Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Interim financial statements
for the six-month period ended
30 September 2020
and
Independent Auditor's Report

KPMG

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Independent Auditor's Report

To the Board of Directors of Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Opinion

I have audited the interim financial statements of Sumitomo Mitsui Trust Bank (Thai) Public Company Limited (the "Bank"), which comprise the statement of financial position as at 30 September 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Bank as at 30 September 2020, and its financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards (TFRSs) and the regulations of the Bank of Thailand.

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

P. Gulsantithamrong

(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
27 November 2020

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of financial position

Assets	*Note*	30 September 2020	31 March 2020
		(in thousand Baht)	
Cash		30	30
Interbank and money market items, net	*10, 25*	18,039,392	14,431,820
Derivative assets	*11*	311,212	1,202,223
Investments, net	*12*	9,717,739	10,567,807
Loans to customers and accrued interest receivables, net	*13*	52,234,252	54,315,041
Leasehold building improvements and equipment, net	*15, 26*	88,641	59,627
Intangible assets, net		22,972	27,515
Deferred tax assets, net	*16*	7,809	14,684
Other assets		286,836	13,084
Total assets		**80,708,883**	**80,631,831**
Liabilities and equity			
Liabilities			
Deposits	*17*	23,092,424	19,715,567
Interbank and money market items	*18, 25*	37,103,612	39,639,221
Derivative liabilities	*11*	388,991	417,960
Provisions	*19*	49,889	12,963
Other liabilities	*19, 25, 26*	161,257	1,079,522
Total liabilities		**60,796,173**	**60,865,233**
Equity			
Share capital			
Authorised share capital			
20,000,000 ordinary shares of Baht 1,000 each		20,000,000	20,000,000
Issued and paid-up share capital			
20,000,000 ordinary shares of Baht 1,000 each		20,000,000	20,000,000
Other reserves	*23*	16,472	16,404
Deficit		(103,762)	(249,806)
Total equity		**19,912,710**	**19,766,598**
Total liabilities and equity		**80,708,883**	**80,631,831**

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited. ธนาคาร ซูมิโตโม มิตซุย ทรัสต์ (ไทย) จำกัด (มหาชน)

林 俊行

Mr. Toshiyuki Hayashi
Executive Vice President
in charge of Finance Department

(Mr. Manabu Inoue)
Chief Executive Officer

The accompanying notes form an integral part of the interim financial statements.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of profit or loss and other comprehensive income

	Note	Six-month periods ended 30 September 2020	2019
		(in thousand Baht)	
Interest income	*28*	577,211	804,143
Interest expenses	*25, 29*	230,423	588,707
Net interest income		**346,788**	**215,436**
Fee and service income	*25*	4,775	2,194
Fee and service expenses	*25*	3,337	2,625
Net fee and service income (expenses)	*30*	**1,438**	**(431)**
Net gains on financial instruments measured at fair value through profit or loss	*31*	2,045	-
Net gains on trading and foreign exchange transactions	*32*	-	127,312
Other operating income		1,048	1,959
Total operating income		**351,319**	**344,276**
Other operating expenses			
Employee expenses	*25, 33*	93,899	100,057
Directors' remuneration	*25*	1,459	1,459
Premises and equipment expenses		34,872	47,773
Taxes and duties		19,909	24,117
Others	*25*	39,680	33,026
Total other operating expenses		**189,819**	**206,432**
Reversal of expected credit loss	*34*	(12,156)	-
Bad debts, doubtful accounts and impairment loss	*34*	-	30,596
Profit from operations before income tax		**173,656**	**107,248**
Income tax	*35*	27,775	32,760
Profit for the period		**145,881**	**74,488**

The accompanying notes form an integral part of the interim financial statements.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of profit or loss and other comprehensive income

	Note	Six-month periods ended 30 September 2020	2019
		(in thousand Baht)	
Other comprehensive income (loss)			
Items that will be reclassified subsequently to profit or loss			
Losses on investments in debt instruments at fair value through other comprehensive income		(18,128)	-
Gains on remeasuring available-for-sale investments		-	4,229
Income tax relating to items that will be reclassified subsequently to profit or loss	*35*	3,625	(846)
		(14,503)	**3,383**
Items that will not be reclassified subsequently to profit or loss			
Gains (losses) on remeasurements of defined benefit obligations		313	(880)
Income tax relating to items that will not be reclassified subsequently to profit or loss	*35*	(62)	176
		251	**(704)**
Other comprehensive income for the period, net of income tax		**(14,252)**	**2,679**
Total comprehensive income for the period		**131,629**	**77,167**
Basic earnings per share *(in Baht)*	*36*	**7.29**	**3.72**

