

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**

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



KPMG Phoomchai Audit Ltd.  
Empire Tower, 50<sup>th</sup>-51<sup>st</sup> Floors  
1 South Sathorn Road, Yannawa  
Sathorn, Bangkok 10120, Thailand  
Tel +66 2677 2000, Fax +66 2677 2222

บริษัท เคพีเอ็มจี ภูมิภาค ไทย สอบบัญชี จำกัด  
ชั้น 50-51 เอ็มไพร์ทาวเวอร์  
1 ถนนสาทรใต้ แขวงยานนาวา  
เขตสาทร กรุงเทพฯ 10120  
โทร +66 2677 2000 แฟกซ์ +66 2677 2222

## Independent Auditor's Report

### To the Management of Deutsche Bank Aktiengesellschaft, Bangkok Branch

#### *Opinion*

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

In my opinion, the accompanying financial statements present fairly, in all material respects, the assets used in, and liabilities arising out of, the Branch's operations in Thailand as at 31 December 2017 and its financial performance and cash flows in Thailand for the year then ended in accordance with the Thai Financial Reporting Standard (TFRSs).

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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



### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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.

*Chanchai S.*

(Chanchai Sakulkoedsin)  
Certified Public Accountant  
Registration No. 6827

KPMG Phoomchai Audit Ltd.  
Bangkok  
27 April 2018

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Statement of financial position**

Assets	Note	31 December	
		2017	2016
		<i>(in thousand Baht)</i>	
Cash		28,091	29,915
Interbank and money market items, net	7	22,029,672	15,324,947
Derivative assets	8	14,670,279	20,982,436
Investments, net	9	26,988,816	24,457,467
Loans to customers and accrued interest receivables, net	10		
Loans to customers		19,061,900	18,524,939
Accrued interest receivables		42,134	39,275
Total loans to customers and accrued interest receivables		19,104,034	18,564,214
Less allowance for doubtful accounts	10.4, 11	(307,346)	(345,334)
Total loans to customers and accrued interest receivables, net		18,796,688	18,218,880
Leasehold building improvements and equipment, net	12	49,613	85,614
Deferred tax assets, net	13	152,644	142,359
Trading securities receivable		1,707,662	952,335
Collateral per Credit Support Annex		274,339	-
Other assets	14	125,071	110,448
<b>Total assets</b>		<b>84,822,875</b>	<b>80,304,401</b>

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Statement of financial position

Liabilities and accounts with head office and other branches of the same juristic person	Note	31 December	
		2017	2016
		<i>(in thousand Baht)</i>	
<b>Liabilities</b>			
Deposits	16	37,162,602	24,917,546
Interbank and money market items	17	5,154,940	4,313,652
Liabilities payable on demand		852,226	1,418,757
Liabilities to deliver security		295,130	239,897
Derivative liabilities	8	14,148,382	20,715,106
Debt issued and borrowings	18	488,161	464,675
Provisions against derivative products	19	74,085	68,282
Employee benefit obligations		76,646	74,938
Trading securities payable		530,723	667,058
Collateral per Credit Support Annex		-	282,235
Other liabilities	20, 31	<u>1,212,348</u>	<u>1,283,770</u>
<b>Total liabilities</b>		<b><u>59,995,243</u></b>	<b><u>54,445,916</u></b>
<b>Accounts with head office and other branches of the same juristic person</b>			
Funds brought in to maintain assets under the Act	6, 22	17,800,000	17,800,000
Balance of inter-office accounts with head office and other branches of the same juristic person, net	6, 22	6,943,854	7,550,782
Retained earnings		<u>83,778</u>	<u>507,703</u>
<b>Total accounts with head office and other branches of the same juristic person</b>		<b><u>24,827,632</u></b>	<b><u>25,858,485</u></b>
<b>Total liabilities and accounts with head office and other branches of the same juristic person</b>		<b><u>84,822,875</u></b>	<b><u>80,304,401</u></b>

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

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Statement of profit or loss and other comprehensive income**

		Year ended 31 December	
	Note	2017	2016
		<i>(in thousand Baht)</i>	
Interest income	22, 24	923,365	1,007,530
Interest expense	22, 25	852,949	1,182,604
<b>Net interest income</b>		<b>70,416</b>	<b>(175,074)</b>
Fees and service income		305,227	320,104
Fees and service expenses		88,833	95,996
<b>Net fees and service income</b>	26	<b>216,394</b>	<b>224,108</b>
Net gains on trading and foreign exchange transactions	27	904,986	1,163,265
Other operating income	22	63,444	143,108
<b>Total operating income</b>		<b>1,255,240</b>	<b>1,355,407</b>
<b>Other operating expenses</b>			
Employee expenses	22, 29	419,761	359,965
Premises and equipment expenses		139,448	156,097
Taxes and duties		27,294	29,314
Expenses allocated from head office	22	502,359	439,922
Other expenses	31	233,195	110,881
<b>Total other operating expenses</b>		<b>1,322,057</b>	<b>1,096,179</b>
Bad debts, doubtful accounts and impairment loss	28	19,684	69,647
<b>Profit (loss) from operations before income tax</b>		<b>(86,501)</b>	<b>189,581</b>
Income tax	30	4,424	45,069
<b>Profit (loss) for the year</b>		<b>(90,925)</b>	<b>144,512</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>(90,925)</b>	<b>144,512</b>

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

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Statement of changes in accounts with head office and other branches of the same juristic person

	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 <i>(in thousand Baht)</i>	Retained earnings	Total
<b>Year ended 31 December 2016</b>					
<b>Balance at 1 January 2016</b>		17,800,000	10,830,511	363,191	28,993,702
<b>Comprehensive income for the year</b>		-	-	144,512	144,512
Profit for the year		-	-	144,512	144,512
<b>Total comprehensive income for the year</b>		-	-	144,512	144,512
Change in balance of inter-office accounts with head office and other branches of the same juristic person, net		-	(3,279,729)	-	(3,279,729)
<b>Balance at 31 December 2016</b>		17,800,000	7,550,782	507,703	25,858,485
<b>Year ended 31 December 2017</b>					
<b>Balance at 1 January 2017</b>		17,800,000	7,550,782	507,703	25,858,485
<b>Comprehensive income for the year</b>		-	-	(90,925)	(90,925)
Loss for the year		-	-	(90,925)	(90,925)
<b>Total comprehensive income for the year</b>		-	-	(90,925)	(90,925)
Change in balance of inter-office accounts with head office and other branches of the same juristic person, net		-	(606,928)	-	(606,928)
Profit remitted to head office	22	-	-	(299,700)	(299,700)
Income tax on remitted profits		-	-	(33,300)	(33,300)
<b>Balance at 31 December 2017</b>		17,800,000	6,943,854	83,778	24,827,632

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

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Statement of cash flows**

Year ended 31 December  
2017                      2016  
*(in thousand Baht)*

***Cash flows from operating activities***

Profit (loss) from operations before income tax	(86,501)	189,581
<b><i>Adjustments to reconcile profit (loss) from operations before income tax to net cash provided by (used in) operating activities</i></b>		
Depreciation	38,175	38,113
Bad debt, doubtful accounts and impairment loss	19,684	69,647
Losses (gains) on revaluation of securities	28,838	(5,307)
Losses on disposal of equipment	764	124
Unrealised gains on forward and derivative contracts, net	(254,567)	(3,748,000)
Increase (decrease) in provision against derivative products	5,803	(18,083)
Decrease in liquidity provision for investments	-	(1,420)
Net interest income	(70,416)	175,074
Proceeds from interest received	879,281	1,017,271
Interest paid	(764,097)	(644,387)
Income tax paid	(14,708)	(19,669)
<b>Losses from operations before changes in operating assets and liabilities</b>	<b>(217,744)</b>	<b>(2,947,056)</b>

***Decrease (increase) in operating assets***

Interbank and money market items	(6,702,579)	(774,437)
Investment in trading securities	(2,560,187)	5,176,555
Loans to customers	(599,420)	4,018,106
Collateral per Credit Support Annex	(274,339)	-
Trading securities receivables	(755,326)	76,271
Other assets	29,242	(6,869)

***Increase (decrease) in operating liabilities***

Deposits	12,245,056	(461,373)
Interbank and money market items	841,288	(1,156,131)
Liabilities payable on demand	(566,531)	(493,175)
Liabilities to deliver security	55,233	(254,286)
Employee benefit obligations	1,708	3,074
Collateral per Credit Support Annex	(282,235)	(204,422)
Trading securities payables	(136,335)	177,037
Other liabilities	(136,789)	120,489
<b>Net cash provided by operating activities</b>	<b>941,042</b>	<b>3,273,783</b>

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



**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Statement of cash flows**

	Year ended 31 December	
	2017	2016
	<i>(in thousand Baht)</i>	
<b><i>Cash flows from investing activities</i></b>		
Purchase of equipment	<u>(2,938)</u>	<u>(7,312)</u>
<b>Net cash used in investing activities</b>	<b><u>(2,938)</u></b>	<b><u>(7,312)</u></b>
<b><i>Cash flows from financing activities</i></b>		
Profit remitted to head office	(299,700)	-
Income tax paid on profit remitted to head office	(33,300)	-
Decrease in balance of inter-office accounts with head office and other branches of the same juristic person, net	<u>(606,928)</u>	<u>(3,279,729)</u>
<b>Net cash used in financing activities</b>	<b><u>(939,928)</u></b>	<b><u>(3,279,729)</u></b>
<b>Net decrease in cash</b>	<b>(1,824)</b>	<b>(13,258)</b>
Cash at 1 January	<u>29,915</u>	<u>43,173</u>
<b>Cash at 31 December</b>	<b><u>28,091</u></b>	<b><u>29,915</u></b>

