At the date of renegotiation, the difference between the carrying amount allocated to the part derecognised and the consideration received for the part derecognised is recognised in profit or loss.

(i) Impairment of financial assets

Impairment allowances for financial assets are assessed using a forward-looking expected credit loss ("ECL") model in accordance with the requirements of TFRS 9.

Scope

Under TFRS 9, the ECL model is applied to debt financial assets measured at amortised cost or FVOCI and most off-balance sheet loan commitments and financial guarantees.

Expected Credit Loss Impairment Model

Under TFRS 9, credit loss allowances are measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 - On initial recognition, expected credit loss will be that resulting from default events that are possible over the next 12 months
- Stage 2 - Following a significant increase in credit risk of the financial assets since its initial recognition, the credit loss allowance will be that resulting from default events that are possible over the expected life of the asset.
- Stage 3 - When a financial asset exhibits objective evidence of impairment and is considered to be credit-impaired, the credit loss allowance will be the full lifetime expected credit loss.

Measurement

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- (a) Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls, which is the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Branch expects to receive;
- (b) Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- (c) Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Branch if the commitment is drawn down and the cash flows that the Branch expects to receive; and
- (d) Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Branch expects to recover.

The key inputs used in the measurement of ECL are:

- Probability of default ("PD") - This is an estimate of the likelihood of default over a given time horizon
- Exposure at default ("EAD") - This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest as well as expected drawdowns on committed facilities
- Loss given default ("LGD") - This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying lifetime PD by LGD and EAD.

All key inputs (PD, LGD and EAD) used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on three macroeconomic scenarios (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

The three macroeconomic scenarios represent a most likely "Base" outcome, and two other less likely "Upside" and "Downside" scenarios. These scenarios are probability-weighted and underlying key macroeconomic assumptions are based on independent external and in-house views. The assumptions are subject to regular management reviews to reflect current economic situations.

Each macroeconomic scenario used in the expected credit loss calculation includes a projection of all relevant macroeconomic variables used in the models for the lifetime period, reverting to long-run averages generally after 3 to 5 years periods. Depending on their usage in the models, macroeconomic variables are projected at a country or more granular level which differ by portfolio. The primary macroeconomic variables adopted are Gross Domestic Product, Unemployment rate, Property Price Index and Interest rate.

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout Branch's expected credit loss calculations.

The Branch considers a financial asset to be in default by assessing both quantitative and qualitative criteria such as days past due and the terms of financial covenants. A default occurs when the borrower or bond issuer is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to actions such as realising security (if any is held) or when the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Branch is exposed to credit risk.

Financial assets are written off against their related impairment allowances when all feasible recovery actions have been exhausted or when the recovery prospects are considered remote.

Movement Between Stages

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly since its initial recognition.

In accordance with TFRS 9, financial assets are classified in Stage 2 where there is a significant increase in credit risk since initial recognition, where the credit loss allowance will be measured using lifetime ECL.

The Branch considers both qualitative and quantitative parameters in the assessment of whether this is a significant increase in credit risk. These include the following:

- (a) The Branch has established thresholds for significant increases in credit risk based on both a relative and absolute change in lifetime PD relative to initial recognition.
- (b) The Branch conducts qualitative assessment to ascertain if there has been significant increase in credit risk.
- (c) The Branch uses days past due as a further indication of significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under TFRS 9 will be based on objective evidence of impairment.

The assessments for a significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. A modification of the terms of a financial asset that does not result in derecognition will result in the financial asset being transferred out of Stage 3 if the indicators of it being identified as credit-impaired is no longer met and that the evidence for its transfer out of Stage 3 solely relates to events such as up-to-date and timely payment occurring in the subsequent periods.

If a modified financial asset results in derecognition, the new financial asset will be recognised under Stage 1, unless it is assessed to be credit-impaired at time of the modification.

Surplus reserve

The Branch measures the surplus reserve on the date of adoption for new financial reporting standards related to financial instruments by comparing the difference between allowance for expected credit losses according to requirement under new financial reporting standards related to financial instruments and total reserves that the Branch had on 31 December 2019. In which, the Branch will amortised the surplus reserve using straight-line method by 5 years consecutively in accordance with notification to utilise surplus reserve from Bank of Thailand dated on 6 November 2019.

(j) Financial guarantee contract and loan commitment

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of a) the amount of expected credit loss determined; and b) the amount initially recognised less the cumulative amount of income recognised.

Loan commitments are measured at the amount of allowance for expected credit losses. The Branch has not provided any commitment at a below-market interest rate, or that can be settled net in cash or by delivering or issuing other financial instruments.

Expected credit losses on loan commitments and financial guarantee contract are recognised as provisions.

(k) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the Branch has a legally enforceable right of set-off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Branch has not entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

(l) Accounting policies applied until 31 December 2019

The Branch has applied TFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Branch's previous accounting policy. The items that are subjected to the significant changes in the accounting policies are investments, which are subjected to changes in classification and measurements, and allowance for doubtful accounts, which are remeasured by using expected credit loss model. The previous accounting policies for these items are set out below.

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.

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.

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.

Troubled debt restructuring

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

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

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

Impairment

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.

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.

2.7 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 - 10 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.

2.8 Leases

At the inception of a contract, the Branch assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-Use Assets ("ROU")

The Branch recognises a ROU asset and lease liability at the date which the underlying asset is available for use. ROU assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the ROU assets.

These ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

Lease Liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Branch shall use its incremental borrowing rate.

Lease liability is subsequently measured at amortised cost using the effective interest method. Lease liability shall be remeasured when there is modification in the scope or the consideration of the lease that was not part of the original term.

Short Term Leases and Low-Value Assets

The Branch has elected to not recognise ROU assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Accounting policies applied until 31 December 2019

Payments made under operating leases (net of any incentives received from the lessor) are taken to the statement of comprehensive income on a straight-line basis over the term of the lease. When a lease is terminated before its expiry, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when the termination takes place.

2.9 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.

Calculation of recoverable amount

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

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.

2.10 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.

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.

2.11 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.

Liabilities under financial guarantee are recorded initially at their fair value, which is generally the fee received or present value of the fee receivable.

2.12 Recognition of interest income and expense

Interest income or expense is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability.

In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2.13 Recognition of fees and commission income

Fees and service income are recognised when a customer obtains control of the services in an amount that reflects the consideration to which the Branch expects to be entitled.

Fees and service income are recognised over time as the services are provided. The related costs are recognised in profit or loss when they are incurred.

2.14 Income taxes

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in the accounts with head office and other branches of the same juristic person or in other comprehensive income.

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

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

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

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

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.

3. Impacts from reclassifications and correction of errors

The Branch has restated prior year statement of comprehensive income due to the following reasons :

- The Branch did not exclude the internal deal transaction from interest expenses and net gains (losses) on trading and foreign exchange transactions.
- The Branch did not present the interest expense of the interest rate risk hedge instruments of financial assets with the interest income of hedged items for such financial assets.

However, the restatement has no effect on the prior year statement of financial position, both opening balance and ending balance. Therefore, the Branch does not restated the prior year statement of financial position.

The effect of reclassification and correction of error to the statement of comprehensive income for the year ended 31 December 2019 are as follows:

	As previously reported Thousand Baht	Changes from correction of error Thousand Baht	Restated Thousand Baht
Statement of comprehensive income for the year ended 31 December 2019			
Interest income	1,141,874	(32,135)	1,109,739
Interest expenses	875,667	(373,218)	502,449
Net gains (losses) on trading and foreign exchange transactions	58,911	(341,083)	(282,172)

Oversea-Chinese Banking Corporation Limited, Bangkok Branch
Notes to the Financial Statements
For the year ended 31 December 2020

4 Adoption of new financial reporting standards and changes in accounting policies

The Branch has adopted financial reporting standards relating to financial instruments (TAS 32, TFRS 7 and TFRS 9) and leases (TFRS 16) retrospectively from 1 January 2020, but has not restated comparatives for the 2019 reporting period, as permitted in the standards. The reclassifications and adjustments arising from the new requirements are therefore recognised in the opening statement of financial position on 1 January 2020. The new accounting policies applied from 1 January 2020 were disclosed in Note 2.

The following tables show the adjustments made to the amounts recognised in each line item in the statement of financial position upon adoption of the new financial reporting standards.