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林 俊行

Mr. Toshiyuki Hayashi
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(Mr. Manabu Inoue)
Chief Executive Officer

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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of changes in equity

	Note	Issued and paid-up share capital	Other reserves: Revaluation (decifit) surplus on available-for-sale investments, net	Other reserves: Revaluation surplus on investments in debt instruments at fair value through other comprehensive income	Other reserves: Remeasurement of post-employment benefits	Other reserves: Total other reserves	Deficit	Total equity
		(in thousand Baht)						
Six-month period ended 30 September 2019								
Balance as at 1 April 2019		**20,000,000**	**(941)**	**-**	**-**	**(941)**	**(486,394)**	**19,512,665**
Comprehensive income (loss) for the period								
Profit for the period		-	-	-	-	-	74,488	74,488
Other comprehensive income (loss)		-	3,383	-	-	3,383	(704)	2,679
Total comprehensive income (loss) for the period		**-**	**3,383**	**-**	**-**	**3,383**	**73,784**	**77,167**
Balance as at 30 September 2019		**20,000,000**	**2,442**	**-**	**-**	**2,442**	**(412,610)**	**19,589,832**
Six-month period ended 30 September 2020								
Balance as at 31 March 2020 - as reported		**20,000,000**	**16,404**	**-**	**-**	**16,404**	**(249,806)**	**19,766,598**
Impact of reclassification of accounts		-	-	-	(163)	(163)	163	-
Impact of changes in accounting policies	3	-	(16,404)	30,887	-	14,483	-	14,483
Balance as at 1 April 2020 - restated		**20,000,000**	**-**	**30,887**	**(163)**	**30,724**	**(249,643)**	**19,781,081**
Comprehensive income (loss) for the period								
Profit for the period		-	-	-	-	-	145,881	145,881
Other comprehensive income (loss)		-	-	(14,503)	251	(14,252)	-	(14,252)
Total comprehensive income (loss) for the period		**-**	**-**	**(14,503)**	**251**	**(14,252)**	**145,881**	**131,629**
Balance as at 30 September 2020		**20,000,000**	**-**	**16,384**	**88**	**16,472**	**(103,762)**	**19,912,710**

The accompanying notes form an integral part of the interim financial statements.

林 俊行

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Executive Vice President
in charge of Finance Department

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
ธนาคาร ซูมิโตโม มิตซุย ทรัสต์ (ไทย) จำกัด (มหาชน)

(Mr. Manabu Inoue)
Chief Executive Officer

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of cash flows

	Six-month periods ended 30 September	
	2020	2019
	(in thousand Baht)	
Cash flows from operating activities		
Profit from operations before income tax	173,656	107,248
Adjustment to reconcile profit from operations before income tax		
to net cash provided by (used in) operating activities		
Depreciation and amortisation	19,218	24,644
Reversal of expected credit loss	(12,156)	-
Bad debts, doubtful accounts and impairment loss	-	30,596
Unrealised losses on revaluation of derivative contracts	862,555	215,697
Provisions	1,806	1,692
Net interest income	(346,788)	(215,436)
Interest received	523,896	771,649
Interest paid	(278,183)	(557,268)
Profit from operations before changes in operating assets and liabilities	**944,004**	**378,822**
Decrease (increase) in operating assets		
Interbank and money market items	(3,619,355)	139,917
Loans to customers	2,157,781	(1,688,180)
Other assets	(273,604)	(192,361)
Increase (decrease) in operating liabilities		
Deposits	3,376,857	(7,711,760)
Interbank and money market items	(2,535,609)	8,366,483
Other liabilities	(928,866)	(53,494)
Provision for post-employment benefits paid	(58)	-
Net cash used in operating activities	**(878,850)**	**(760,573)**
Cash flows from investing activities		
Purchase of investments measured at fair value through other comprehensive income	(5,409,821)	-
Proceeds from investments measured at fair value through other comprehensive income	6,295,000	-
Purchase of available-for-sale investments	-	(6,006,639)
Proceeds from available-for-sale investments	-	6,771,000
Purchase of leasehold building improvements and equipment	(482)	(3,791)
Purchase of intangible assets	(524)	-
Payment of lease liabilities	(5,323)	-
Net cash provided by investing activities	**878,850**	**760,570**
Net increase (decrease) in cash	-	(3)
Cash at beginning of the period	30	28
Cash at end of the period	**30**	**25**
Supplementary disclosures of cash flow information		
Non-cash transactions:		
Increase in payable on purchase of leasehold building improvements and equipment	117	2,466