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

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

<b>Note</b>	<b>Contents</b>
1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Financial risk management
5	Fair value of financial assets and liabilities
6	Maintenance of capital fund
7	Interbank and money market items, net (assets)
8	Derivatives
9	Investments, net
10	Loans to customers and accrued interest receivables, net
11	Allowance for doubtful accounts
12	Leasehold building improvements and equipment, net
13	Deferred tax assets, net
14	Other assets
15	Classified assets
16	Deposits
17	Interbank and money market items (liabilities)
18	Debt issued and borrowings
19	Provisions against derivative products
20	Other liabilities
21	Commitments and contingent liabilities
22	Related parties
23	The financial position and results of operations classified by domestic and foreign business
24	Interest income
25	Interest expenses
26	Net fees and service income
27	Net gains on trading and foreign exchange transactions
28	Bad debts, doubtful accounts and impairment loss
29	Employee expenses
30	Income tax
31	Events after the reporting period

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the year ended 31 December 2017

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the management of Deutsche Bank Aktiengesellschaft, Bangkok Branch (“the Branch”) on 27 April 2018.

### 1 General information

The Branch was granted a license by the Ministry of Finance to carry out domestic banking business in Thailand under the Commercial Banking Act. The Branch was granted a license to undertake its commercial banking business in October 1988.

The Branch has its registered office at 63 Athenee Tower, Wireless Road, Lumpini, Phatumwan, Bangkok.

### 2 Basis of preparation of the financial statements

The Branch is a part of Deutsche Bank Aktiengesellschaft and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

#### (a) *Statement of compliance*

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRSs”); guidelines promulgated by the Federation of Accounting Professions (“FAP”) and presented as prescribed by the Bank of Thailand (“BoT”) notification number Sor Nor Sor. 21/2558, directive dated 4 December 2015, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are the parent company of a group of companies offering financial services”.

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

In addition to the above new and revised TFRSs, the FAP has issued a number of other new and revised TFRSs which are effective for annual financial periods beginning on or after 1 January 2018 and have not been adopted in the preparation of these financial statements.

The Branch has made a preliminary assessment of the potential initial impact on the Branch’s financial statements of these new and revised TFRSs and expects that there will be no material impact on the financial statements in the period of initial application.

#### (b) *Basis of measurement*

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

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the year ended 31 December 2017

### (c) *Functional and presentation currency*

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

### (d) *Use of judgements and estimates*

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

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

#### *Assumptions and estimation uncertainties*

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustments to the amounts recognised in the financial statements is included in the following notes:

Note 5	Fair value of financial assets and liabilities
Note 8	Derivatives
Note 11	Allowance for doubtful accounts

#### *Measurement of fair values*

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

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

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

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

## 3 Significant accounting policies

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

### (a) *Foreign currencies*

#### *Foreign currency transactions*

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

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

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

**(b) Cash**

Cash comprise cash on hand and cash on collection.

**(c) Investments**

*Investments in debt securities and equity securities*

Debt securities and marketable equity 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 and marketable equity securities, other than those securities held for trading, are classified as available-for-sale investments. Available-for-sale investments, are subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in 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.

Equity securities which are not marketable are stated at cost less any impairment losses.

The fair value of investments classified as held-for-trading and available-for-sale is determined as the quoted investments bid price at the reporting date.

*Initial recognition*

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

*Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in 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 weighted average method applied to the carrying value of the total holding of the investment.

**(d) Loans to customers**

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the year ended 31 December 2017

### (e) *Allowance for doubtful accounts*

The Branch provides allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of loans and receivables. The estimated losses are based on historical collection experience and a review of the current status of the loans and receivables.

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 regulations.

Based on the BoT's regulations, the Branch has classified its loan portfolios into six categories, primarily based on the non-accrual period. For loans classified as Pass and Special Mention, the calculation of allowances for doubtful accounts is based on the regulatory minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans classified as Substandard, 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 BoT criteria.

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

Bad debts written off or recovered are recorded as charges or credit, respectively, to the allowance for doubtful accounts.

### (f) *Leasehold building improvements and equipment*

#### *Recognition and measurement*

##### *Owned assets*

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

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

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

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

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

*Subsequent costs*

The cost of replacing a part of an item of leasehold building improvements and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the 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 leasehold building improvements and equipment are recognised in profit or loss as incurred.

*Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or replacement 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 assets. The estimated useful lives are as follows:

Leasehold building improvements	10 years (or remaining lease term)
Furniture, fixtures and office equipment	4 - 20 years

No depreciation is provided on assets under construction.

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

**(g) *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 revaluation credited to account with the accounts with head office and other branches of the same juristic person, in which case it is charged to the accounts with head office and other branches of the same juristic person.

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

*Calculation of recoverable amount*

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

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Notes to the financial statements

For the year ended 31 December 2017

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

#### *Reversals of impairment*

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

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

#### **(h) *Derivative financial instruments***

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

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. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, 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 interest rate swaps is based on broker quotes at the reporting date. Those quotes are tested for reasonableness by discounting estimated 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 forward exchange contracts is based on their listed market price at the reporting date, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate such as government bonds.

#### *Embedded derivatives*

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Branch accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of embedded derivative are not closely related to the economic characteristics and risks of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in statements of financial position together with the host contract.



**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**(i) Provisions against derivative products**

Certain provisions have been established against the Branch's derivative products in order to reflect an economic assessment of their value to the Branch. The most significant provisions are as follows:

- Liquidity provision; the liquidity provision has been established in order to cover any potential costs that would be incurred if the Branch had to close out the portfolio.
- Funding cost provision; the funding cost provision has been established to reflect the cost of obtaining domestic funding from the onshore swap market.
- Other provision; the other provision has been established in order to cover any market risk under normal market conditions (Value at Risk) and potential defaults under contractual agreements (default risk).

**(j) 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.

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.

- Severance payment

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

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

- Other long-term benefits

*Long service award*

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

*Termination benefits*

Termination benefits are expected at the earlier of when the Branch can no longer withdraw the offer of those benefits and when the Branch recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

*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.

**(k) *Share-based payments***

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

**(l) *Provisions***

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

**(m) *Interest income recognition***

The Branch recognises interest income on loans to customer as income on an accruals basis, except for interest income on non-performing loans, including accounts where principal or interest payments are more than three months overdue, is recognised when received. In accordance with the BoT's regulations, interest in arrears more than three months overdue, regardless of whether it is covered by collateral is reversed from profit or loss.

Interest income on deposits and investments is recognised on an accruals basis.

**(n) *Interest expense recognition***

The Branch recognises interest expenses on an accruals basis.

# **Deutsche Bank Aktiengesellschaft, Bangkok Branch**

## **Notes to the financial statements**

**For the year ended 31 December 2017**

### **(o) *Income tax***

Income tax expense for the year comprises current and deferred tax. Current tax 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 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 judgments about future events. New information may become available that causes the Branch to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

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

### **(p) *Liabilities to deliver security***

The Branch records liabilities to deliver security in the statements of financial position as liabilities for short selling securities.

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the year ended 31 December 2017

### (q) *Offsetting*

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

## 4 Financial risk management

### *Financial risk management policies*

The Branch uses a comprehensive range of quantitative tools for monitoring and managing its major risks. Some of these tools are common to a number of risk factors, while others are tailored to the particular features of specific risk categories. These quantitative tools generate information to quantify the susceptibility of the market value of single positions or portfolios to changes in market parameters (sensitivity analysis), measure aggregate risk using statistical techniques, and capture exposure to risks from extreme movements in market prices through scenario analysis.

The most important risks the Branch is exposed to are credit risk, market risk and liquidity risk. These 3 categories of risks are further described below:

### 4.1 Credit risk

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower or obligor (which refer to collectively as “counterparties”) exist. These transactions are typically part of traditional non-traded lending activities (such as loans to customers and contingent liabilities), or direct trading activity with clients (such as Over-the-counter derivatives, Foreign exchange forwards and Forward Rate Agreements). Some are related to positions in traded credit products (such as bonds). “Traded Default Risk” is managed using both credit and market risk parameters. Credit risk can be categorised into three types as follow:

- Default risk is the risk that counterparties fail to meet contractual payment obligations.
- Country risk is the risk that the Branch may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalisation and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
- Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

Off-financial reporting of financial instruments classified by types of instruments at regulatory credit equivalent as at 31 December 2017 and 2016 were as follow:

	2017	2016
	<i>(in thousand Baht)</i>	
Foreign exchange forward and currency swap contracts	9,032,316	11,323,417
Interest rate swap, forward rate contracts and interest rate option contracts	4,284,834	4,942,549
<b>Total</b>	<b><u>13,317,150</u></b>	<b><u>16,265,966</u></b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

The Branch measures and manages credit risk by following philosophy and principles:

- The key principle of credit risk management is client due diligence, which is aligned with country and industry portfolio strategies. Prudent client selection is achieved in collaboration with business line counterparts as a first line of defense. In the Group, consistent standards are applied in the respective credit decision processes.
- The Branch actively aims to prevent undue concentration and long tail-risks (large unexpected losses) by ensuring a diversified and marketable credit portfolio, effectively protecting the Branch's capital in all market conditions. Client, industry, country and product-specific concentrations are actively assessed and managed against the Branch's risk appetite.
- The Branch aims to avoid large directional credit risk on a counterparty and portfolio level by applying stringent underwriting standards combined with a pro-active hedging and distribution model and collateralisation of existing portfolio where feasible.
- The Branch is selective in taking outright cash risk positions unless secured, guaranteed and/or adequately hedged. Exceptions to this general principle are lower risk, short-term transactions and facilities supporting specific trade finance requests as well as low risk businesses where the margin allows for adequate loss coverage.
- The Branch aims to secure derivative portfolio through collateral agreements and may additionally hedge concentration risks to further mitigate credit risks from underlying market movements.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level. The Branch assigns credit approval authorities to individuals according to their qualifications, experience and training, and the Branch reviews these periodically.