	As at		TFRS 9 reclassification to		TFRS 16		Restated as at 1 January 2020 Thousand Baht		
	31 December 2019 (As previously reported) Thousand Baht	New (TFRS 9) Measurement category	Fair value through profit or loss Thousand Baht	Fair value through other comprehensive income Thousand Baht	Amortised cost Thousand Baht	Remeasurement of financial instruments Thousand Baht		Remeasurement of allowance for expected credit losses Thousand Baht	Total adjustments of financial instruments Thousand Baht
Assets									
Cash	2,894	Amortised cost	-	-	-	-	-	2,894	-
Interbank and money market items, net	1,718,682	Amortised cost	-	-	-	-	13,655	1,732,337	-
Financial assets measured at fair value through profit or loss	837,211	FVTPL	2,022,053	-	-	-	-	2,022,053	-
Derivative assets	2,022,053	FVTPL	(2,022,053)	-	-	-	-	837,211	-
		Trading							
Investments, net	30,760,100	FVOCI	-	(10,353,408)	10,353,408	(23,106)	(5,976)	30,731,018	-
Loans to customers and accrued interest receivables, net	11,416,265	Amortised cost	-	-	(8,675)	-	35,074	11,442,664	-
Right-of-use assets	40,983	Amortised cost	-	-	-	4,621	14,160	59,774	14,701
Deferred tax assets, net	142,168	Amortised cost	-	-	-	-	-	142,168	13
Other assets									-
Liabilities									
Deposits	6,892,960	Amortised cost	-	-	-	-	-	6,892,960	-
Interbank and money market items	10,392,478	Amortised cost	-	-	-	-	-	10,392,478	-
Liabilities payable on demand	5,466	Amortised cost	-	-	-	-	-	5,466	-
Derivative liabilities	1,649,755	FVTPL	-	-	-	-	-	1,649,755	-
Lease liabilities			-	-	-	-	-		14,765
Provisions			-	-	-	-	-		42,753
Other liabilities	136,987	Amortised cost	-	-	(8,675)	-	42,753	128,312	-
Accounts with head office and other branches of the same juristic person									
Funds brought in to maintain assets under the Act	11,056,090	Amortised cost	-	-	-	-	-	11,056,090	-
Balance of inter-office accounts with head office and other branches of the same juristic person, net	17,237,478	Amortised cost	-	-	-	(18,485)	-	17,237,478	-
Other components of accounts with head office and other branches of the same juristic person	104,914	Amortised cost	-	-	-	-	-	86,429	-
Deficits	(574,712)		-	-	-	-	14,160	(560,552)	(51)

4.1 Financial reporting standards related to financial instruments

The total impact on the retained earnings as at 1 January 2020 is as follows:

	<u>Thousand Baht</u>
Deficits as at 31 December 2019 (As previously reported)	<u>(574,712)</u>
Decrease in allowance for expected credit losses of interbank and money market items	(13,655)
Increase in allowance for expected credit losses of investment in debt securities	5,976
Decrease in allowance for expected credit losses of loans to customers	(35,074)
Increase in allowance for expected credit losses of loan commitments and financial guarantee contracts	42,753
Adjustment in deferred tax assets related to the above adjustments	<u>14,160</u>
Adjustment to deficits from the adoption of TFRS 9 on 1 January 2020	<u>14,160</u>
Deficits as at 1 January 2020 after reflecting TFRS 9 (before TFRS 16 impact)	<u>(560,552)</u>

4.2 Financial reporting standards related to leases

The Branch has adopted TFRS 16 (Leases) by applying the modified retrospective approach and the comparative figures have not been restated. The reclassifications and the adjustments arising from the new lease standard are recognised in the opening balance as at 1 January 2020.

On the adoption of TFRS 16, the Branch recognised lease liabilities in relation to leases which had previously been classified as operating leases under TAS 17 (Leases). These liabilities were measured at the present value of the remaining lease payments, discounted by the incremental borrowing rate as at 1 January 2020. The weighted average incremental borrowing rate applied to the lease liabilities 2.09%.

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied in which the incremental borrowing rate as of 1 January 2020, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	<u>Thousand Baht</u>
Operating lease commitments disclosed as at 31 December 2019	32,224
<u>Less</u> Impact from discounted using the lessee's incremental borrowing rate as at the date of initial application	(469)
<u>Less</u> Low-value leases recognised on a straight-line basis as expenses	-
<u>Less</u> Contracts reassessed as service agreements	(17,235)
<u>Add</u> Contracts reassessed as lease contracts	<u>245</u>
Lease liabilities recognised as at 1 January 2020	<u>14,765</u>
Lease liabilities - Current portion	4,819
Lease liabilities - Non-current portion	9,946

The right-of-use assets recognised as at 1 January 2020 are as follows:

	<u>1 January 2020</u> <u>Thousand Baht</u>
Building	11,128
Vehicles	<u>3,573</u>
Total	<u>14,701</u>

Practical expedients applied:

For the first-time adoption of TFRS 16 to the leases existing before 1 January 2020, the Branch elected to apply the practical expedients permitted by the standard as follows:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- Elect not to reassess whether a contract is, or contains a lease as defined under TFRS 16 at the date of initial application but relied on its assessment made applying TAS 17 and TFRIC 4 Determining whether an Arrangement contains a Lease.

5 Financial risk management

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.

5.1 Credit risk

Credit risk is the risk of losing principal and/or interest income due to the failure of an obligor or counterparty to meet its financial or contractual obligations as originally scheduled or a change in the credit profile of the obligor or counterparty. Credit risk arises from lending activities to corporate and institutional customers. It also includes counterparty and issuer credit risks arising from trading activities.

The Branch's credit risk management approaches for corporate and institutional customers are as follows:

- Credits extended are individually assessed, risk-rated and further evaluated by experienced credit officers.
- Credit extensions are guided by predefined target market and risk acceptance criteria.
- Credit decisions are made after comprehensive qualitative and quantitative risk assessment, including a thorough understanding of the customer and customer group's interdependencies.
- Credits are jointly approved by business and credit risk units to ensure objectivity and shared risk ownership.

Concentration of exposure

As at 31 December 2020 and 2019, concentrations of credit risk relative to the loans and receivables net of deferred revenue summarised by type of industry are as follows:

	<u>2020</u>	<u>2019</u>
	Thousand Baht	Thousand Baht
Manufacturing and commerce	5,229,911	3,609,615
Property development and construction	823,715	898,108
Infrastructure and service	4,729,886	2,810,730
Other financial intermediaries	5,016,942	4,389,800
Others	1,000,449	267
Total	<u>16,800,903</u>	<u>11,708,520</u>

Maximum Exposure to Credit Risk

The following table presents our maximum exposure before taking account of any collateral held or other credit enhancements unless such enhancements meet accounting offsetting requirements. The table excludes financial instruments whose carrying amount best represents the net exposure to credit risk. For the financial assets recognised in the statement of financial position, the maximum exposure to credit risk equals their carrying amount; for financial guarantees and other guarantees granted, it is the maximum amount that the Branch would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the facilities.

	<u>2020</u>
	Thousand Baht
Financial assets measured at fair value through profit or loss	1,592,444
Investments	<u>23,721,302</u>
Total	<u>25,313,746</u>

Credit quality of financial instruments

Loans and advances

The following table sets out the credit analysis for loans and advances measured at amortised cost.

	<u>2020</u>
	Thousand Baht
Neither past due nor impaired	16,481,880
Past due loans:	
- Non-impaired	-
- Impaired	326,068
Impaired but not past due	-
Gross loans	<u>16,807,948</u>
Allowance for expected credit losses	
Impaired loans	(131,576)
Non-impaired loans	<u>(259,481)</u>
Net loans	<u>16,416,891</u>

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Financial assets other than loans and advances

The following table sets out the credit analysis for financial assets measured at FVOCI, FVTPL and at amortised cost, other than loans and advances measured at amortised cost.

	Investment grade (BBB to AAA) Thousand Baht	Non- investment grade (C to BB) Thousand Baht	Not rated Thousand Baht	Not subject to credit risk Thousand Baht	Total carrying amount Thousand Baht
Cash	-	-	-	3,124	3,124
Interbank and money market items, net	685,208	-	1,878,000	-	2,563,208
Financial assets measured at fair value through profit or loss	1,646,286	-	-	-	1,646,286
Derivative assets	-	-	1,786,393	-	1,786,393
Investments, net	24,146,132	-	-	-	24,146,132
Other assets, net	-	-	123,417	-	123,417
Total	26,477,626	-	3,787,810	3,124	30,268,560

Collateral and other credit enhancements obtained

Assets amounting to Baht 6,312.6 million (2019: Baht 4,843.8 million) were obtained by the Branch during the year by taking possession of collateral held as security, or by calling upon other credit enhancements and held at the reporting date.

Repossessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Branch generally does not occupy the premises repossessed for its business use.

Expected credit losses

The Branch maintains sufficient impairment allowances to absorb credit losses inherent in the loan portfolios. Allowance for Expected Credit Losses ("ECL") is recognised for credit-impaired and non credit-impaired exposures in accordance with TFRS 9 through a forward-looking ECL model. ECL allowances are assessed based on the stages of asset quality.

For details of our impairment policies on financial assets, see Note 2.6 (i).