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林 俊行

The accompanying notes form an integral part of the interim financial statements.

Mr. Toshiyuki Hayashi
Executive Vice President
in charge of Finance Department

(Mr. Manabu Inoue)
Chief Executive Officer

Note	**Contents**
1	General information
2	Basis of preparation of the interim financial statements
3	Changes in accounting policies
4	Significant accounting policies
5	Impact of COVID-19 outbreak
6	Risk management
7	Fair value of financial instruments
8	Maintenance of capital fund
9	Classification of financial assets and financial liabilities
10	Interbank and money market items, net (assets)
11	Derivatives
12	Investments, net
13	Loans to customers and accrued interest receivables, net
14	Allowance for expected credit loss and allowance for doubtful accounts
15	Leasehold building improvements and equipment, net
16	Deferred tax assets, net
17	Deposits
18	Interbank and money market items (liabilities)
19	Provisions
20	Other liabilities
21	Advance received from electronic payment
22	Offsetting of financial assets and financial liabilities
23	Other reserves
24	Contingent liabilities
25	Related parties
26	Leases
27	Financial position and results of operations classified by domestic and foreign business
28	Interest income
29	Interest expenses
30	Net fees and service income (expenses)
31	Net gains on financial instruments measured at fair value through profit or loss
32	Net gains on trading and foreign exchange transactions
33	Employee expenses
34	Expected credit loss and bad debts, doubtful accounts and impairment loss
35	Income tax
36	Earnings per share

These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai statutory and regulatory reporting purposes and prepared in The Thai language. These English language financial statement have been prepared from Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors of the Bank on 27 November 2020.

1 General information

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited (the "Bank"), is incorporated in Thailand and has its registered office at 98, 32nd Floor, Sathorn Square Office Tower, North Sathorn Road, Silom, Bangrak, Bangkok 10500.

The ultimate parent company during the period was Sumitomo Mitsui Trust Holding, Inc. and the immediate parent company during the period was Sumitomo Mitsui Trust Bank, Limited (99.99% shareholding). Both companies were incorporated in Japan.

The formation of the Bank was registered with Department of Business Development, Ministry of Commerce on 7 July 2014.

The Bank obtained its banking license in Thailand on 14 August 2015, and commenced operating as a commercial bank business on 28 October 2015.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared in accordance with Thai Accounting Standard ("TAS") No.34 *Interim Financial Reporting* and the regulations of the Bank of Thailand ("BoT"); guidelines promulgated by the Federation of Accounting Professions and presented as prescribed by the BoT notification number Sor Nor Sor. 21/2561, directive dated 31 October 2018, regarding *"The Preparation and Announcement of Financial Statements of a Commercial Bank and a Holding Company which is the Parent Company of a Financial Group"* as well as other related regulations of the Bank of Thailand.

The Bank has initially applied TFRS 9 *Financial Instruments* ("TFRS 9") and its relevant financial instruments accounting standards including TFRS 16 *Leases* ("TFRS 16") and disclosed impact from changes to significant accounting policies in note 3.

In addition, the Bank has not early adopted a number of new and revised TFRSs, which are not yet effective for the current period in preparing these interim financial statements. The Bank has assessed the potential initial impact on the 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) Functional and presentation currency

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

(c) Use of judgements and estimates

The preparation of interim financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of the Bank's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the interim financial statements is included in the following notes.