#### **4.2 Market risk**

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, foreign exchange rates, equity prices and commodity price), the correlations among them and their levels of volatility.

##### *Risk management objectives, policies and processes for managing the risk*

Deutsche Bank Global Group entities, including the Group and the Branch use a combination of risk sensitivities, Value at Risk (VaR), stress testing and economic capital metrics to manage market risks and establish limits. Steered by the Group Risk Committee, the Market Risk Management team, which is part of independent risk management function, is responsible for managing the market risk of the Branch. Limits set appropriate to the risk appetite in terms of VaR are communicated to the appropriate personnel through the limits policy and current limit structure for each business division.

The majority of the interest rate and foreign exchange risks arising from non-trading assets and liability positions has been transferred through internal hedges to Global Markets team and is thus managed on the basis of value-at-risk as reflected in trading value-at-risk numbers. For the remaining risks that have not been transferred through those hedges, such as foreign exchange risk, it is mitigated by matching the funding of investment in the same currency.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**(a) Interest rate risk**

Interest rate risk refers to the risk that arises from the change in interest rates which may affect the value of the Branch's financial instruments or may cause volatility in the Branch's earnings or fluctuation in the value of the Branch's financial assets and liabilities both in the current reporting period, and in future years. Interest rate risk also arises from the structure and characteristics of the Branch's assets, liabilities and the accounts with head office and other branches of the same juristic person.

Significant financial assets and liabilities classified by types of interest rate are as follows:

	2017			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in thousand Baht)</i>			
<b>Financial assets</b>				
Cash	-	-	28,091	28,091
Interbank and money market items*	34,296	21,685,857	381,977	22,102,130
Investments, net	4,693,234	22,295,582	-	26,988,816
Loans to customers and accrued interest receivables**	-	15,351,482	3,752,552	19,104,034
Trading securities receivable	-	-	1,707,662	1,707,662
Collateral per Credit Support Annex	274,339	-	-	274,339
Other assets	-	-	69,182	69,182
<b>Total financial assets</b>	<b>5,001,869</b>	<b>59,332,921</b>	<b>5,939,464</b>	<b>70,274,254</b>
<b>Financial liabilities</b>				
Deposits	18,095,664	7,969,254	11,097,684	37,162,602
Interbank and money market items	1,057,810	4,037,855	59,275	5,154,940
Liabilities payable on demand	-	-	852,226	852,226
Debt issued and borrowings	-	488,161	-	488,161
Trading securities payable	-	-	530,723	530,723
Other liabilities	-	-	873,808	873,808
<b>Total financial liabilities</b>	<b>19,153,474</b>	<b>12,495,270</b>	<b>13,413,716</b>	<b>45,062,460</b>
<b>Effect of derivatives held for risk management</b>	<b>4,658,588</b>	<b>(4,658,588)</b>	<b>(172,752,668)</b>	<b>(172,752,668)</b>

\* Before deducting allowance for doubtful accounts amounting to Baht 72.46 million

\*\* Including non-performing loans

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

	2016			Total
	Floating interest rate	Fixed interest rate <i>(in thousand Baht)</i>	Non interest bearing	
<b>Financial assets</b>				
Cash	-	-	29,915	29,915
Interbank and money market items*	485,469	14,517,048	399,675	15,402,192
Investments, net	3,394,454	21,063,013	-	24,457,467
Loans to customers and accrued interest receivables**	23,854	15,925,567	2,614,793	18,564,214
Trading securities receivable	-	-	952,335	952,335
Other assets	-	-	25,662	25,662
<b>Total financial assets</b>	<b><u>3,903,777</u></b>	<b><u>51,505,628</u></b>	<b><u>4,022,380</u></b>	<b><u>59,431,785</u></b>
<b>Financial liabilities</b>				
Deposits	16,911,438	1,258,113	6,747,995	24,917,546
Interbank and money market items	898,159	3,283,834	131,659	4,313,652
Liabilities payable on demand	-	-	1,418,757	1,418,757
Debt issued and borrowings	-	464,675	-	464,675
Trading securities payable	-	-	667,058	667,058
Collateral per Credit Support Annex	282,235	-	-	282,235
Other liabilities	-	-	808,442	808,442
<b>Total financial liabilities</b>	<b><u>18,091,832</u></b>	<b><u>5,006,622</u></b>	<b><u>9,773,911</u></b>	<b><u>32,872,365</u></b>
<b>Effect of derivatives held for risk management</b>	<b><u>13,380,132</u></b>	<b><u>(13,380,132)</u></b>	<b><u>(227,654,583)</u></b>	<b><u>(227,654,583)</u></b>

\* Before deducting allowance for doubtful accounts amounting to Baht 77.24 million

\*\* Including non-performing loans

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

Details of interest rate risk based on the period to the earlier of the contractual repricing date or maturity at 31 December 2017 and 2016 were as follows:

	2017								
	On demand	Less than 3 months	3 months to 1 year	1 to 5 years (in thousand Baht)	Over 5 years	Non-interest bearing	Non-accrual loans	Total	Average interest rate (% per annum)
<b>Financial assets</b>									
Cash	-	-	-	-	-	28,091	-	28,091	-
Interbank and money market items*	34,296	21,629,003	56,854	-	-	381,977	-	22,102,130	0.98
Investments, net	-	5,292,265	10,874,455	9,961,055	861,041	-	-	26,988,816	1.46
Loans to customers and accrued interest receivables**	1,451,267	11,542,179	3,148,798	628,380	32,125	2,247,744	53,541	19,104,034	3.32
Trading securities receivable	-	-	-	-	-	1,707,662	-	1,707,662	-
Collateral per Credit Support Annex	274,339	-	-	-	-	-	-	274,339	1.41
Other assets	-	-	-	-	-	69,182	-	69,182	-
<b>Total financial assets</b>	<b>1,759,902</b>	<b>38,463,447</b>	<b>14,080,107</b>	<b>10,589,435</b>	<b>893,166</b>	<b>4,434,656</b>	<b>53,541</b>	<b>70,274,254</b>	
<b>Financial liabilities</b>									
Deposits	18,096,537	7,347,221	621,160	-	-	11,097,684	-	37,162,602	0.11
Interbank and money market items	457,810	3,745,142	92,713	-	800,000	59,275	-	5,154,940	2.35
Liabilities payable on demand	-	-	-	-	-	852,226	-	852,226	-
Debt issued and borrowings	-	-	488,161	-	-	-	-	488,161	6.50
Trading securities payable	-	-	-	-	-	530,723	-	530,723	-
Other liabilities	-	-	-	-	-	873,808	-	873,808	-
<b>Total financial liabilities</b>	<b>18,554,347</b>	<b>11,092,363</b>	<b>1,202,034</b>	<b>-</b>	<b>800,000</b>	<b>13,413,716</b>	<b>-</b>	<b>45,062,460</b>	
<b>Effect of derivatives held for risk management</b>	<b>-</b>	<b>21,257,801</b>	<b>(1,916,129)</b>	<b>(16,480,140)</b>	<b>(2,861,532)</b>	<b>(172,752,668)</b>	<b>-</b>	<b>(172,752,668)</b>	

\* Before deducting allowance for doubtful accounts amounting to Baht 72.46 million