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Financial instruments to which the impairment requirements in TFRS 9 are applied are summarised as follows:

	As at 31 December 2020		As at 1 January 2020	
	Gross carrying / notional amount Thousand Baht	Allowance for ECL Thousand Baht	Gross carrying/ notional amount Thousand Baht	Allowance for ECL Thousand Baht
Cash	3,124	-	2,894	-
Interbank and money market items	2,565,213	(2,005)	1,734,682	(2,345)
Investments (Amortised cost)	10,409,082	(360)	10,324,722	(396)
Loans to customers and accrued interest receivables	16,807,948	(391,057)	11,734,940	(283,601)
Other assets	123,417	-	138,036	-
Total gross carrying amount on-balance sheet	29,908,784	(393,422)	23,935,274	(286,342)
Loan commitments	10,392,033	(60,830)	13,002,437	(13,201)
Financial guarantees	1,984,325	(27,542)	2,490,605	(29,552)
Total nominal amount off-balance sheet	12,376,358	(88,372)	15,493,042	(42,753)

	As at 31 December 2020		As at 1 January 2020	
	Fair value Thousand Baht	Allowance for ECL Thousand Baht	Fair value Thousand Baht	Allowance for ECL Thousand Baht
Investments (FVOCI)	13,737,411	(985)	20,406,692	(5,580)

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The credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL at 31 December 2020 and 1 January 2020 are summarised as follows:

	Gross carrying/ notional amount			Allowance for ECL			ECL coverage %		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	%	%	%
Cash	3,124	-	-	-	-	-	-	-	-
Interbank and money market items	2,565,213	-	-	(2,005)	-	-	0.1	-	-
Investments	24,146,492	-	-	(1,345)	-	-	0.0	-	-
Loans to customers and accrued interest receivables	11,793,396	4,688,270	326,282	(163,597)	(95,884)	(131,576)	1.4	2.0	40.3
Other assets	123,417	-	-	-	-	-	-	-	-
Loan commitments	8,138,500	2,253,533	-	(25,028)	(35,802)	-	0.3	1.6	-
Financial guarantees and other commitments	1,604,642	378,277	1,406	(1,363)	(26,179)	-	0.1	6.9	-
As at 31 December 2020	48,374,784	7,320,080	327,688	(193,338)	(157,865)	(131,576)	0.4	2.2	40.2
	Gross carrying/ notional amount			Allowance for ECL			ECL coverage %		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	%	%	%
Cash	2,894	-	-	-	-	-	-	-	-
Interbank and money market items	1,734,682	-	-	(2,345)	-	-	0.1	-	-
Investments	30,731,414	-	-	(5,976)	-	-	0.0	-	-
Loans to customers and accrued interest receivables	10,711,918	696,954	326,068	(144,444)	(7,581)	(131,576)	1.3	1.1	40.4
Other assets	138,036	-	-	-	-	-	-	-	-
Loan commitments	12,215,010	787,427	-	(5,906)	(7,295)	-	0.0	0.9	-
Financial guarantees and other commitments	2,331,388	159,217	-	(1,292)	(28,260)	-	0.1	17.7	-
As at 1 January 2020	57,865,342	1,643,598	326,068	(159,963)	(43,136)	(131,576)	0.3	2.6	40.4

5.2 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 type of interest rate as at 31 December 2020 and 2019 were as follows:

	2020			Total Thousand Baht
	Floating interest rate Thousand Baht	Fixed interest rate Thousand Baht	Non - interest bearing Thousand Baht	
Financial assets				
Cash	-	-	3,124	3,124
Interbank and money market items *	4,918	2,380,000	180,295	2,565,213
Financial assets measured at fair value through profit or loss	-	1,646,286	-	1,646,286
Investments *	1,500,578	22,645,914	-	24,146,492
Loans to customers and accrued interest receivable **	10,003,099	6,804,400	449	16,807,948
Other assets	-	-	123,417	123,417
Total financial assets	11,508,595	33,476,600	307,285	45,292,480
Financial liabilities				
Deposits	620,863	4,736,889	198,067	5,555,819
Interbank and money market items	13,724	15,183,350	185,163	15,382,237
Liabilities payable on demand	-	-	6,972	6,972
Lease liabilities	-	9,947	-	9,947
Other liabilities	-	-	25,029	25,029
Funds remitted into Thailand - borrowings from head office	6,007,420	-	-	6,007,420
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	12,271,908	146,689	12,418,597
Total financial liabilities	6,642,007	32,202,094	561,920	39,406,021
Effect of derivatives held for risk management ***	(5,978,619)	6,602,939	(225,845)	398,475

* Excluding allowance for expected credit losses on interbank and money market items and investments amounting to Baht 2.0 million and Baht 0.4 million, respectively

** Including non-performing loans and excluding allowance for expected credit losses amounting to Baht 391.1 million

*** Risk management for investments and borrowings

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	2019			Total Thousand Baht
	Floating interest rate Thousand Baht	Fixed interest rate Thousand Baht	Non - interest bearing Thousand Baht	
Financial assets				
Cash	-	-	2,894	2,894
Interbank and money market items *	4,658	1,600,000	130,024	1,734,682
Investments	1,508,128	31,274,025	-	32,782,153
Loans to customers and accrued interest receivables**	5,548,984	5,859,622	326,334	11,734,940
Other assets	-	-	138,036	138,036
Total financial assets	7,061,770	38,733,647	597,288	46,392,705
Financial liabilities				
Deposits	576,779	5,879,796	436,385	6,892,960
Interbank and money market items	24,766	10,182,673	185,039	10,392,478
Liabilities payable on demand	-	-	5,466	5,466
Other liabilities	-	-	13,665	13,665
Funds remitted into Thailand - borrowings from head office	6,030,800	-	-	6,030,800
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	17,154,948	82,530	17,237,478
Total financial liabilities	6,632,345	33,217,417	723,085	40,572,847
Effect of derivatives held for risk management ***	8,963,139	(8,963,139)	(589,087)	(589,087)

* Excluding allowance for doubtful accounts amounting to Baht 16.0 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 318.7 million

*** Risk management for investments and borrowings

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 2020 and 2019 were as follows:

	2020		Average interest rate % per annum	2019		Average interest rate % per annum
	Average balance Thousand Baht	Interest Thousand Baht		Average balance Thousand Baht	Interest Thousand Baht	
Financial assets						
Interbank and money market items	1,292,504	17,327	1.3	2,007,099	96,467	4.8
Financial assets measured at fair value through profit or loss	1,822,623	76,106	4.2	-	-	-
Investments	26,825,264	413,936	1.5	15,793,242	633,683	4.0
Loans to customers	16,124,932	372,606	2.3	13,910,774	411,724	3.0
Total	46,065,323	879,975	1.9	31,711,115	1,141,874	3.6
Financial liabilities						
Deposits	6,837,339	41,995	0.6	6,839,822	89,466	1.3
Interbank and money market items	13,944,960	88,746	0.6	10,615,126	161,086	1.5
Lease liabilities	12,163	262	2.2	-	-	-
Balance of inter-office accounts with head office and other branches of the same juristic person, net	20,651,920	104,079	0.5	21,025,060	202,339	1.0
Total	41,446,382	235,082	0.6	38,480,008	452,891	1.2

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As at 31 December 2020 and 2019, 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:

	2020						Total Thousand Baht
	On demand Thousand Baht	WithIn 3 months Thousand Baht	Over 3 months to 1 year Thousand Baht	Over 1 year to 5 years Thousand Baht	More than 5 years Thousand Baht	Non- Interest bearing Thousand Baht	
Financial assets							
Cash	-	-	-	-	-	3,124	3,124
Interbank and money market items *	4,918	2,380,000	-	-	-	180,295	2,565,213
Financial assets measured at fair value through profit or loss	-	-	732,123	808,161	106,002	-	1,646,286
Investments *	-	6,777,651	5,432,750	11,511,309	424,782	-	24,146,492
Loans to customers and accrued interest receivables **	2,647,782	13,547,638	605,035	-	-	7,493	16,807,948
Other assets	-	-	-	-	-	123,417	123,417
Total financial assets	2,652,700	22,705,289	6,769,908	12,319,470	530,784	314,329	45,292,480
Financial liabilities							
Deposits	-	5,209,657	147,771	-	-	198,391	5,555,819
Interbank and money market items	13,724	10,029,350	5,154,000	-	-	185,163	15,382,237
Liabilities payable on demand	-	-	-	-	-	6,972	6,972
Lease liabilities	-	1,220	3,666	5,061	-	-	9,947
Other liabilities	-	-	-	-	-	25,029	25,029
Funds remitted into Thailand - borrowings from head office	-	6,007,420	-	-	-	-	6,007,420
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	8,919,181	3,352,727	-	-	146,689	12,418,597
Total financial liabilities	13,724	30,166,828	8,658,164	5,061	-	562,244	39,406,021
Effect of derivatives held for risk Management ***	-	(2,103,047)	958,598	1,678,769	90,000	(225,845)	398,475

* Excluding allowance for expected credit losses on interbank and money market items and investments amounting to Baht 2.0 million and Baht 0.4 million, respectively