Note 4 Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest ("SPPI") on the principal amount outstanding;

Note 4 Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss ("ECL") and selection and approval of models used to measure ECL;

Note 4 Leases
- whether an arrangement contains a lease;
- whether the Bank is reasonably certain to exercise extension options or not to exercise terminate options;
- whether the Bank has transferred substantially all the risks and rewards incidental to the ownership of the assets to lessees; and

Note 5 Impact of COVID-19 Outbreak

Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties at 30 September 2020 that have a significant risk of resulting in a material adjustments to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 5 Impact of COVID-19 Outbreak;
Note 7 Measurement of the fair value of financial instruments with significant unobservable inputs
Note 14 Impairment of financial instruments: determinination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information; and
Note 16 Recognition of deferred tax assets

In addition, on 1 April 2020, the Bank has changed its estimated useful life of leasehold improvements according to new estimated useful life. This change in estimate has been applied prospectively to the financial statements from the date of the change in estimate. The Bank has completed assessment of the impact on the financial statements and there was no material impact.

3 Changes in accounting policies

From 1 April 2020, the Bank has initially applied TFRSs Financial Instruments standards which comprise TFRS 9 *Financial Instruments* ("TFRS 9") and relevant standards and interpretations, and TFRS 16 *Leases* ("TFRS 16"). Impact of changes in accounting policies on shareholders' equity are as follows:

	Note	Other reserves	Deficit
		(in thousand Baht)	
At 31 March 2020 - as reported		16,404	(249,806)
Increase (decrease) due to:			
Impact of reclassification of accounts		(163)	163
Adoption of TFRSs - Financial instruments standards	*a*		
Impairment loss on financial assets		18,104	-
Related tax		(3,621)	-
At 1 April 2020 - restated		**30,724**	**(249,643)**

(a) TFRS - Financial instruments standards

The Bank has adopted TFRS 9 and its relevant financial instruments standards using the cumulative effect, taking into account the effect of initially applying these standards only to financial instruments that were not derecognised before 1 April 2020 as an adjustment to retained earnings or other reserves at 1 April 2020. Therefore, the Bank has not restated the information presented for comparative period. The disclosure requirements of TFRSs for financial instruments have not generally been applied to comparative information.

These TFRS - Financial instruments standards establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. The details of accounting policies are disclosed in note 4.

1. Classification and measurement of financial assets and financial liabilities

Under TFRS 9, financial assets are classified and measured into three categories: financial assets subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification is based on the cash flow characteristics of the financial asset and the business model of the Bank in which they are managed. TFRS 9 eliminates the previous classification of held-to-maturity debt securities, available-for-sale securities, trading securities and general investment as specified by TAS 105.

The following table shows the new classification of financial assets and financial liabilities under TFRS 9 as at 1 April 2020.

	Classification under previous standards at 31 March 2020	**Classification under TFRS 9 at 1 April 2020**
Financial Assets		
Cash	Amortised cost	Amortised cost
Interbank and money market items, net	Amortised cost	Amortised cost
Derivative assets		
Foreign currency swap contracts	Fair value	FVTPL
Interest rate swap contracts	Fair value	FVTPL
Investments, net		
Government securities	Available-for-sale	FVOCI
Loan to customers and accrued interest receivables, net	Amortised cost, Fair value	Amortised cost, FVTPL
Other assets	Amortised cost	Amortised cost
Financial Liabilities		
Deposits	Amortised cost	Amortised cost
Interbank and money market items	Amortised cost	Amortised cost
Derivative liabilities		
Foreign currency swap contracts	Fair value	FVTPL
Interest rate swap contracts	Fair value	FVTPL
Accrued interest payables	Amortised cost	Amortised cost
Other liabilities	Amortised cost	Amortised cost

2. *Impairment*

TFRS 9 introduces forward-looking expected credit loss ("ECL") model whereas previously the Bank estimates allowance for doubtful accounts by analysing payment histories and future expectation of customer payment including the minimum allowance for doubtful accounts required based on the BoT's guideline. TFRS 9 requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model applies to financial assets that are not measured at FVTPL consisted with financial assets that are debt instruments, financial guarantee and loan commitment.