\*\* Including non-performing loans



**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

	2016						Non-accrual loans	Total	Average interest rate (% per annum)
	On demand	Less than 3 months	3 months to 1 year	1 to 5 years (in thousand Baht)	Over 5 years	Non-interest bearing			
<b>Financial assets</b>									
Cash	-	-	-	-	-	29,915	29,915	-	
Interbank and money market items*	485,469	14,451,592	65,456	-	-	399,675	15,402,192	1.07	
Investments, net	-	5,939,490	12,142,852	6,161,300	213,825	-	24,457,467	1.22	
Loans to customers and accrued interest receivables**	768,738	13,207,603	1,098,096	862,786	12,198	2,498,793	18,564,214	3.13	
Trading securities receivable	-	-	-	-	-	952,335	952,335	-	
Other assets	-	-	-	-	-	25,662	25,662	-	
<b>Total financial assets</b>	<b>1,254,207</b>	<b>33,598,685</b>	<b>13,306,404</b>	<b>7,024,086</b>	<b>226,023</b>	<b>3,906,380</b>	<b>59,431,785</b>		
<b>Financial liabilities</b>									
Deposits	16,912,311	1,228,000	29,240	-	-	6,747,995	24,917,546	0.12	
Interbank and money market items	298,159	2,989,455	94,379	-	800,000	131,659	4,313,652	2.84	
Liabilities payable on demand	-	-	-	-	-	1,418,757	1,418,757	-	
Debt issued and borrowings	-	-	-	464,675	-	-	464,675	6.50	
Trading securities payable	-	-	-	-	-	667,058	667,058	-	
Collateral per Credit Support Annex	282,235	-	-	-	-	-	282,235	1.42	
Other liabilities	-	-	-	-	-	808,442	808,442	-	
<b>Total financial liabilities</b>	<b>17,492,705</b>	<b>4,217,455</b>	<b>123,619</b>	<b>464,675</b>	<b>800,000</b>	<b>9,773,911</b>	<b>32,872,365</b>		
<b>Effect of derivatives held for risk management</b>	-	<b>17,712,286</b>	<b>65,886</b>	<b>(18,581,126)</b>	<b>802,954</b>	<b>(227,654,583)</b>	<b>(227,654,583)</b>		

\* Before deducting allowance for doubtful accounts amounting to Baht 77.24 million

\*\* Including non-performing loans

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**(b) Foreign currency risk**

The Branch is exposed to foreign currency risk through transactions in foreign currencies and through the translation of assets and liabilities denominated in foreign currencies into Thai Baht at the reporting date.

As at 31 December 2017 and 2016, the Branch has financial assets (liabilities) denominated in various currencies, in Baht equivalent, as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
<b>Net foreign currency exposure*</b>		
US Dollar	(341,365,366)	1,415,910,586
Euro	(79,492,399)	(165,799,339)
Others	(20,702,087)	(94,925,751)

\* Including long-term borrowing from head office to maintain assets under Act amounting to Baht 17,800 million (2016: Baht 17,800 million) and including non-performing loans amounting to Baht 53.54 million (2016: Baht 58.70 million).

**4.3 Liquidity risk**

Liquidity risk management safeguards ability to meet all payment obligations when they come due.

In Thailand, the Branch manages its liquidity position under the Bank of Thailand's liquidity reserve regulations and other applicable regulations. Treasury function is responsible for the management of liquidity and funding risk of Deutsche Bank globally as defined in the liquidity risk strategy. The liquidity risk management framework is designed to identify, measure and manage the liquidity risk position of the Group. Liquidity risk management is discussed at the Asset and Liability Committee "ALCO" meeting in Thailand.

Liquidity risk management approach starts at the intraday level (operational liquidity) by managing the daily payments queue, forecasting cash flows and factoring in our access to central Banks. It then covers tactical liquidity risk management dealing with access to secure and unsecure funding sources. Finally, the strategic perspective comprises the maturity profile of all assets and liabilities and the Branch's issuance strategy.

The Branch's cash-flow based reporting system provides daily liquidity risk information for global and regional management.

Stress testing and scenario analysis play a central role in the liquidity risk management framework. This also incorporates an assessment of asset liquidity i.e. the characteristics of asset, under various stress scenarios as well as contingent funding requirements from commitments.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

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

	At call	Less than 3 months	3 months to 1 year	2017 1 to 5 years	over 5 years	No maturity	Total
	<i>(in thousand Baht)</i>						
<b>Financial assets</b>							
Cash	-	-	-	-	-	28,091	28,091
Interbank and money market items*	413,213	21,632,063	56,854	-	-	-	22,102,130
Derivative assets	-	1,353,441	2,229,458	7,260,180	3,827,200	-	14,670,279
Investments, net	-	5,292,265	10,874,455	9,961,055	861,041	-	26,988,816
Loans to customers and accrued interest receivables**	32,125	13,832,602	3,157,182	630,749	13	1,451,363	19,104,034
Trading securities receivable	-	1,707,662	-	-	-	-	1,707,662
Collateral per Credit Support Annex	274,339	-	-	-	-	-	274,339
Other assets	-	13,106	2,705	49,812	3,559	-	69,182
<b>Total financial assets</b>	<b>719,677</b>	<b>43,831,139</b>	<b>16,320,654</b>	<b>17,901,796</b>	<b>4,691,813</b>	<b>1,479,454</b>	<b>84,944,533</b>
<b>Financial liabilities</b>							
Deposits	29,194,220	7,347,222	621,160	-	-	-	37,162,602
Interbank and money market items	517,085	980,427	-	2,657,428	1,000,000	-	5,154,940
Liabilities payable on demand	852,226	-	-	-	-	-	852,226
Derivative liabilities	-	2,493,750	2,643,253	6,455,098	2,556,281	-	14,148,382
Debt issued and borrowings	-	-	488,161	-	-	-	488,161
Trading securities payable	-	530,723	-	-	-	-	530,723
Other liabilities	-	846,442	27,366	-	-	-	873,808
<b>Total financial liabilities</b>	<b>30,563,531</b>	<b>12,198,564</b>	<b>3,779,940</b>	<b>9,112,526</b>	<b>3,556,281</b>	<b>-</b>	<b>59,210,842</b>
<b>Net liquidity gap</b>	<b>(29,843,854)</b>	<b>31,632,575</b>	<b>12,540,714</b>	<b>8,789,270</b>	<b>1,135,532</b>	<b>1,479,454</b>	<b>25,733,691</b>

\* Before deducting allowance for doubtful accounts amounting to Baht 72.46 million

\*\* Including non-performing loans

	At call	Less than 3 months	3 months to 1 year	2016 1 to 5 years	over 5 years	No maturity	Total
	<i>(in thousand Baht)</i>						
<b>Financial assets</b>							
Cash	-	-	-	-	-	29,915	29,915
Interbank and money market items*	879,468	14,457,268	65,456	-	-	-	15,402,192
Derivative assets	-	2,423,107	3,300,493	11,197,710	4,061,126	-	20,982,436
Investments, net	-	5,939,490	12,142,852	6,161,300	213,825	-	24,457,467
Loans to customers and accrued interest receivables**	780,940	15,812,018	1,104,679	866,531	-	46	18,564,214
Trading securities receivable	-	952,335	-	-	-	-	952,335
Other assets	-	-	543	22,741	2,378	-	25,662
<b>Total financial assets</b>	<b>1,660,408</b>	<b>39,584,218</b>	<b>16,614,023</b>	<b>18,248,282</b>	<b>4,277,329</b>	<b>29,961</b>	<b>80,414,221</b>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the year ended 31 December 2017

	At call	Less than 3 months	3 months to 1 year	2016 1 to 5 years	over 5 years	No maturity	Total
				(in thousand Baht)			
<b>Financial liabilities</b>							
Deposits	23,660,306	1,228,000	29,240	-	-	-	24,917,546
Interbank and money market items	429,818	-	-	1,771,834	2,112,000	-	4,313,652
Liabilities payable on demand	1,418,757	-	-	-	-	-	1,418,757
Derivative liabilities	-	2,473,226	3,703,536	11,601,208	2,937,136	-	20,715,106
Debt issued and borrowings	-	-	-	464,675	-	-	464,675
Trading securities payable	-	667,058	-	-	-	-	667,058
Collateral per Credit Support Annex	282,235	-	-	-	-	-	282,235
Other liabilities	-	773,212	35,230	-	-	-	808,442
<b>Total financial liabilities</b>	<b>25,791,116</b>	<b>5,141,496</b>	<b>3,768,006</b>	<b>13,837,717</b>	<b>5,049,136</b>	<b>-</b>	<b>53,587,471</b>
<b>Net liquidity gap</b>	<b>(24,130,708)</b>	<b>34,442,722</b>	<b>12,846,017</b>	<b>4,410,565</b>	<b>(771,807)</b>	<b>29,961</b>	<b>26,826,750</b>

\* Before deducting allowance for doubtful accounts amounting to Baht 77.24 million

\*\* Including non-performing loans

## 5 Fair value of financial assets and liabilities

### Fair value hierarchy

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

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

### 5.1 Financial assets and liabilities measured at fair value

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

	Fair value			
	Level 1	Level 2	Level 3	Total
		(in thousand Baht)		
<b>31 December 2017</b>				
<b>Financial assets</b>				
Derivatives				
- Foreign exchange forward and currency swap contracts	-	7,088,234	-	7,088,234
- Interest rate swap, forward rate agreement contracts and interest rate option contracts	-	7,582,045	-	7,582,045
Debt securities held for trading	-	26,988,816	-	26,988,816
<b>Financial liabilities</b>				
Derivatives				
- Foreign exchange forward and currency swap contracts	-	6,477,174	-	6,477,174
- Interest rate swap, forward rate agreement contracts and interest rate option contracts	-	7,671,208	-	7,671,208

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

	Fair value			Total
	Level 1	Level 2 <i>(in thousand Baht)</i>	Level 3	
<b>31 December 2016</b>				
<b><i>Financial assets</i></b>				
Derivatives				
- Foreign exchange forward and currency swap contracts	-	13,455,300	-	13,455,300
- Interest rate swap, forward rate agreement contracts and interest rate option contracts	-	7,527,136	-	7,527,136
Debt securities held for trading	-	24,457,467	-	24,457,467
<b><i>Financial liabilities</i></b>				
Derivatives				
- Foreign exchange forward and currency swap contracts	-	11,912,544	-	11,912,544
- Interest rate swap, forward rate agreement contracts and interest rate option contracts	-	8,802,562	-	8,802,562

The Branch determine 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 are based on inputs which are observable from independent and reliable market data sources. Those inputs are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values of derivative financial assets reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the counterparty when appropriate.