** Including non-performing loans and excluding allowance for expected credit losses amounting to Baht 391.1 million

*** Risk management for investments and borrowings

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	2019						Total Thousand Baht	
	On demand Thousand Baht	Within 3 months Thousand Baht	Over 3 months to 1 year Thousand Baht	Over 1 year to 5 years Thousand Baht	More than 5 years Thousand Baht	Non- interest bearing Thousand Baht		Non- accrual loans Thousand Baht
Financial assets								
Cash	-	-	-	-	-	2,894	-	2,894
Interbank and money market items *	4,658	1,600,000	-	-	-	130,024	-	1,734,682
Investments	-	4,292,393	6,492,255	20,863,178	1,134,327	-	-	32,782,153
Loans to customers and accrued interest receivables **	1,613,665	9,490,904	277,616	-	-	26,687	326,068	11,734,940
Other assets	-	-	-	-	-	138,036	-	138,036
Total financial assets	1,618,323	15,383,297	6,769,871	20,863,178	1,134,327	297,641	326,068	46,392,705
Financial liabilities								
Deposits	576,779	5,587,718	292,078	-	-	436,385	-	6,892,960
Interbank and money market items	24,766	10,182,673	-	-	-	185,039	-	10,392,478
Liabilities payable on demand	-	-	-	-	-	5,466	-	5,466
Other liabilities	-	-	-	-	-	13,665	-	13,665
Funds remitted into Thailand - borrowings from head office	-	6,030,800	-	-	-	-	-	6,030,800
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	14,325,518	2,829,430	-	-	82,530	-	17,237,478
Total financial liabilities	601,545	36,126,709	3,121,508	-	-	723,085	-	40,572,847
Effect of derivatives held for risk Management ***	-	7,463,139	1,500,000	(8,963,139)	-	(589,087)	-	(589,087)

* Excluding allowance for doubtful accounts amounting to Baht 16.0 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 318.7 million

*** Risk management for investments and borrowings

Sensitivity analysis

The impact on net interest income of the banking book is simulated under various interest rate scenarios and assumptions. Based on a 100 bp parallel rise in yield curves on the Branch's exposure to major currencies, the effect of changes in interest rates' to net earnings is set out below:

	2020 Thousand Baht	2019 Thousand Baht
Currency		
Baht	189,659	87,884
US Dollar	102,801	62,111
Japanese Yen	-	-
Other currencies	(189)	199
Total effect of interest rate change	292,271	150,194
Percentage to net earnings in the next 1 year	79.11	36.62

The 1% rate shock impact on net interest income is based on the Branch's interest rate risk profile as at reporting date. It does not take into account actions that would be taken by Global Treasury or the business units to mitigate the impact of this interest rate risk. In reality, Global Treasury seeks proactively to change the interest rate risk profile to minimise losses and maximise net revenues. The projections also assume a constant balance sheet position and that all positions run to maturity.

(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 2020 and 2019, the Branch has net open position assets (liabilities) denominated in the various currencies as follows:

	2020	2019
	Thousand Baht	Thousand Baht
Net foreign currency exposure *		
US Dollar	139,197	52,778
Singapore Dollar	60,161	44,483
Japanese Yen	2,300	3,195
Other currencies	(16,867)	(17,483)

* Including long-term borrowing from head office to maintain assets under Act amounting to Baht 6,007 million (2019: Baht 6,031 million) and excluding non-performing loans.

Sensitivity analysis

Foreign exchange risk information by Internal Model Approach at 31 December 2020 and 2019 is as follows:

	2020	2019
	Thousand Baht	Thousand Baht
Banking book		
Maximum VaR during the period	904	224
Average VaR during the period	415	146
Minimum VaR during the period	42	57
VaR at the end of the period	579	191
	2020	2019
	Thousand Baht	Thousand Baht
Trading book		
Maximum VaR during the period	1,164	1,754
Average VaR during the period	507	925
Minimum VaR during the period	178	437
VaR at the end of the period	828	871

Remark: The period for Maximum VaR, Minimum VaR and Average VaR is 60 days interval All figures are based on 10 days VaR as used for market risk capital charge calculation.

5.3 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 2020 in the Bank's website, "<http://www.ocbc.com/business-banking/large-corporates/international-presence-thailand.html>", under Financial Report section, within 4 months from the end of period.

A maturity analysis of financial assets and liabilities as at 31 December 2020 and 2019 was as follows:

	2020						Total Thousand Baht
	At call Thousand Baht	Within 3 months Thousand Baht	Over 3 months to 1 year Thousand Baht	Over 1 year to 5 years Thousand Baht	Over 5 years Thousand Baht	No maturity Thousand Baht	
Financial assets							
Cash	-	-	-	-	-	3,124	3,124
Interbank and money market items *	185,213	2,380,000	-	-	-	-	2,565,213
Financial assets measured at fair value through profit or loss	-	-	732,123	808,181	106,002	-	1,646,286
Derivative assets	-	409,756	139,670	1,120,410	116,557	-	1,786,393
Investments *	-	5,277,072	6,933,329	11,511,309	424,782	-	24,146,492
Loans to customers and accrued interest receivables **	2,647,782	5,435,696	825,058	7,429,612	469,800	-	16,807,948
Other assets	-	94,152	29,265	-	-	-	123,417
Total financial assets	2,832,995	13,596,676	8,659,445	20,869,492	1,117,141	3,124	47,078,873
Financial liabilities							
Deposits	818,930	4,589,106	147,783	-	-	-	5,555,819
Interbank and money market items	198,887	10,029,350	5,154,000	-	-	-	15,382,237
Liabilities payable on demand	2,300	4,672	-	-	-	-	6,972
Derivative liabilities	-	450,997	401,821	1,420,539	165,506	-	2,438,863
Lease liabilities	-	1,220	3,666	5,061	-	-	9,947
Other liabilities	14	18,637	6,378	-	-	-	25,029
Funds remitted into Thailand - borrowings from head office	-	-	-	6,007,420	-	-	6,007,420
Balance of inter-office accounts with head office and other branches of the same juristic person, net	163,524	8,913,294	3,351,779	-	-	-	12,418,597
Total financial liabilities	1,173,655	24,007,276	9,065,427	7,433,020	165,506	-	41,844,884
Liquidity gap, net	1,659,340	(10,410,600)	(405,982)	13,436,472	951,635	3,124	5,233,989

* Excluding allowance for expected credit losses on interbank and money market items and investments amounting to Baht 2.0 million and Baht 0.4 million, respectively

** Including non-performing loans and excluding allowance for expected credit losses amounting to Baht 391.1 million

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	2019						Total Thousand Baht
	At call Thousand Baht	Within 3 months Thousand Baht	Over 3 months to 1 year Thousand Baht	Over 1 year to 5 years Thousand Baht	Over 5 years Thousand Baht	No maturity Thousand Baht	
Financial assets							
Cash	-	-	-	-	-	2,894	2,894
Interbank and money market items *	133,846	1,600,836	-	-	-	-	1,734,682
Derivative assets	-	146,924	3,142	600,132	87,013	-	837,211
Investments	-	2,784,265	6,492,255	22,371,306	1,134,327	-	32,782,153
Loans to customers and accrued interest receivables **	1,613,665	3,903,011	540,568	5,677,698	-	-	11,734,940
Other assets	-	12,865	125,171	-	-	-	138,036
Total financial assets	1,747,511	8,447,901	7,161,134	28,649,136	1,221,340	2,894	47,229,916
Financial liabilities							
Deposits	1,013,152	5,587,718	292,090	-	-	-	6,892,960
Interbank and money market items	209,805	10,182,673	-	-	-	-	10,392,478
Liabilities payable on demand	727	4,739	-	-	-	-	5,466
Derivative liabilities	-	87,497	55,061	1,391,581	115,616	-	1,649,755
Other liabilities	69	12,896	700	-	-	-	13,665
Funds remitted into Thailand - borrowings from head office	-	-	-	6,030,800	-	-	6,030,800
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	12,817,818	4,337,130	-	-	82,530	17,237,478
Total financial liabilities	1,223,753	28,693,341	4,684,981	7,422,381	115,616	82,530	42,222,602
Liquidity gap, net	523,758	(20,245,440)	2,476,153	21,226,755	1,105,724	(79,636)	5,007,314

* Excluding allowance for doubtful accounts amounting to Baht 16.0 million

** Including non-performing loans and excluding allowance for doubtful accounts amounting to Baht 318.7 million

6 Critical accounting estimates and assumptions

The preparation of financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of the Branch's accounting policies. 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 adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 8	Fair value of assets and liabilities
Note 12	Derivatives
Note 15	Allowance for expected credit losses

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 8 Fair value of financial instruments.

7 Classification of financial assets and liabilities

The following table analyses the carrying amounts of the financial assets and liabilities as at 31 December 2020 by category.

	Fair value through profit or loss Thousand Baht	Fair value through other comprehensive income Thousand Baht	Amortised cost Thousand Baht	Total Thousand Baht
Financial assets				
Cash	-	-	3,124	3,124
Interbank and money market items, net	-	-	2,563,208	2,563,208
Financial assets measured at fair value through profit or loss	1,646,286	-	-	1,646,286
Derivatives assets	1,786,393	-	-	1,786,393
Investments, net	-	13,737,411	10,408,721	24,146,132
Loans to customers and accrued interest receivables, net	-	-	16,416,891	16,416,891
Other assets	-	-	123,417	123,417
Total financial assets	3,432,679	13,737,411	29,515,361	46,685,451
Financial liabilities				
Deposits	-	-	5,555,819	5,555,819
Interbank and money market items	-	-	15,382,237	15,382,237
Liabilities payable on demand	-	-	6,972	6,972
Derivative liabilities	2,438,863	-	-	2,438,863
Lease liabilities	-	-	9,947	9,947
Other liabilities	-	-	25,029	25,029
Funds remitted into Thailand - borrowings from head office	-	-	6,007,420	6,007,420
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	-	12,418,597	12,418,597
Total financial liabilities	2,438,863	-	39,406,021	41,844,884

8 Fair value of financial instruments

Fair values 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).