The Bank has the excess reserve on the date of adoption of financial instruments standards as the allowance for doubtful accounts as at 31 March 2020 exceeded the allowance for expected credit loss calculated according to the financial instruments standards. The Bank will amortise the excess reserve using the straight-line method over 5 years in accordance with BoT Circular number Thor Por Tor. For Nor Sor. (23) Wor. 1603/2562, directive dated 6 November 2019, regarding "*The Clarification on Management of Excess Reserve*".

	At 31 March 2020	Remeasurement	At 1 April 2020
		(in thousand Baht)	
Interbank and money market items	17,466	(14,468)	2,998
Investment in debt securities	-	18,104	18,104
Loan to customers and accrued interest receivables	546,082	(37,479)	508,603
Undrawn loan commitments and financial guarantee contracts	-	33,843	33,843
Total	**563,548**	**-**	**563,548**

3. *Derivatives and hedge accounting*

Under TFRS 9, derivatives held for risk management purposes include all derivatives that are not held for trading are measured at fair value in the statement of financial position.

The Bank designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. The Bank documents the relationship between the hedging instruments and hedged items, including the risk management objective, strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment of the effectiveness, both at inception of the hedge relationship and on an ongoing basis.

These hedging relationships are fair value hedges.

Previously, TFRS were silent on the requirements of hedge accounting and derivatives held for risk management purposes. For the year ended 31 March 2020, the Bank accounted these transactions as described in accounting policies in note 4.

(b) TFRS 16 Leases

From 1 April 2020, the Bank has initially adopted TFRS 16 on contracts previously identified as leases according to TAS 17 *Leases* ("TAS 17") using the modified retrospective approach.

Previously, the Bank, as a lessee, recognised payments made under operating leases in profit or loss on a straight-line basis over the term of the lease. Under TFRS 16, the Bank assesses whether a contract is, or contains, a lease. If a contract contains lease and non-lease components, the Bank allocates the consideration in the contract based on stand-alone selling price (transaction price). As at 1 April 2020, the Bank recognised right-of-use assets and lease liabilities, as a result, the nature of expenses related to those leases was changed because the Bank recognised depreciation of right-of-use assets and interest expense on lease liabilities.

On transition, the Bank also elected to use the following practical expedients:

- do not recognise right-of-use assets and lease liabilities for leases with less than 12 months of lease term;
- use hindsight when determining the lease term;
- apply a single discount rate to a portfolio of leases with similar characteristics;
- rely on previous assessments whether leases are onerous as an alternative to performing an impairment review; and
- exclude initial direct costs from measuring the right-of-use asset.

Impact from the adoption of TFRS 16

	(in thousand Baht)
At 1 April 2020	
Increase in leasehold building improvements and equipment, net	42,566
Increase in other liabilities	42,566
Measurement of lease liability	
Operating lease commitment as disclosed at 31 March 2020	49,156
Less recognition exemption for short-term leases	(26,685)
Add extension options reasonably certain to be exercised	22,143
	44,614
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2020	42,566
Lease liabilities recognised at 1 April 2020	**42,566**
Weighted-average incremental borrowing rate *(% per annum)*	1.88

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3, which addresses changes in accounting policies.

(a) Foreign currencies

Foreign currency transactions

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

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

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the date of transactions.

(b) Cash

Cash comprises cash on hand and cash on collection.

(c) Financial instruments

Accounting policies applicable from 1 April 2020

(1) Recognition and initial measurement

The Bank initially recognises financial assets or financial liabilities (including directly attributable to the acquisition or issue financial assets) in its statement of financial position on the transaction date, which is the date on which the Bank becomes the party to the contractual provisions of the instrument, except for investments in debt instruments which are recognised and derecognised on the trade date.

Financial assets or financial liabilities not measured at fair value through profit or loss are initially measured at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

(2) Classification and subsequent measurement of financial assets and financial liabilities

- *Classification and subsequent measurement of financial assets*

On the date of initial recognition, a financial asset is classified as subsequent measurement at: amortised cost, FVOCI or FVTPL.

A financial asset which is not designated as at FVTPL is measured at amortised cost if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument which is not designated as at FVTPL is measured at FVOCI only if it meets both of the following conditions:

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

All other financial assets are classified as measured at FVTPL.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and the way in which those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or on contractual cash flows collected); and
- frequency, value and timing of sales in prior period, the reasons for those sales and expectations about future sales activity. However, information about sales is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding

For the purposes of this assessment, 'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, credit risk, other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs), as well as profit margin associated with holding the financial assets for a particular period of time.