The Branch recognise transfers between levels of the fair value hierarchy as of 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 year ended 31 December 2017 and 2016.

## **5.2 Financial assets and liabilities not measured at fair value**

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

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

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

*Interbank and money market items (assets and liabilities)*

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

*Trading securities and available-for-sale securities*

The fair value is based on quoted market prices, where available. If quoted market prices are not available, fair value is based on quoted market prices of comparable instruments after adjustment for the risk involved or the net asset values of such securities.

*General investments*

The fair value of foreign non-marketable equity securities is determined based on value quoted by reliable international financial institution.

*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, fixed-term money market accounts, certificates of deposit and fixed rate deposits repricing within 1 year approximate their market 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.

*Debts issued and borrowings*

The fair value of debts issued and borrowings which bear variable rates of interest approximates their carrying value at the reporting date. The fair value of fixed rate instruments with remaining maturities greater than 1 year is estimated by using a discounted cash flow calculation applying interest rates currently being offered on similar instruments.

*Liabilities payable on demand*

The carrying value of liabilities payable on demand approximates carrying amount.

*Other financial instruments*

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

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**6 Maintenance of capital fund**

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

	2017	2016
	<i>(in thousand Baht)</i>	
Thai Government bonds	999,767	986,819
Bank of Thailand's bonds	17,111,083	17,123,077
<b>Total</b>	<b><u>18,110,850</u></b>	<b><u>18,109,896</u></b>

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

	2017	2016
	<i>(in thousand Baht)</i>	
<b>Assets maintained under Section 32</b>	<b><u>18,110,850</u></b>	<b><u>18,109,896</u></b>
<b>Sum of net capital fund for maintenance of assets under Section 32 and net balance of inter-office accounts</b>		
Net fund brought in to maintenance assets under Section 32	17,800,000	17,800,000
Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches of the same juristic person, the parent company and subsidiaries of the head office	6,943,854	7,550,782
<b>Total</b>	<b><u>24,743,854</u></b>	<b><u>25,350,782</u></b>
<b>Capital Fund <i>(in thousand Baht)</i></b>	<b>17,800,000</b>	<b>17,800,000</b>
<b>Capital Adequacy Ratio (%)</b>	<b>24.24</b>	<b>21.82</b>

According to Bank of Thailand notification number For Nor Sor (23) Wor 263/2556 dated 22 February 2013, the Branch is required to disclose capital after deducting capital add-on arising from Single Lending Limit, effective at the end of January 2015.

As at 31 December 2017, the Branch has no add-on arising from Single Lending Limit. As at 31 December 2016, capital after deducting capital add-on arising from Single Lending Limited of the Branch were Baht 17,635 million representing 21.62%.

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

As at 31 December 2017 and 2016, the Branch met the minimum Capital Adequacy Ratio requirements established by the Bank of Thailand, which is in compliance with the requirements of Basel III, for total Capital Adequacy Ratio at minimum of 9.75% and 9.125%, respectively. This includes capital conservation buffer as required by the BoT commencing 1 January 2016.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

In accordance with the Bank of Thailand Notification No. Sor Nor Sor. 4/2556 dated 2 May 2013, Re: “The Public Disclosure of Capital Maintenance for Commercial Banks”, the Branch intends to disclose Capital maintenance information as of 31 December 2017 within 4 months after year end date as indicated in the notification through the Branch’s website “www.db.com/thailand”.

**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.

**7 Interbank and money market items, net (assets)**

	2017		2016		Total	
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
<b>Domestic items</b>						
Bank of Thailand	378,917	3,440,000	3,818,917	393,975	450,000	843,975
Commercial banks	504	18,074,022	18,074,526	516	13,617,270	13,617,786
Other financial institutions	-	-	-	-	800,000	800,000
<b>Total</b>	<b>379,421</b>	<b>21,514,022</b>	<b>21,893,443</b>	<b>394,491</b>	<b>14,867,270</b>	<b>15,261,761</b>
Add accrued interest receivables	-	3,060	3,060	-	5,700	5,700
Less allowance for doubtful accounts	-	(70,740)	(70,740)	-	(76,247)	(76,247)
<b>Total domestic items, net</b>	<b>379,421</b>	<b>21,446,342</b>	<b>21,825,763</b>	<b>394,491</b>	<b>14,796,723</b>	<b>15,191,214</b>
<b>Foreign items</b>						
US Dollar	16	159,317	159,333	-	54,120	54,120
Other currencies	33,775	12,519	46,294	34,953	45,658	80,611
<b>Total</b>	<b>33,791</b>	<b>171,836</b>	<b>205,627</b>	<b>34,953</b>	<b>99,778</b>	<b>134,731</b>
Less allowance for doubtful accounts	-	(1,718)	(1,718)	-	(998)	(998)
<b>Total foreign items, net</b>	<b>33,791</b>	<b>170,118</b>	<b>203,909</b>	<b>34,953</b>	<b>98,780</b>	<b>133,733</b>
<b>Total domestic and foreign items, net</b>	<b>413,212</b>	<b>21,616,460</b>	<b>22,029,672</b>	<b>429,444</b>	<b>14,895,503</b>	<b>15,324,947</b>

**8 Derivatives**

**8.1 Derivatives held for trading**

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

Type of risk	Fair value		2017		Total
	Assets	Liabilities	Up to 1 year	Notional amount Over 1 year	
	<i>(in thousand Baht)</i>				
Foreign exchange forward and currency swap contracts	7,088,234	6,477,174	282,999,637	120,696,669	403,696,306
Interest rate swap, forward rate agreement contracts and interest rate option contracts	7,582,045	7,671,208	419,758,519	702,262,739	1,122,021,258
<b>Total</b>	<b>14,670,279</b>	<b>14,148,382</b>	<b>702,758,156</b>	<b>822,959,408</b>	<b>1,525,717,564</b>



**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

Type of risk	Fair value		2016		Total
	Assets	Liabilities	Up to 1 year (in thousand Baht)	Notional amount Over 1 year	
Foreign exchange forward and currency swap contracts	13,455,300	11,912,544	337,371,050	158,469,640	495,840,690
Interest rate swap, forward rate agreement contracts and interest rate option contracts	7,527,136	8,802,562	774,398,487	797,144,532	1,571,543,019
<b>Total</b>	<b>20,982,436</b>	<b>20,715,106</b>	<b>1,111,769,537</b>	<b>955,614,172</b>	<b>2,067,383,709</b>

The Branch was a party to financial instruments with off-financial reporting credit risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to transactions in interest rates and foreign exchange rates. These financial instruments included foreign exchange forward and other derivative contracts.

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

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

Counterparties	2017	2016
	(%)	
Financial institutions	95	95
Third parties	5	5
<b>Total</b>	<b>100</b>	<b>100</b>

**9 Investments, net**

As at 31 December 2017 and 2016, the Branch classifies by investment type, as follow:

	2017	2016
	Fair value (in thousand Baht)	Fair value
<b>Trading investments</b>		
Government and state enterprise securities	26,988,816	24,457,467
<b>Total investments, net</b>	<b>26,988,816</b>	<b>24,457,467</b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**10 Loans to customers and accrued interest receivables, net**

**10.1 Classified by type of loans**

	2017	2016
	<i>(in thousand Baht)</i>	
Overdrafts	1,451,267	768,276
Loans	17,610,633	17,756,663
Total loans	<u>19,061,900</u>	<u>18,524,939</u>
Add accrued interest receivables	42,134	39,275
Total loans and accrued interest receivables	<u>19,104,034</u>	<u>18,564,214</u>
Less allowance for doubtful accounts		
- BoT's minimum requirement - individual approach	(237,928)	(293,896)
- Excess allowance	(69,418)	(51,438)
<b>Total loans to customers and accrued interest receivables, net</b>	<b><u>18,796,688</u></b>	<b><u>18,218,880</u></b>

**10.2 Classified by currency and residency of customers**

	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	18,583,494	-	18,583,494	17,543,685	-	17,543,685
US Dollar	478,406	-	478,406	665,010	316,244	981,254
<b>Total</b>	<b><u>19,061,900</u></b>	<b><u>-</u></b>	<b><u>19,061,900</u></b>	<b><u>18,208,695</u></b>	<b><u>316,244</u></b>	<b><u>18,524,939</u></b>

**10.3 Classified by type of business and loan classification**

	2017			
	Pass	Special mention	Doubtful of loss	Total
	<i>(in thousand Baht)</i>			
Agriculture and mining	-	-	53,541	53,541
Manufacturing and commerce	12,047,417	75,847	-	12,123,264
Property development and construction	383,436	-	-	383,436
Infrastructure and services	2,236,223	21,000	-	2,257,223
Others	4,244,436	-	-	4,244,436
<b>Total</b>	<b><u>18,911,512</u></b>	<b><u>96,847</u></b>	<b><u>53,541</u></b>	<b><u>19,061,900</u></b>