8.1 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.

	2020			Total Thousand Baht
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
Financial assets				
Derivatives				
- Forward exchange contracts	-	508,931	-	508,931
- Currency swap contracts	-	-	-	-
- Interest rate swap contracts	-	1,277,462	-	1,277,462
Financial assets measured at fair value through profit or loss				
- Debt securities measured at FVTPL	-	1,646,286	-	1,646,286
Investments				
- Debt securities measured at FVOCI	3,021,474	10,715,937	-	13,737,411
Financial liabilities				
Derivatives				
- Forward exchange contracts	-	272,694	-	272,694
- Currency swap contracts	-	634,694	-	634,694
- Interest rate swap contracts	-	1,490,114	-	1,490,114
- Credit default swap contracts	-	-	41,361	41,361
2019				
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
Financial assets				
Derivatives				
- Forward exchange contracts	-	149,695	-	149,695
- Currency swap contracts	-	-	-	-
- Interest rate swap contracts	-	687,516	-	687,516
Trading investments	-	1,290,792	731,261	2,022,053
Available-for-sale investments	-	30,760,100	-	30,760,100
Financial liabilities				
Derivatives				
- Forward exchange contracts	-	104,716	-	104,716
- Currency swap contracts	-	591,172	-	591,172
- Interest rate swap contracts	-	916,025	-	916,025
- Credit default swap contracts	-	-	37,842	37,842

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 2020 and 2019.

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

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

Measurement of fair values

Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Investments in debt securities	Discounted Cash Flow	Interest Rate Basis
Credit Default Swap contracts	Credit Default Swap model	Credit Spread

Level 3 fair values

Reconciliation of Level 3 fair values

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

	Investment (Note 13.1) Thousand Baht	Credit Default Swap (Note 12.1) Thousand Baht
Balance at 1 January 2020	731,261	(37,842)
Purchase	-	5,446
Maturity	-	38,750
Transfer out	(731,261)	-
Losses recognised in profit or loss	-	(47,715)
Balance at 31 December 2020	-	(41,361)
	Investment (Note 13.1) Thousand Baht	Credit Default Swap (Note 12.1) Thousand Baht
Balance at 1 January 2019	728,007	(38,020)
Purchase	700,000	4,517
Maturity	(700,000)	40,400
Gains / (losses) recognised in profit or loss	3,254	(44,739)
Balance at 31 December 2019	731,261	(37,842)

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.

Investments (Amortised cost)

Investments in debt securities measured at amortised cost are calculated based on yield curve of the Thai Bond Market Association under discounted cash flow model.

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.

9 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 2020 and 2019, could be summarised as follows:

	2020 Thousand Baht	2019 Thousand Baht
Thai Government bonds and the Bank of Thailand's bonds	8,061,533	8,896,889
Bonds guaranteed by Government	2,347,549	1,456,519
Total	10,409,082	10,353,408

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As at 31 December 2020 and 2019, the Branch's capital fund could be summarised as follows:

	2020 Thousand Baht	2019 Thousand Baht
Assets maintained under Section 32	10,409,082	10,353,408
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 *	9,179,449	9,202,829
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	12,436,709	17,247,930
Total	21,616,158	26,450,759
Capital Fund (in thousand Baht)	9,179,449	9,202,829
Capital Adequacy Ratio (%)	34.0	38.3

* As at 31 December 2020, net of funds remitted from head office for losses compensation of Baht 2,024 million (2019: Baht 2,024 million).

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 2020 and 2019, the Branch has no add-on arising from Single Lending Limit.

As at 31 December 2020 and 2019, 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 2020 and 2019, 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 11.00% and 11.00%, 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 2020 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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10 Interbank and money market items, net (assets)

	2020 Thousand Baht	2019 Thousand Baht
Domestic		
The Bank of Thailand	126,765	105,635
Commercial banks	4,918	4,658
Other financial institutions	2,380,000	1,600,000
Total	2,511,683	1,710,293
<u>Add</u> Accrued interest receivable and undue interest receivable	539	836
<u>Less</u> Allowance for expected credit losses	(2,000)	-
Allowance for doubtful accounts	-	(16,000)
Total domestic, net	2,510,222	1,695,129
Foreign		
US Dollar	46,517	13,749
Japanese Yen	2,301	-
Euro	2,865	5,726
Other currencies	1,308	4,078
<u>Less</u> Allowance for expected credit losses	(5)	-
Total foreign	52,986	23,553
Total domestic and foreign	2,563,208	1,718,682

11 Financial assets measured at fair value through profit or loss

	2020 Fair value Thousand Baht
Trading assets	
Government and state enterprise securities	914,163
Private debt instruments	732,123
Total	1,646,286

12 Derivatives

12.1 Derivatives held for trading

As at 31 December 2020 and 2019, the fair value and notional amount of derivatives classified by type of risks are as follows:

Type of risk	2020				
	Fair value		Notional amount		Total
	Assets Thousand Baht	Liabilities Thousand Baht	Less than 1 year Thousand Baht	Over 1 year Thousand Baht	
Forward exchange contracts	508,931	272,694	32,987,597	-	32,987,597
Currency swap contracts	-	634,694	6,289,771	1,798,769	8,088,540
Interest rate swap contracts	1,277,462	1,417,571	5,700,000	76,080,000	81,780,000
Credit default swap contracts	-	41,361	700,000	-	700,000
Total	1,786,393	2,366,320	45,677,368	77,878,769	123,556,137

Type of risk	2019				
	Fair value		Notional amount		Total
	Assets Thousand Baht	Liabilities Thousand Baht	Less than 1 year Thousand Baht	Over 1 year Thousand Baht	
Forward exchange contracts	149,695	104,716	50,288,948	-	50,288,948
Currency swap contracts	-	591,172	-	8,088,539	8,088,539
Interest rate swap contracts	687,516	849,963	200,000	62,830,000	63,030,000
Credit default swap contracts	-	37,842	700,000	-	700,000
Total	837,211	1,583,693	51,188,948	70,918,539	122,107,487

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 2020 and 2019, proportions of the notional amount of derivative transactions classified by counterparties, consisted of:

	2020 %	2019 %
Counterparty		
Financial institutions	66.7	67.6
Related parties	33.2	30.9
Third parties	0.1	1.5
Total	100.0	100.0

12.2 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 2020 and 2019, the fair value and notional amount of derivatives designated as fair value hedges were as follows:

Type of risk	2020				
	Fair value		Notional amount		Total
	Assets Thousand Baht	Liabilities Thousand Baht	Less than 1 year Thousand Baht	Over 1 year Thousand Baht	
Interest rate	-	72,543	5,271,570	1,091,569	6,363,139
Total	-	72,543	5,271,570	1,091,569	6,363,139

Type of risk	2019				
	Fair value		Notional amount		Total
	Assets Thousand Baht	Liabilities Thousand Baht	Less than 1 year Thousand Baht	Over 1 year Thousand Baht	
Interest rate	-	66,062	-	6,363,139	6,363,139
Total	-	66,062	-	6,363,139	6,363,139

For the fair value hedges, the carrying amount at 31 December 2020 relating to the assets designated as hedged items were Baht 6,474 million (2019: Baht 6,486 million). The hedged items were mainly fixed rate debt securities (financial assets).

"Hedge ineffectiveness" represents the amount by which the changes in the fair value of the hedging instrument differ from changes in the fair value of a benchmark hedging instrument that is a perfect match. The amount of ineffectiveness is recognised immediately in profit or loss. The sources of ineffectiveness for fair value hedges include imperfect relationship or matching between the hedging instrument and the risk being hedged as well as the effect of credit risk existing in the hedging instrument.

13 Investments, net

13.1 Classification of investment in securities

As at 31 December 2020 and 2019, investments classified by investment types, consisted of:

	2020
	Amortised cost Thousand Baht
Investments in debt instruments measured at amortised cost	
Government and state enterprise securities	10,409,081
Corporate debt securities	-
Total	10,409,081
Less Allowance for expected credit losses	(360)
Total	10,408,721

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	<u>2020</u>
	<u>Fair value</u>
	<u>Thousand Baht</u>
Investments in debt instruments measured at fair value through other comprehensive income	
Government and state enterprise securities	10,715,937
Corporate debt securities	<u>3,021,474</u>
Total *	<u>13,737,411</u>
* Allowance for expected credit losses amounting to Baht 1.0 million	
Total investments, net	<u>24,146,132</u>

	<u>2019</u>
	<u>Fair value</u>
	<u>Thousand Baht</u>
Trading investments	
Government and state enterprise securities	1,290,792
Corporate debt securities	<u>731,261</u>
Total	<u>2,022,053</u>
Available-for-sale investments	
Government and state enterprise securities	26,278,307
Corporate debt securities	<u>4,481,793</u>
Total	<u>30,760,100</u>
Total investments, net	<u>32,782,153</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 9 and Note 26.