In assessing whether the contractual cash flows are solely payment of principal and interest on the principal amount outstanding, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Modifications of financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower then the gain or loss is presented together with expected credit loss. In other cases, it is presented as interest income calculated using the effective interest rate method.

Derecognition of financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

Subsequent classification and measurement of financial liabilities

The Bank classifies and measures its financial liabilities other than loan commitments and financial guarantee contracts subsequently at amortised cost or FVTPL.

Modifications of financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. The consideration paid includes any assets transferred and new liabilities assumed.

If the modification of a financial liability is not accounted for derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Derecognition of financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(3) Impairment of financial assets

Significant estimates and judgements

The Bank's expected credit loss calculations are based on complex models with a series of underlying assumptions. The significant judgements and estimates in determining expected credit loss include criteria for assessing if there has been a significant increase in credit risk and development of expected credit loss models, including the choice of inputs relating to macroeconomic variables. The calculation of expected credit loss also involves expert credit judgement to be applied by management based upon counterparty information they receive from various internal and external. Expert credit judgement is also applied to determine whether any post-model adjustments are required for credit risk elements which are not captured by the model under a "management overlay" framework, such as identified model deficiencies, debtors' risk concentration and other factors including industry risks.

Measurement of ECL

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information. This includes forward-looking information.

ECL are a probability-weighted estimated of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the contractual cash flows and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive if the loan is drawn down; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Estimate of expected cash shortfalls is determined by multiplying the probability of default ("PD") with the loss given default ("LGD") with the expected exposure at the time of default ("EAD").

Forward-looking macro economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they have been identified to influence credit risk, such as GDP growth rates, interest rates and housing price index. These assumptions are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally and are consistent with those used for financial and capital planning.

Multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios both in terms of determining the PD, LGD and EAD, where relevant, and in determining the overall expected credit loss amounts.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Bank is exposed to credit risk.

Staging

For ECL recognition, financial assets are classified in any of the below 3 stages at each reporting date by being assessed on individual basis. A financial asset can move between stages during its lifetime. The stages are based on changes in credit quality since initial recognition and defined as follows:

- *Stage 1: Financial assets that have not had a significant increase in credit risk (Performing)*

Financial assets that have not had a significant increase in credit risk ("SICR") since initial recognition (i.e. no Stage 2 or 3 triggers apply) or debt investment that considered to have low credit risk at each reporting date with the exception of purchased or originated credit impaired ("POCI") assets. The allowance for ECL is 12-month ECL. 12-month ECL is the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

- *Stage 2: Financial assets have a SICR (Under-performing)*

When financial assets have a SICR since initial recognition, expected credit losses are recognised for possible default events over the lifetime of the financial assets. SICR is assessed by using a number of quantitative and qualitative factors that are significant to the increase in credit risk. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk.

Quantitative factors include an assessment of whether there has been a significant increase in the PD since origination. Increase in PD is determined from economic conditions that are relating to changes in credit risk such as internal credit rating downgrade and behavior scoring deterioration. If the changes exceed the thresholds, the financial assets are considered to have experienced a significant increase in credit risk.

Qualitative factor assessments are part of current credit risk management processes, such as an assessment of significant deterioration in the customers' ability to repay. Qualitative indicators includes operating results, financial liquidity and other reliable indicators.

Financial assets can be transferred to Stage 1 in case they have proven that their ability to repay are back to normal.

- *Stage 3: Financial assets that are credit-impaired (Non-performing)*

Financial assets that are credit-impaired or in default represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the customers are unlikely to repay on the occurrence of one or more observable events that have a negative impact on the estimated future cash flows of the financial assets.

Evidence that financial assets are credit impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract or a past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower; or
- Purchase or origination of a financial asset at a significant discount that reflects incurred credit losses.

Expected credit losses of credit-impaired financial assets are determined based on the difference between the present value of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate, discounted with the financial assets' original effective interest rate, and the gross carrying value of the financial assets prior to any credit impairments.

Financial assets that are credit impaired require a lifetime provision.