  

	2016			
	Pass	Special mention	Doubtful of loss	Total
	<i>(in thousand Baht)</i>			
Agriculture and mining	-	-	58,701	58,701
Manufacturing and commerce	13,039,766	12,198	57,299	13,109,263
Property development and construction	399,207	-	-	399,207
Infrastructure and services	932,384	35,000	-	967,384
Others	3,990,384	-	-	3,990,384
<b>Total</b>	<b><u>18,361,741</u></b>	<b><u>47,198</u></b>	<b><u>116,000</u></b>	<b><u>18,524,939</u></b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**10.4 Classified by loan grade**

	2017			
	Loans to customers and accrued interest receivables <i>(in thousand Baht)</i>	Net amount for setting allowance for doubtful accounts	Rate used for setting allowance for doubtful accounts <i>(%)</i>	Allowance for doubtful accounts <i>(in thousand Baht)</i>
Allowance as per BoT's minimum requirement				
- Pass	18,953,100	18,245,022	1	182,450
- Special mention	97,393	96,847	2	1,937
- Doubtful of loss	53,541	53,541	100	53,541
<b>Total</b>	<b><u>19,104,034</u></b>	<b><u>18,395,410</u></b>		<b><u>237,928</u></b>
Excess allowance				69,418
<b>Total</b>				<b><u>307,346</u></b>
	2016			
	Loans to customers and accrued interest receivables <i>(in thousand Baht)</i>	Net amount for setting allowance for doubtful accounts	Rate used for setting allowance for doubtful accounts <i>(%)</i>	Allowance for doubtful accounts <i>(in thousand Baht)</i>
Allowance as per BoT's minimum requirement				
- Pass	18,400,864	17,695,251	1	176,952
- Special mention	47,350	47,198	2	944
- Doubtful of loss	116,000	116,000	100	116,000
<b>Total</b>	<b><u>18,564,214</u></b>	<b><u>17,858,449</u></b>		<b><u>293,896</u></b>
Excess allowance				51,438
<b>Total</b>				<b><u>345,334</u></b>

**10.5 Non-performing loans**

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

	2017	2016
NPLs, gross <i>(in thousand Baht)</i>	53,541	116,000
Total loans used for NPLs ratio calculation <sup>(1)</sup> <i>(in thousand Baht)</i>	37,307,758	33,041,987
Percentage of total loans <sup>(2)</sup>	0.14	0.35

<sup>(1)</sup> 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.

<sup>(2)</sup> The ratio of NPLs gross to total loans before allowance for doubtful accounts of non-performing loans.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

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

	2017	2016
NPLs, net <i>(in thousand Baht)</i>	-	-
Total loans used for NPLs net ratio calculation <sup>(1)</sup> <i>(in thousand Baht)</i>	37,254,217	32,925,987
Percentage of total loans <sup>(2)</sup>	-	-

<sup>(1)</sup> 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 net, after allowance for doubtful accounts.

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

As at 31 December 2017, allowance for doubtful account of Baht 53.5 million *(2016: Baht 116 million)* have been provided against the Branch’s non-performing loans being those classified as doubtful loss.

## 11 Allowance for doubtful account

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

	2017				Total
	Pass	Special Mention	Doubtful of loss <i>(in thousand Baht)</i>	Excess allowance	
<b>Beginning balance</b>	176,952	944	116,000	51,438	345,334
Doubtful accounts	5,498	993	-	17,980	24,471
Bad debt written-off	-	-	(57,299)	-	(57,299)
Others	-	-	(5,160)	-	(5,160)
<b>Ending balance</b>	<b>182,450</b>	<b>1,937</b>	<b>53,541</b>	<b>69,418</b>	<b>307,346</b>

  

	2016				Total
	Pass	Special Mention	Doubtful of loss <i>(in thousand Baht)</i>	Excess allowance	
<b>Beginning balance</b>	224,016	-	116,423	-	340,439
Doubtful accounts	(47,064)	944	-	51,438	5,318
Others	-	-	(423)	-	(423)
<b>Ending balance</b>	<b>176,952</b>	<b>944</b>	<b>116,000</b>	<b>51,438</b>	<b>345,334</b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**12 Leasehold building improvements and equipment, net**

Changes in leasehold building improvements and equipment during the year ended 31 December 2017 and 2016 were as follows:

	Net book value at 1 January 2017	Cost			Ending balance	Beginning balance (in thousand Baht)	Accumulated depreciation		Ending balance	Net book value at 31 December 2017
		Beginning balance	Additions	Disposals			Depreciation	Disposals		
Leasehold building improvement	42,393	201,956	-	-	201,956	159,563	20,194	-	179,757	22,199
Furniture, fixtures and equipment	43,221	266,182	2,938	(6,106)	263,014	222,961	17,981	(5,342)	235,600	27,414
<b>Total</b>	<b>85,614</b>	<b>468,138</b>	<b>2,938</b>	<b>(6,106)</b>	<b>464,970</b>	<b>382,524</b>	<b>38,175</b>	<b>(5,342)</b>	<b>415,357</b>	<b>49,613</b>
	Net book value at 1 January 2016	Cost			Ending balance	Beginning balance (in thousand Baht)	Accumulated depreciation		Ending balance	Net book value at 31 December 2016
	Beginning balance	Additions	Disposals	Depreciation			Disposals			
Leasehold building improvement	62,587	201,956	-	-	201,956	139,369	20,194	-	159,563	42,393
Furniture, fixtures and equipment	53,952	262,509	7,312	(3,639)	266,182	208,557	17,919	(3,515)	222,961	43,221
<b>Total</b>	<b>116,539</b>	<b>464,465</b>	<b>7,312</b>	<b>(3,639)</b>	<b>468,138</b>	<b>347,926</b>	<b>38,113</b>	<b>(3,515)</b>	<b>382,524</b>	<b>85,614</b>

The gross amount of the Branch's fully depreciated leasehold building improvements and equipment that was still in use as at 31 December 2017 amounted to Baht 127.3 million (2016: Baht 120.4 million).

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**13 Deferred tax assets, net**

Deferred tax assets and liabilities determined after offsetting are included in the statements of financial position as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Deferred tax assets	158,790	144,900
Deferred tax liabilities	(6,146)	(2,541)
<b>Net</b>	<b><u>152,644</u></b>	<b><u>142,359</u></b>

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

	At 1 January 2017	<i>(Charged) / credited to</i>		At 31 December 2017
		Profit or loss	Other Comprehensive income	
		<i>(Note 30)</i>		
		<i>(in thousand Baht)</i>		
<b><i>Deferred tax assets</i></b>				
Investments	664	(664)	-	-
Loss on revaluation of structured borrowing	14,746	2,079	-	16,825
Loans to customers and accrued interest receivables	1,026	-	-	1,026
Other assets	1,691	205	-	1,896
Provisions against derivative products	7,188	6,311	-	13,499
Employee benefit obligations	14,988	342	-	15,330
Other liabilities	104,597	5,617	-	110,214
<b>Total</b>	<b><u>144,900</u></b>	<b><u>13,890</u></b>	<b><u>-</u></b>	<b><u>158,790</u></b>
<b><i>Deferred tax liabilities</i></b>				
Investments	-	4,560	-	4,560
Leasehold building improvement and equipment	2,541	(955)	-	1,586
<b>Total</b>	<b><u>2,541</u></b>	<b><u>3,605</u></b>	<b><u>-</u></b>	<b><u>6,146</u></b>
<b>Net</b>	<b><u>142,359</u></b>	<b><u>10,285</u></b>	<b><u>-</u></b>	<b><u>152,644</u></b>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the year ended 31 December 2017

	At 1 January 2016	<i>(Charged) / credited to</i>		At 31 December 2016
		Profit or loss	Other Comprehensive income	
		<i>(Note 30)</i>		
		<i>(in thousand Baht)</i>		
<b>Deferred tax assets</b>				
Investments	19	645	-	664
Loss on revaluation of structured borrowing	139,825	(125,079)	-	14,746
Loans to customers and accrued interest receivables	1,026	-	-	1,026
Other assets	1,486	205	-	1,691
Provisions against derivative products	10,913	(3,725)	-	7,188
Employee benefit obligations	14,373	615	-	14,988
Other liabilities	10,325	94,272	-	104,597
<b>Total</b>	<b>177,967</b>	<b>(33,067)</b>	<b>-</b>	<b>144,900</b>
<b>Deferred tax liabilities</b>				
Leasehold building improvement and equipment	4,183	(1,642)	-	2,541
<b>Total</b>	<b>4,183</b>	<b>(1,642)</b>	<b>-</b>	<b>2,541</b>
<b>Net</b>	<b>173,784</b>	<b>(31,425)</b>	<b>-</b>	<b>142,359</b>

### 14 Other assets

	2017	2016
	<i>(in thousand Baht)</i>	
Accrued interest receivables	69,182	25,662
Refundable income tax receivables	29,118	55,968
Others	26,771	28,818
<b>Total</b>	<b>125,071</b>	<b>110,448</b>