13.2 Unrealised gains (losses) on remeasurement of investments in debt instruments measured at fair value through other comprehensive income and available-for-sale investments, consisted of:

	<u>2020</u>	<u>2019</u>
	<u>Fair value</u>	<u>Fair value</u>
	<u>Thousand</u>	<u>Thousand</u>
	<u>Baht</u>	<u>Baht</u>
Unrealised gains from changes in value of investments in debt instruments measured at FVOCI	158,421	-
Unrealised gains on remeasurement available-for-sale investments in debt securities	-	207,362
<u>Less</u> Fair value changes in fair value hedged investments	-	(76,220)
Deferred tax	<u>(31,684)</u>	<u>(26,228)</u>
Net	<u>126,737</u>	<u>104,914</u>

14 Loans to customers and accrued interest receivable, net

14.1 Classified by type of loans

	2020 Thousand Baht	2019 Thousand Baht
Overdrafts	52,582	107,519
Loans	16,559,692	11,490,321
Bills	188,180	110,413
Others	449	267
Total loans to customers	16,800,903	11,708,520
Add Accrued interest receivable	7,045	26,420
Total loans to customers and accrued interest receivable	16,807,948	11,734,940
Less Allowance for expected credit losses	(378,284)	-
Less Allowance for doubtful accounts		
- BoT's minimum requirement - Individual approach	-	(216,520)
- Surplus reserve	(12,773)	(102,155)
Total loans to customers and accrued interest receivable, net	16,416,891	11,416,265

14.2 Classified by currencies and residencies of borrowers

	2020 Thousand Baht	2019 Thousand Baht
Domestic		
Baht	14,698,306	11,708,520
US Dollar	2,102,597	-
Other currencies	-	-
Total	16,800,903	11,708,520

14.3 Classified by loan classification

	2020 Loans to customers and accrued interest receivables Thousand Baht
Financial assets with an insignificant increase in credit risk ("Performing")	11,791,696
Financial assets with a significant increase in credit risk ("Under-performing")	4,683,139
Credit-impaired financial assets ("Non-performing")	326,068
Total	16,800,903

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	2019			Allowance for doubtful accounts Thousand Baht
	Loans to customers and accrued interest receivables Thousand Baht	Net amount for set up allowance for doubtful accounts Thousand Baht	Rate used for set up allowance for doubtful accounts %	
Minimum allowance as per BoT's regulations				
- Pass	11,373,461	8,463,623	1	84,636
- Special mention	35,411	15,400	2	308
- Doubtful of loss	326,068	131,576	100	131,576
Total	11,734,940	8,610,599		216,520
Surplus reserve				102,155
Total				318,675

14.4 Non-performing loans

As at 31 December 2020 and 2019 the Branch had non-performing loans ("NPLs Gross") (including financial institutions) based on the BoT's notification as follows:

	2020	2019
NPLs, gross (<i>in thousand Baht</i>)	326,068	326,068
Loans used for NPLs ratio calculation ⁽¹⁾ (<i>in thousand Baht</i>)	19,180,903	13,308,520
Percentage of total loans ⁽²⁾	1.70	2.45

(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 expected credit losses and allowance for doubtful accounts of non-performing loans.

As at 31 December 2020 and 2019 the Branch had non-performing loans net ("NPLs Net") (including financial institutions) based on the BoT's notification as follows:

	2020	2019
NPLs, net (<i>in thousand Baht</i>)	194,492	194,492
Loans used for NPLs ratio calculation ⁽¹⁾ (<i>in thousand Baht</i>)	16,669,327	13,176,944
Percentage of total loans ⁽²⁾	1.18	1.48

(1) Total loans used for NPLs, net 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 expected credit losses and allowance for doubtful accounts of non-performing loans.

As at 31 December 2020, allowance for expected credit losses of Baht 132 million have been provided against the Branch's non-performing loans being those classified credit-impaired financial assets (Stage 3).

As at 31 December 2019, allowance for doubtful accounts of Baht 132 million have been provided against the Branch's non-performing loans classified as doubtful of loss.

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15 Allowance for expected credit losses

The following tables show reconciliations from the opening to the closing balance of expected credit loss ("ECL") during the year ended 31 December 2020 analysed by class of financial instruments.

	Allowance for expected credit losses				
	Financial assets with an insignificant increase in credit risk (12-month ECL) Thousand Baht	Financial assets with a significant increase in credit risk (Lifetime ECL-not credit impaired) Thousand Baht	Credit-impaired financial assets (Lifetime ECL-credit impaired) Thousand Baht	Surplus reserve Thousand Baht	Total Thousand Baht
Financial assets held at amortised cost*					
As at 1 January 2020	138,417	43,136	131,576	15,966	329,095
Transfers of financial instruments:					
- Transfer to stage 1	-	(18)	-	-	(18)
- Transfer to stage 2	(7,216)	-	-	-	(7,216)
- Transfer to stage 3	-	-	-	-	-
Transfer between stages	(7,216)	(18)	-	-	(7,234)
Remeasurement	(8,223)	48,739	-	-	40,516
Newly acquired or purchased financial assets	65,983	90,364	-	-	156,347
Assets derecognised (including final repayments)	(9,381)	(24,356)	-	-	(33,737)
Amortisation of surplus reserve	-	-	-	(3,193)	(3,193)
As at 31 December 2020	179,580	157,865	131,576	12,773	481,794
Financial assets measured at fair value through other comprehensive income					
As at 1 January 2020	5,580	-	-	-	5,580
Transfers of financial instruments:					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
Transfer between stages	-	-	-	-	-
Remeasurement	(300)	-	-	-	(300)
Newly acquired or purchased financial assets	115	-	-	-	115
Assets derecognised (including final repayments)	(4,410)	-	-	-	(4,410)
As at 31 December 2020	985	-	-	-	985

* Includes ECL on financial guarantees and loan commitments

16 Allowance for doubtful accounts

Movements in the allowance for doubtful accounts for loans to customers during the year ended 31 December 2019 consisted of:

	2019				
	Pass Thousand Baht	Special mention Thousand Baht	Doubtful of loss Thousand Baht	Allowance established in excess of BoT's regulations Thousand Baht	Total Thousand Baht
Beginning balance	85,283	793	131,576	103,940	321,592
Doubtful accounts (reversal)	(647)	(485)	-	(1,785)	(2,917)
Ending balance	84,636	308	131,576	102,155	318,675

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17 Premises and equipment, net

Changes in premises and equipment during the years ended 31 December 2020 and 2019 were as follows:

	Net book value at 1 January 2020				Cost				Accumulated depreciation				Net book value at 31 December 2020		
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Beginning balance Thousand Baht	Additions/ Transfers in Thousand Baht	Disposals/ Transfers out Thousand Baht	Ending balance Thousand Baht	Beginning balance Thousand Baht	Depreciation Thousand Baht	Transfers out Thousand Baht	Disposals/ Transfers out Thousand Baht	Ending balance Thousand Baht	Thousand Baht	Thousand Baht
Condominium Furniture, fixtures and office equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer equipment	2,510	21,906	46	21,952	19,396	887	-	20,283	1,669	-	-	-	1,669	3,108	-
Vehicles	3,854	16,878	935	17,813	13,024	1,681	(41)	14,705	-	-	(41)	-	-	-	-
Total	6,364	38,825	981	39,765	32,461	2,568	(41)	34,988	4,777	-	-	-	4,777	-	-
	Net book value at 1 January 2019				Cost				Accumulated depreciation				Net book value at 31 December 2019		
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Beginning balance Thousand Baht	Additions/ Transfers in Thousand Baht	Disposals/ Transfers out Thousand Baht	Ending balance Thousand Baht	Beginning balance Thousand Baht	Depreciation Thousand Baht	Transfers out Thousand Baht	Disposals/ Transfers out Thousand Baht	Ending balance Thousand Baht	Thousand Baht	Thousand Baht
Condominium Furniture, fixtures and office equipment	2,086	10,600	-	-	8,514	(10,600)	-	168	8,514	-	(8,682)	-	-	-	-
Computer equipment	4,342	26,206	-	21,906	21,864	(4,300)	(439)	19,396	1,474	(3,942)	-	19,396	2,510	3,854	-
Vehicles	4,452	16,361	956	16,878	11,909	1,554	(439)	13,024	41	-	(4,853)	41	41	-	-
Total	10,880	58,061	956	38,825	47,181	(20,192)	(439)	32,461	3,196	(17,916)	-	32,461	6,364	-	-

The gross carrying amount of the Branch's fully depreciated premises and equipment that was still in use as at 31 December 2020 amounted to Baht 29 million (2019: Baht 28 million).

18 Leases

The statement of financial position shows the following amounts relating to leases.