Improvement in credit risk

A period may elapse from the point at which instruments enter stage 2 or stage 3 and are reclassified back to stage 1.

For financial assets that are credit-impaired (stage 3), and no restructured will transfer to stage 2 or stage 1 if it is considered that there is no more qualification as a financial asset with credit-impaired.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD based transfer criteria are no longer met. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes actions to be resolved before loans are reclassified to stage 1.

For TDR customers, exposures under stage 3 can transfer to stage 2 when the customer performs under the revised terms of the contract for 3 consecutive months or 3 consecutive periods, whichever is longer. A further 9 months or 9 periods, whichever is longer, monitoring is required for such customers to be transferred to stage 1 on the basis that there is no overdue balance in the account and the customer is expected to repay its all remaining debts.

For TDR customers, exposures under stage 2 that were not previously credit impaired can transfer to stage 1 when the customer performs under the revised terms of the contract for 3 consecutive months or 3 consecutive periods, whichever is longer.

Financial assets with stage 3 will transfer to stage 2 when consider and found that there is no credit-impaired.

Write-off of credit impaired instruments and reversal of excepted credit loss

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the allowance for expected loss. Such financial instruments are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined.

If, in a subsequent period, the amount of the allowance for expected loss decreases, the previously recognised excepted credit loss is reversed in profit or loss.

Financial guarantee contacts held

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the financial asset, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exporsure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in "other assets". The Bank presents gains or losses on a compensation right in profit or loss in the line item "expected credit loss".

(4) Derivative held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Bank designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both on inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective hedge in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a specific range.

Fair value hedge

When a derivative is designated as the hedging instrument in the change in fair value of a recognised asset or liability that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as an adjustment to the recalculated effective interest rate of the item over its remaining life.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

Accounting policies applicable before 1 April 2020

(1) Initial recognition

The Bank initially recognises the purchase and sale of investments in debt securities on the trade date. All other financial instruments, including loans to customers and deposits are initially recognised on the date at which the Bank become a party to the contractual provisions of the instrument.

(2) Investments in debt securities

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

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

Debt securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

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

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in the profit or loss.

If the Bank 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.

(3) Loans to customers

Loans to customers are generally presented at the principal balances. Loans to customers from purchases or transfers that are intended to be held to collect the contractual cash flows, are initially recognised at fair value of the consideration at the purchased or transferred date. Subsequent to initial recognition, loans to customers from purchases or transfers are stated at amortised cost. Unearned discounts received in advance of loans are presented as deferred revenue which is a deduction from the loans.

(4) Allowance for doubtful accounts

The Bank provides allowance for doubtful accounts in accordance with the BoT's regulations, using the minimum rates stipulated by the BoT. The Bank sets provision for "pass" loans (including restructured receivables) and "special mention" loans at minimum rates of 1% and 2%, respectively, of the loan balances, calculated in accordance with the BoT's regulations. For non-performing loans, the Bank sets provision at a rate of 100% of the loans balance remaining after deducting the present value of expected future cash flows from loans collection or from collateral disposal, discounted over the year expected to be able to dispose the collateral as stipulated in the BoT's regulations.

Apart from the specific provisioning, the Bank may consider additional provision by considering the factors that may lead to insufficient specific provision or from the unexpected deterioration of the undue provision amount, the debtor industry, the overall economic conditions and other factors.

Allowance for doubtful accounts made in the period is recognised as bad debts and doubtful accounts in profit or loss.

(5) Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contracts are entered into (trade date) and are subsequently remeasured at their fair values. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss unless the derivative is a designated hedge instrument in a cash flow hedge relationship. All derivatives are carried as assets when the fair value is positive as "Derivative assets" and as liabilities when the fair value is negative as "Derivative liabilities" in the statement of financial position.

(6) Hedging

Fair value hedge

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

Discontinuing hedge accounting

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

(d) Leasehold building improvements and equipment

Recognition and measurement

Owned assets

Leasehold building improvements and equipment are measured at cost less accumulated depreciation and allowance for 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.

Subsequent costs

The cost of replacing a part of an item of leasehold building improvements and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of leasehold building improvements and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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

Leasehold improvement and system structure	Over the lease term
Furniture and office equipment	5 years
Vehicles	5 years

No depreciation is provided on assets under construction or installation.