### 15 Classified assets

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

	2017			Total
	Investments	Loans to financial institutions and accrued interest receivables	Loans to customers and accrued interest receivables	
	<i>(in thousand Baht)</i>			
Pass	-	18,248,635	18,953,100	37,201,735
Special mention	-	-	97,393	97,393
Doubtful of loss	15,947	-	53,541	69,488
<b>Total</b>	<b>15,947</b>	<b>18,248,635</b>	<b>19,104,034</b>	<b>37,368,616</b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

	2016			
	Investments	Loans to financial institutions and accrued interest receivables	Loans to customers and accrued interest receivables	Total
	<i>(in thousand Baht)</i>			
Pass	-	14,522,723	18,400,864	32,923,587
Special mention	-	-	47,350	47,350
Doubtful of loss	19,688	-	116,000	135,688
<b>Total</b>	<b>19,688</b>	<b>14,522,723</b>	<b>18,564,214</b>	<b>33,106,625</b>

**16 Deposits**

**16.1 Classified by type of deposits**

	2017	2016
	<i>(in thousand Baht)</i>	
Current	11,097,684	6,747,995
Savings	18,095,664	16,911,438
Term		
- Less than 6 months	7,346,381	1,202,573
- 6 months but less than 1 year	622,873	43,180
- 1 year and over	-	12,360
<b>Total</b>	<b>37,162,602</b>	<b>24,917,546</b>

**16.2 Classified by currency and residency of depositors**

	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	28,408,535	184,603	28,593,138	19,916,149	132,529	20,048,678
US Dollar	6,393,947	1,518	6,395,465	2,644,928	3,294	2,648,222
Others	2,170,091	3,908	2,173,999	2,213,886	6,760	2,220,646
<b>Total</b>	<b>36,972,573</b>	<b>190,029</b>	<b>37,162,602</b>	<b>24,774,963</b>	<b>142,583</b>	<b>24,917,546</b>



# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the year ended 31 December 2017

### 17 Interbank and money market items (liabilities)

	2017			2016		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
<b>Domestic</b>						
Commercial banks	454,787	980,427	1,435,214	297,825	-	297,825
Specialised financial institutions	2,574	-	2,574	36	-	36
Other financial institutions	541	3,657,428	3,657,969	426	3,883,834	3,884,260
<b>Total domestic</b>	<b>457,902</b>	<b>4,637,855</b>	<b>5,095,757</b>	<b>298,287</b>	<b>3,883,834</b>	<b>4,182,121</b>
<b>Foreign</b>						
Baht	59,131	-	59,131	131,438	-	131,438
US Dollar	52	-	52	93	-	93
<b>Total foreign</b>	<b>59,183</b>	<b>-</b>	<b>59,183</b>	<b>131,531</b>	<b>-</b>	<b>131,531</b>
<b>Total domestic and foreign</b>	<b>517,085</b>	<b>4,637,855</b>	<b>5,154,940</b>	<b>429,818</b>	<b>3,883,834</b>	<b>4,313,652</b>

As at 31 December 2017, structured deposits that are not designated at fair value in the Branch's financial statements amounted to Baht 3,057 million (2016: Baht 3,284 million)

### 18 Debt issued and borrowings

As at 31 December 2017 and 2016, debt issued and borrowings balances are denominated in Thai Baht with terms as follows:

	2017			2016		
	Maturity	Interest rate	Amount	Maturity	Interest rate	Amount
	<i>(in thousand Baht)</i>					
<b>Domestic</b>						
Promissory notes	2018	Zero coupon	488,161	2018	Zero coupon	464,675
<b>Total</b>			<b>488,161</b>			<b>464,675</b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**19 Provisions against derivative products**

	Liquidity provision	Other provision <i>(in thousand Baht)</i>	Total
At 1 January 2016	57,896	28,469	86,365
Provision made	348	16,108	16,456
Provision used	(21,978)	(10,081)	(32,059)
Provision reversed	(1)	(2,479)	(2,480)
<b>At 31 December 2016 and 1 January 2017</b>	<b>36,265</b>	<b>32,017</b>	<b>68,282</b>
Provision made	8,687	12,074	20,761
Provision used	(10,475)	(3,167)	(13,642)
Provision reversed	(1,316)	-	(1,316)
<b>At 31 December 2017</b>	<b>33,161</b>	<b>40,924</b>	<b>74,085</b>

**20 Other liabilities**

	Note	2017 <i>(in thousand Baht)</i>	2016
Accrued interest payable		873,808	808,442
Accrued Deposit Protection Agency and Bank of Thailand fees		59,213	56,461
Cheque payable		34,069	312,381
Income tax payable		600	600
Other tax payable	31	101,749	10,576
Others		142,909	95,310
<b>Total</b>		<b>1,212,348</b>	<b>1,283,770</b>

**21 Commitments and contingent liabilities**

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

(a) <i>Contingent liabilities</i>	2017 <i>(in thousand Baht)</i>	2016
Other guarantees	28,510,203	27,360,762
Letters of credit	334,488	627,823
Unmatured import bills	26,160	6,177
Committed line	1,291,435	1,264,291
<b>Total</b>	<b>30,162,286</b>	<b>29,259,053</b>

(b) *Non-cancellable operating lease agreement*

(1) *Lease and service agreement*

As at 31 December 2017, the Branch had a 12-year lease and service agreement in respect of office premises and utilities. Under the terms of the above lease, the Branch has committed to pay rental and service fees as follows:

	2017 <i>(in thousand Baht)</i>	2016
Within one year	44,812	42,129
After one year but within five years	76,554	129,293
<b>Total</b>	<b>121,366</b>	<b>171,422</b>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the year ended 31 December 2017

### (2) Operating leases

	2017	2016
	<i>(in thousand Baht)</i>	
<b>Non-cancellable operating lease commitments</b>		
Within one year	1,348	1,348
After one year but within five years	4,045	5,393
<b>Total</b>	<u>5,393</u>	<u>6,741</u>

### (3) Other commitments

	2017	2016
	<i>(in thousand Baht)</i>	
Business Continuity Facility agreement	59,756	72,615
Facility Management Solution agreement	3,072	6,329
<b>Total</b>	<u>62,828</u>	<u>78,944</u>

## 22 Related parties

For the purpose 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 / person	Country of incorporation/ nationality	Nature of relationships
Key Management Personnel	Various nationalities	<p>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:</p> <ul style="list-style-type: none"> <li>- Chief Country Officer and General Manager</li> <li>- Country Chief Operating Officer</li> <li>- Head of Finance</li> <li>- Head of Global Transaction Banking Thailand and Head of Corporate Cash Management</li> <li>- Head of Global Markets</li> <li>- Head of Compliance/Anti-Financial Crime</li> <li>- Thailand Chief Operating Office</li> <li>- Head of Human Resources</li> <li>- Country Treasurer of Thailand</li> </ul>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the year ended 31 December 2017

Name of entities / person	Country of incorporation/ nationality	Nature of relationships
<b><i>Head Office and other Branches</i></b>		
Deutsche Bank AG, Zentral Frankfurt	Germany	Head Office
Deutsche Bank AG, Asia Pacific Head office	Singapore	Asia Pacific Head Office
Deutsche Bank AG, Singapore	Singapore	Other Branch
Deutsche Bank AG, Mumbai	India	Other Branch
Deutsche Bank AG, Hong Kong	Hong Kong	Other Branch
Deutsche Bank AG, New York	United States	Other Branch
Deutsche Bank AG, London	United Kingdom	Other Branch
Deutsche Bank AG, Amsterdam	Netherlands	Other Branch
Deutsche Bank AG, Colombo	Sri Lanka	Other Branch
Deutsche Bank AG, Jakarta	Indonesia	Other Branch
Deutsche Bank AG, Brussels	Belgium	Other Branch
Deutsche Bank AG, Paris	France	Other Branch
Deutsche Bank AG, Budapest	Hungary	Other Branch
Deutsche Bank AG, Vienna	Austria	Other Branch
Deutsche Bank AG, Karachi	Pakistan	Other Branch
Deutsche Bank AG, Seoul	South Korea	Other Branch
Deutsche Bank AG, Tokyo	Japan	Other Branch
Deutsche Bank AG, Ho-Chi Minh	Vietnam	Other Branch
Deutsche Bank AG, Dubai	U.A.E	Other Branch
Deutsche Bank AG, Stockholm	Sweden	Other Branch
Deutsche Bank AG, Abu Dhabi	U.A.E	Other Branch
Deutsche Bank AG, Taipei	Taiwan	Other Branch
<b><i>Other Group entities</i></b>		
Deutsche Securities Inc. Tokyo	Japan	Other Group entity
Deutsche Bank Securities Inc.	United States	Other Group entity
Deutsche Group Services Pty Limited	Australia	Other Group entity
Deutsche Bank, Sociedad Anonima Espanola	Spain	Other Group entity
DB Services New Jersey, Inc.	United States	Other Group entity
DBOI Global Services Private Limited	India	Other Group entity
DBOI Global Services (UK) Limited	United Kingdom	Other Group entity
DB Group Services (EURO)	United Kingdom	Other Group entity
Deutsche Bank Moscow	Russia	Other Group entity
Deutsche Investor Service Private Limited	India	Other Group entity
Deutsche Bank (Suisse) S.A.	Switzerland	Other Group entity
DB UK Bank Limited	United Kingdom	Other Group entity
Deutsche Bank Nederland N.V.	Netherlands	Other Group entity
Deutsche Bank Società per Azioni	Italy	Other Group entity
DB Service Centre Limited	Ireland	Other Group entity
Deutsche Bank Tech Centre	Russia	Other Group entity
DB Global Technology, Inc.	United States	Other Group entity
Deutsche Bank Trust Company Americas	United States	Other Group entity
Deutsche Bank (Malaysia) Berhad	Malaysia	Other Group entity
Deutsche Bank Polska Spolka Akcyjna	Poland	Other Group entity
Deutsche Knowledge Services Pte. Ltd., Manila	Philippines	Other Group entity
Deutsche Asset Management Group Limited	United Kingdom	Other Group entity
DB Cosorzio S. Cons. A.r.l.	Italy	Other Group entity
Thai Asset Enforcement and Recovery Asset Management Company Limited	Thailand	Other Group entity