	<u>2020</u> <u>Thousand Baht</u>
Right-of-use assets, net	
Building	7,313
Vehicles	<u>2,461</u>
Total right-of-use assets, net	<u>9,774</u>
Lease liabilities	
Lease liabilities - Current portion	4,886
Lease liabilities - Non-current portion	<u>5,061</u>
Total lease liabilities	<u>9,947</u>

During the year ended 31 December 2020, there is no additions to the right-of-use assets of the Branch.

For the year ended 31 December 2020, amounts charged to profit or loss and cash flows relating to leases are as follows:

	<u>2020</u> <u>Thousand Baht</u>
Depreciation charge of right-of-use assets	
Building	3,815
Vehicles	<u>1,112</u>
Total	<u>4,927</u>
Finance cost relating to leases	262
Expenses relating to leases of low value assets that are not shown above as short-term leases (included in premises and equipment expenses)	<u>258</u>

The total cash outflow for leases of the Branch during the year ended 31 December 2020 was Baht 5.1 million.

19 Deferred tax assets, net

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

	<u>2020</u> <u>Thousand Baht</u>	<u>2019</u> <u>Thousand Baht</u>
Deferred tax asset to be recovered within 12 months	22,289	12,482
Deferred tax asset to be recovered after more than 12 months	63,974	54,739
Deferred tax liability to be settled within 12 months	(4,824)	(5,394)
Deferred tax liability to be settled after more than 12 months	<u>(28,815)</u>	<u>(20,835)</u>
Net	<u>52,624</u>	<u>40,993</u>

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Movements in total deferred tax assets and liabilities during the year ended 31 December 2020 and 2019 were as follows:

	Adjustments from changes in accounting policies (charged)/ credited to:			(Charged)/ credited to:			At 31 December 2020 Thousand Baht
	At 31 December 2019 Thousand Baht	Deficits (Note 4) Thousand Baht	Other comprehensive income (Note 4) Thousand Baht	At 1 January 2020 Thousand Baht	Profit or loss (Note 39) Thousand Baht	Other comprehensive income (Note 39) Thousand Baht	
Deferred tax assets							
Amortisation of premium on investments	29,010	-	-	29,010	(5,043)	-	23,967
Allowance for expected credit losses	20,430	14,160	-	34,590	7,491	-	42,081
Depreciation of premises and equipment	27	-	-	27	(9)	-	18
Lease liabilities	-	2,953	-	2,953	(964)	-	1,989
Provisions for employee benefits	9,063	-	-	9,063	168	150	9,381
Others	8,691	-	-	8,691	136	-	8,827
Total	67,221	17,113	-	84,334	1,779	150	86,263
Deferred tax liabilities							
Right-of-use assets	-	(2,940)	-	(2,940)	985	-	(1,955)
Unrealised gains on remeasurement of debt instruments classified at FVOCI	(26,228)	-	4,621	(21,607)	-	(10,077)	(31,684)
Total	(26,228)	(2,940)	4,621	(24,547)	985	(10,077)	(33,639)
Net	40,993	14,173	4,621	59,787	2,764	(9,927)	52,624

	(Charged)/ credited to:			
	At 1 January 2019 Thousand Baht	Profit or loss (Note 39) Thousand Baht	Other comprehensive income (Note 39) Thousand Baht	At 31 December 2019 Thousand Baht
Deferred tax assets				
Amortisation of premium on investments	42,474	(13,464)	-	29,010
Allowance for doubtful accounts	20,788	(358)	-	20,430
Depreciation of premises and equipment	36	(9)	-	27
Provisions for employee benefits	6,509	2,084	470	9,063
Unrealised losses on remeasurement available-for-sale investments	5,505	-	(5,505)	-
Others	8,210	481	-	8,691
Total	83,522	(11,266)	(5,035)	67,221
Deferred tax liabilities				
Unrealised gains on remeasurement available-for-sale investments	-	-	(26,228)	(26,228)
Total	-	-	(26,228)	(26,228)
Net	83,522	(11,266)	(31,263)	40,993

20 Other assets, net

	2020 Thousand Baht	2019 Thousand Baht
Accrued interest receivables	123,417	138,036
Others	11,002	4,132
Total	134,419	142,168

21 Deposits

21.1 Classified by type of deposits

	2020 Thousand Baht	2019 Thousand Baht
Current	198,067	436,061
Saving	620,863	577,091
Term		
- Less than 6 months	4,630,258	5,798,884
- More than 6 months but less than 1 year	106,631	80,924
Total	5,555,819	6,892,960

21.2 Classified by currencies and residencies of depositors

	2020			2019		
	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht	Domestic Thousand Baht	Foreign Thousand Baht	Total Thousand Baht
Baht	4,870,179	56,481	4,926,660	6,190,986	75,814	6,266,800
US Dollar	272,804	355,509	628,313	302,255	319,964	622,219
Other currencies	846	-	846	3,941	-	3,941
Total	5,143,829	411,990	5,555,819	6,497,182	395,778	6,892,960

22 Interbank and money market items (liabilities)

	2020 Thousand Baht	2019 Thousand Baht
Domestic		
Commercial banks	6,600,000	6,800,000
Other financial institutions	8,599,912	3,410,365
Total domestic	15,199,912	10,210,365
Foreign		
Baht	182,325	182,113
Total foreign	182,325	182,113
Total domestic and foreign	15,382,237	10,392,478

23 Provisions for employee benefits

Provision for employee benefits comprises of retirement benefits provided to retired employees in accordance with the rules and conditions stipulated under the labour laws applicable in Thailand.

The amounts recognised in the statement of financial positions are determined as follows:

	2020	2019
	Thousand Baht	Thousand Baht
Long term employment benefits		
- Long service award plan	619	572
Post employment benefits		
- Legal severance payment plan	46,287	44,742
Total	46,906	45,314

The movement in the defined benefit obligation during the year is as follows:

	2020	2019
	Thousand Baht	Thousand Baht
Long service award plan		
Beginning balance	572	485
Current service cost	66	54
Past service cost	23	43
Interest costs	8	12
<u>Less</u> Benefit paid during the year	(50)	(22)
Ending balance	619	572
Legal severance payment plan		
Beginning balance	44,742	32,063
Current service cost	5,048	5,476
Past service cost	371	3,955
Interest costs	591	900
Remeasurements from actuarial loss:		
- Financial assumptions	750	2,348
<u>Less</u> Benefit paid during the year	(5,215)	-
Ending balance	46,287	44,742

The amounts recognised in the statements of comprehensive income are as follows:

	2020	2019
	Thousand Baht	Thousand Baht
Current service cost	5,114	5,530
Past service cost	394	3,955
Interest costs	599	912
Remeasurements from actuarial loss	750	2,391
Total	6,857	12,788

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Significant assumptions used in the actuarial calculation are summarised as follows:

	2020	2019
Discount rate	1.1%	1.5%
Salary increase rate		
- Less than 29 years	9.0%	9.0%
- 30 - 39 years	8.0%	8.0%
- 40 - 49 years	7.0%	7.0%
- More than 50 years	5.0%	5.0%

Sensitivity analysis on key assumptions changes are as follows:

	Increase (decrease) in defined employee benefit obligations	
	2020 Thousand Baht	2019 Thousand Baht
Discount rate		
Increase 1%	(2,960)	(2,373)
Decrease 1%	3,270	2,612
Salary rate		
Increase 1%	3,013	2,446
Decrease 1%	(2,792)	(2,271)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the Projected Unit Credit Method at the end of the reporting period) has been applied as when calculating the employment benefits recognised within the statement of financial position.

Maturity profile of post-employment benefits is as follows:

	2020	2019
Duration of the post-employment benefits (Years)	8	8
Maturity analysis of benefits expected to be paid (Thousand Baht)		
Benefits expected to be paid within 12 months	2,180	5,341
Benefits expected to be paid between 1 and 2 years	8,340	2,153
Benefits expected to be paid between 2 and 5 years	12,476	19,060
Benefits expected to be paid in more than 5 years	38,056	35,447

24 Provisions

	2020 Thousand Baht	2019 Thousand Baht
Contractual commitments *		
At 1 January (remeasurement from the first time adoption of TFRS9)	43,759	-
Net change in expected credit loss provision and other movements	45,613	-
Total	88,372	-

* Contractual commitments include the provision for contingent liabilities in respect of financial guarantees and the expected credit loss provision on off-balance sheet guarantees and loan commitments.

25 Other liabilities

	2020 Thousand Baht	2019 Thousand Baht
Accrued expenses	90,873	101,587
Fees income received in advance	-	8,675
Accrued interest payable	25,029	13,665
Withholding tax payable	6,848	10,782
Others	2,443	2,278
Total	125,193	136,987

26 Assets pledged as collateral and under restriction

Assets pledged as collateral and under restriction as at 31 December 2020 consist of government and state enterprise securities amounting to Baht 10,509 million (2019: Baht 10,435 million).

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

27 Commitments and contingent liabilities

Commitments and contingent liabilities as at 31 December 2020 and 2019 were classified as follows:

	2020			2019		
	Baht Thousand Baht	Foreign currency Thousand Baht	Total Thousand Baht	Baht Thousand Baht	Foreign currency Thousand Baht	Total Thousand Baht
Guarantees of loans	-	-	-	-	471,126	471,126
Liability under unmatured import bills	-	1,008	1,008	-	4,452	4,452
Letters of credit	-	13,860	13,860	-	28,826	28,826
Other contingencies	1,229,204	733,692	1,962,896	1,437,067	289,282	1,726,349
Unused credit line of overdrafts	20,618	-	20,618	50,681	-	50,681
Committed line	603,685	1,051,299	1,654,984	1,091,709	1,507,700	2,599,409
Total	1,853,507	1,799,859	3,653,366	2,579,457	2,301,386	4,880,843

The Branch had a commitment for non-cancellable operating leases as at 31 December 2019 as follows:

	2019 Thousand Baht
Within one year	10,915
After one year but within five years	21,309
Total	32,224

28 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 joint 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	Others	Other branches
Other subsidiary companies of the Head office	Others	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

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Significant transactions for the years ended 31 December 2020 and 2019 with key management personnel and related parties were as follows:

	2020 Thousand Baht	2019 Thousand Baht
Interest income		
Head office and other branches of the same juristic person	773	49,161
Subsidiary companies of the Head office	1	1
Total	774	49,162
Fee and service income		
Subsidiary companies of the Head office	-	449
Net gains (losses) on financial instruments measured at fair value through profit or loss		
Head office and other branches of the same juristic person	204,824	-
Subsidiary companies of the Head office	562	-
Total	205,386	-
Net gains (losses) on trading and foreign exchange transactions		
Head office and other branches of the same juristic person	-	(686,215)
Subsidiary companies of the Head office	-	2,743
Total	-	(683,472)
Other operating income		
Subsidiary companies of the Head office	2,008	150
Interest expense		
Head office and other branches of the same juristic person	104,079	202,339
Subsidiary companies of the Head office	-	-
Total	104,079	202,339
Fee and service expenses		
Head office and other branches of the same juristic person	178	-
Subsidiary companies of the Head office	3,164	3,470
Total	3,342	3,470
Other operating expenses		
Head office and other branches of the same juristic person	51,128	51,344
Subsidiary companies of the Head office	3,727	330
Total	54,855	51,674
Key management personnel compensation		
Short term employee benefits	28,520	30,262

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Significant balances with related parties as at 31 December 2020 and 2019 were as follows:

	2020	2019
	Thousand Baht	Thousand Baht
Interbank and money market items (assets)		
Subsidiary companies of the Head office	132	123
Derivative assets (fair value)		
Head office and other branches of the same juristic person	810,777	334,520
Interbank and money market items (liabilities)		
Subsidiary companies of the Head office	18,244	10,576
Derivative liabilities (fair value)		
Head office and other branches of the same juristic person	603,813	330,571
Funds brought in to maintain assets under the Act		
Head office	11,032,710	11,056,090
Balance of inter-office accounts with head office and other branches of the same juristic person, net		
Lendings	-	(60,308)
Placements	(4,553)	(5,672)
Borrowings	12,271,908	17,154,948
Deposits	158,077	147,498
Accrued interest receivables	-	(5)
Accrued interest payables	(6,835)	1,017
Total	12,418,597	17,237,478
	2020	2019
	Thousand Baht	Thousand Baht
Derivatives - Forward exchange contracts (notional amount)		
Head office and other branches of the same juristic person	7,998,037	15,562,229
Subsidiary companies of the Head office	-	2,586
Total	7,998,037	15,564,815
Derivatives - Interest rate swap contracts (notional amount)		
Head office and other branches of the same juristic person	32,335,000	21,425,000
Derivatives - Credit default swap contracts (notional amount)		
Head office and other branches of the same juristic person	700,000	700,000

As at 31 December 2020, the Branch has no lending to Head office (2019: USD 2 million due to mature on 2 January 2020 and carried interest at 1.5% per annum). The Branch received fully amount on maturity date.

As at 31 December 2020, borrowings from head office and other branches were USD 352 million and EUR 209 million (2019: USD 71.1 million, EUR 445 million) due to mature from 4 January 2021 to 18 December 2023 (2019: 4 February 2020 to 28 December 2020) and carried interest between negative 0.53% - 0.93% per annum (2018: negative 0.54% - 2.55% per annum). The Branch paid fully amount on maturity date.

29 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.

30 Interest Income

	2020 Thousand Baht	As previously reported 2019 Thousand Baht	Changes from correction of error Thousand Baht	Restated 2019 Thousand Baht
Interbank and money market items	17,327	80,509	-	80,509
Investments and trading transactions	76,106	81,678	-	81,678
Investments in debt securities	413,936	567,963	(32,135)	535,828
Loans to customers	372,606	411,724	-	411,724
Total interest income	879,975	1,141,874	(32,135)	1,109,739

31 Interest expenses

	2020 Thousand Baht	As previously reported 2019 Thousand Baht	Changes from correction of error Thousand Baht	Restated 2019 Thousand Baht
Deposits	41,995	89,466	-	89,466
Interbank and money market items	88,746	534,304	(373,218)	161,086
Contribution to Deposit Protection Agency	29,286	49,558	-	49,558
Loans from Head Office and other Branches of the same juristic person	104,079	202,339	-	202,339
Lease liabilities	262	-	-	-
Total interest expense	264,368	875,667	(373,218)	502,449

32 Net fees and service income

	2020 Thousand Baht	2019 Thousand Baht
Fees and service income		
- Acceptance, avals and guarantees	8,717	12,820
- Loans related fees	18	6,189
- Commission on bills	192	148
- Others	23,967	19,935
Total fees and service income	32,894	39,092
Fees and service expenses		
- Others	11,398	12,254
Total fees and service expenses	11,398	12,254
Net	21,496	26,838

33 Net losses on financial instruments measured at fair value through profit or loss

	2020 Thousand Baht
Gain (losses) on trading and foreign exchange transactions	
- Foreign currencies and foreign currency related derivatives	(88,566)
- Interest rate related derivatives	(30,130)
- Credit default swap	(47,496)
- Debt securities	11,523
Total gain (losses) on trading and foreign exchange transactions	(154,669)
Gain on hedging transactions	(6,561)
Total net losses on financial instruments measured at fair value through profit or loss	(161,230)

34 Net losses on trading and foreign exchange transactions

	As previously reported 2019 Thousand Baht	Changes from correction of error Thousand Baht	Restated 2019 Thousand Baht
Gain (losses) on trading and foreign exchange transactions			
- Foreign currencies and foreign currency related derivatives	127,574	(341,083)	(213,509)
- Interest rate related derivatives	(131,122)	-	(131,122)
- Credit default swap	(44,739)	-	(44,739)
- Debt securities	92,090	-	92,090
Total gain (losses) on trading and foreign exchange transactions	43,803	(341,083)	(297,280)
Gain on hedging transactions	15,108	-	15,108
Total losses on trading and foreign exchange transactions	58,911	(341,083)	(282,172)

35 Employee benefit expenses

	2020 Thousand Baht	2019 Thousand Baht
Management		
Salaries and bonus	15,913	14,777
Others	12,607	15,485
Total (Note 28)	28,520	30,262
Other employees		
Salaries and bonus	124,547	112,501
Post-employee benefits	6,010	10,354
Others	23,860	16,150
	154,417	139,005
Total	182,937	169,267

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.

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36 Other expenses

	2020	2019
	Thousand Baht	Thousand Baht
Expenses allocated from Head Office	54,501	51,232
Others	13,594	14,028
Total	68,095	65,260

37 Expected credit losses

	2020
	Thousand Baht
Interbank and money market items	(340)
Investments	(4,631)
Loans to customers and accrued interest receivables	107,456
Loan commitments	47,629
Financial guarantees	(2,010)
Total	148,104

38 Bad debts, doubtful accounts expense and impairment loss

	2019
	Thousand Baht
Interbank and money market items	2,917
Loans to customers (reversal) (Note 16)	(2,917)
Total	-

39 Income tax

Income tax recognised in profit or loss

	2020 Thousand Baht	2019 Thousand Baht
Current tax expense		
Current year	25,998	26,822
Deferred tax expense		
Movements in temporary differences (Note 19)	(2,764)	11,266
Total	23,234	38,088

Income tax expense recognised in other comprehensive income

	2020			2019		
	Before tax Thousand Baht	Tax (expense) benefit Thousand Baht	Net of tax Thousand Baht	Before tax Thousand Baht	Tax (expense) benefit Thousand Baht	Net of tax Thousand Baht
Investments measured at FVOCI	50,385	(10,077)	40,308	-	-	-
Available-for-sale investments	-	-	-	158,666	(31,733)	126,933
Defined benefit plan actuarial losses	(750)	150	(600)	(2,348)	470	(1,878)
Total	49,635	(9,927)	39,708	156,318	(31,263)	125,055

Reconciliation of effective tax rate

	2020		2019	
	Rate (%)	Thousand Baht	Rate (%)	Thousand Baht
Profit before income tax expense		115,712		190,120
Income tax using the Thai corporation tax rate	20.0	23,142	20.0	38,024
Expenses not deductible for tax purposes	0.08	91	0.03	64
Total	20.08	23,234	20.03	38,088