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

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

<b>Transactions</b>	<b>Pricing policies</b>
Interest income	Market rate
Interest expense	Market rate
Derivative	Market rate
Expense allocated	Contractually agreed price
Other operating income from head office	Market rate

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

	2017	2016
	<i>(in thousand Baht)</i>	
<b><i>Head Office and other Branches</i></b>		
Interest income	2,193	19
Interest expense	427,902	307,084
Expense allocated from head office	457,589	405,742
Profit remitted to head office	299,700	-
Other operating income from head office	28,245	97,190
<b><i>Other Group entities</i></b>		
Expense allocated	44,770	34,180

**Key management personnel**

The Branch's management who are members of executive committee shall not be entitled to any other benefits than the normal benefits, for instance, salaries, directors' bonuses, post employment benefits and share based payments in the group of its major shareholder as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
<b>Key management personnel compensation</b>		
Short-term benefits	111,440	116,023
Post-employment benefits	24,726	21,502
<b>Total</b>	<b><u>136,166</u></b>	<b><u>137,525</u></b>

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

	2017	2016
	<i>(in thousand Baht)</i>	
<b><i>Deposits</i></b>		
Thai Asset Enforcement and Recovery Asset Management Company Limited	<u>10,518</u>	<u>12,008</u>
<b><i>Funds brought in to maintain assets under the Act</i></b>		
Deutsche Bank AG, Singapore	<u>17,800,000</u>	<u>17,800,000</u>
<b><i>Balance of inter-office accounts with head office and other branches of the same juristic person, net</i></b>		
<b><i>Debts issued and borrowings</i></b>		
Deutsche Bank AG, Singapore	5,045,583	9,038,948
Deutsche Bank AG, Zentral Frankfurt	2,287,663	-
	<u>7,333,246</u>	<u>9,038,948</u>

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Notes to the financial statements

For the year ended 31 December 2017

	2017	2016
	<i>(in thousand Baht)</i>	
<i>Accrued interest payable</i>		
Deutsche Bank AG, Singapore	44,263	50,049
Deutsche Bank AG, Zentral Frankfurt	620	-
	<u>44,883</u>	<u>50,049</u>
<i>Unrealised gains on derivative contracts, net</i>	<u>664,863</u>	<u>(422,009)</u>
<i>Interbranch accounts</i>	<u>(1,099,138)</u>	<u>(1,116,206)</u>
<b>Total</b>	<u>6,943,854</u>	<u>7,550,782</u>
<i>Derivatives - Foreign currency related (notional amount)</i>		
Head office and other branches	<u>59,832,798</u>	<u>52,068,423</u>
<i>Derivatives - Interest rate related (notional amount)</i>		
Head office and other branches	<u>700,378,374</u>	<u>970,738,700</u>

As at 31 December 2017, debts issued and borrowings from related parties were due to mature from 3 January 2018 to 21 March 2018 (2016: 31 January 2017 to 5 April 2017) and carried interest between 1.56% - 3.25% per annum (2016: 1.47% - 1.75% per annum). Interest expenses will be paid at maturity date and may be revolving for principal amount.

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

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

## 24 Interest income

	2017	2016
	<i>(in thousand Baht)</i>	
Interbank and money market items	202,814	268,045
Investments and trading transactions	337,109	322,664
Loans to customers	383,442	416,821
<b>Total</b>	<u>923,365</u>	<u>1,007,530</u>

## 25 Interest expenses

	2017	2016
	<i>(in thousand Baht)</i>	
Deposits	33,594	36,890
Interbank and money market items	684,567	1,005,325
Contribution to Deposit Protection Agency and Bank of Thailand	111,302	116,839
Debt issued and borrowings	23,486	23,550
<b>Total</b>	<u>852,949</u>	<u>1,182,604</u>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the year ended 31 December 2017**

**26 Net fees and service income**

	2017	2016
	<i>(in thousand Baht)</i>	
Fees and service income		
- Acceptance, avals and guarantees	77,537	72,621
- Fund transfer and collection services	98,421	104,657
- Custody of customers securities	64,492	66,602
- Others	64,777	76,224
<b>Total</b>	<u>305,227</u>	<u>320,104</u>
Fees and service expenses		
- Transfer fees between financial institutions	34,454	38,819
- Others	54,379	57,177
<b>Total</b>	<u>88,833</u>	<u>95,996</u>
<b>Net</b>	<u><b>216,394</b></u>	<u><b>224,108</b></u>

**27 Net gains on trading and foreign exchange transactions**

	2017	2016
	<i>(in thousand Baht)</i>	
Gain (loss) on trading and foreign exchange transactions		
- Foreign currencies and foreign currencies related derivatives	1,732,831	1,153,282
- Interest rate related derivatives	(998,345)	(76,701)
- Debt securities	170,500	86,684
<b>Total</b>	<u><b>904,986</b></u>	<u><b>1,163,265</b></u>

**28 Bad debts, doubtful accounts and impairment loss**

	2017	2016
	<i>(in thousand Baht)</i>	
Interbank and money market items	(4,787)	64,329
Loans to customers	24,471	5,318
<b>Total</b>	<u><b>19,684</b></u>	<u><b>69,647</b></u>

**29 Employee expenses**

	2017	2016
	<i>(in thousand Baht)</i>	
Salaries, wages and bonus	326,972	291,823
Legal severance payment plan	8,283	7,702
Long service award	1,639	1,673
Share-based payment transaction	10,287	9,863
Others	72,580	48,904
<b>Total</b>	<u><b>419,761</b></u>	<u><b>359,965</b></u>

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Notes to the financial statements

For the year ended 31 December 2017

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

### 30 Income tax

#### *Income tax recognised in profit or loss*

	Note	2017 (in thousand Baht)	2016
<b>Current tax</b>			
Current year		21,867	7,159
Adjustment for prior years		(7,158)	6,485
		<u>14,709</u>	<u>13,644</u>
<b>Deferred tax</b>			
Movements in temporary differences		(10,285)	31,425
	13	<u>(10,285)</u>	<u>31,425</u>
<b>Total</b>		<u>4,424</u>	<u>45,069</u>

#### *Reconciliation of effective tax rate*

	2017		2016	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit (loss) before income tax		(86,501)		189,581
Income tax using Thai corporation tax rate	20.0	(17,300)	20.0	37,916
Expenses not deductible for tax purposes	(33.6)	29,077	3.7	7,051
Under provided in prior years	8.3	(7,158)	3.4	6,485
Adjustment for prior years - deferred	0.2	(195)	(3.3)	(6,383)
<b>Total</b>	<u>(5.1)</u>	<u>4,424</u>	<u>23.8</u>	<u>45,069</u>

#### *Income tax reduction*

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

### 31 Events after the reporting period

The Branch claimed the tax refund from the Revenue Department for Corporate Income Tax return for the year 1998. In the year 2002, the Revenue Department commenced its audit for the tax refund amount. However, the Revenue Department did not approve the tax refund for the whole amount and additionally assessed the expense for the year 1998 which should be subject to Withholding Tax but the Branch did not file its tax return. Therefore, the Revenue Department set-off such tax refund against the additional tax assessment.



## **Deutsche Bank Aktiengesellschaft, Bangkok Branch**

### **Notes to the financial statements**

#### **For the year ended 31 December 2017**

The Branch had decided to appeal the set-off tax with the Revenue Department and filed the motion to delay the payment of such tax until the case is final by providing a letter of guarantee from a financial institution in the year 2005. Consequently, in the year 2006, the Branch received the return of such tax payment from the said motion to delay the payment.

Furthermore, the Branch entered into litigation at the Court level in the year 2012. In the year 2014, the Central Tax Court had rendered its decisions in favour of the Branch to receive the tax refund from the Revenue Department and to revoke the additional tax assessment. However, on February 2018, the Supreme Court's judgment rendered its decision in favour of the Revenue Department to dismiss the Branch's claims and make a correction over the Central Tax Court judgment. As a result, the Branch has no right to refund the tax amounting to Baht 55.97 million and management is expecting that the Branch will be liable to return payment received from the Revenue Department of Baht 89.83 million. The Branch adjusted these two amounts as other expenses and other tax payable in the statement of profit or loss and other comprehensive income for the year ended 31 December 2017 and the statement of financial position as at 31 December 2017, respectively.

On 19 April 2018, the Branch received the notification of tax arrears which required payment within 15 days from the aforesaid notification date.