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

(e) Intangible assets

Intangible assets that are acquired by the Bank and have finite useful lives are measured at cost less accumulated amortisation and allowance for impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative years are as follows:

Software licenses	5 - 10 years

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

(f) Impairment of non-financial assets

The carrying amounts of the Bank's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

Calculation of recoverable amount

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

Reversals of impairment

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

(g) Employee benefits

Defined contribution plans

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

Defined benefit plans

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

The calculation of defined benefit obligations is performed annually by a qualified actuary using projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. The Bank determines the interest expense on the net defined benefit liability for the year 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 Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

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

Termination benefits

Termination benefits are expensed at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank 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 Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(h) Provisions

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

(i) Financial guarantee and loan commitments

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

The Bank has issued no loan commitments that are measured at FVTPL.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

(j) Measurement of fair values

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

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

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

- *Level 1*: quoted prices 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 or indirectly.
- *Level 3*: inputs for the asset or liability that are based on unobservable input.

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

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(k) Interest

Accounting Policy applicable from 1 April 2020

Effective interest rate

Interest income and interest expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not allowance for expected credit loss.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any allowance for expected credit loss.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any allowance for expected credit loss.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis of assets.

Accounting Policy applicable before 1 April 2020

Interest income and discounts on loans to customers are recognised on an accrual basis, except for interest income on loans to customers overdue for more than three months and interest on loans where the borrowers' ability to pay is uncertain. In accordance with the BoT's regulations, interest in arrears for more than three months from the due date, regardless of whether it is covered by collateral, is reversed from profit or loss. Subsequent interest receipts are recognised on a cash basis.

(l) Fees and service income

Fees and service income are recognised when a customer obtains control of the services in an amount that reflects the consideration to which the Bank expects to be entitled, excluding those amounts collected on behalf of third parties and value added tax. Judgement is required in determining the timing of the transfer of control for revenue recognition - at a point in time or over time. The related costs are recognised in profit or loss when they are incurred.

(m) Net gains on financial instruments measured at FVTPL

Net gains on financial instruments measured at FVTPL comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

(n) Contributions to the Deposit Protection Agency and Financial Institutions Development Fund

Contributions to the Deposit Protection Agency and Financial Institutions Development Fund are recorded as expenses on an accrual basis.

(o) Leases

Accounting policies applicable from 1 April 2020

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. If a contract contains lease and non-lease components, the Bank applies TFRS 15 to allocate the consideration in the contract.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date, except for leases of low-value assets and short-term leases which is recognised as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Depreciation is charged to profit or loss on a straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the expected lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of premises and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate and subsequently at amortised cost using the incremental borrowing rate. The lease payments included fixed payments less any lease incentive receivable, and amounts expected to be payable under a residual value guarantee. The lease payments also include amount under purchase, extension or termination option if the Bank is reasonably certain to exercise option.

The lease liability is remeasured when there is a modification, change in lease term, change in lease payments, change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of purchase, extension or termination options. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Accounting policies applicable before 1 April 2020

Assets held under leases classified as operating leases were not recognised in the Bank's statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(p) Income tax

Income tax expense for the period comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting 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 Bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Bank believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan for the Bank. 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.

(q) Earnings per share

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

(r) Related parties

A related party is a person or entity that has direct or indirect control or has significant influence over the financial and managerial decision-making of the Bank; a person or entity that are under common control or under the same significant influence as the Bank; or the Bank has direct or indirect control or has significant influence over the financial and managerial decision-making of a person or entity.

(s) Offsetting

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

5 Impact of COVID-19 outbreak

During 2020, there was the COVID-19 outbreak. Many countries, including Thailand, have enacted several protective measures against the outbreak. This has significantly affected daily life, production, supply chain and economic conditions. The management is closely monitoring the situation to ensure the safety of the Bank's staff and to manage the negative impact on the business as much as possible.

As a result of the COVID-19 having a widespread impact on all business sectors and customer segments across Thailand, the Bank of Thailand ("BoT") has issued a series of measures, covering payment moratoriums, government guarantee as well as a loan repayment holiday to get the Bank help affected borrowers and industries that are encountering short-term cash flow problems to resume repayment ability at the end.

In relation to financial reporting, key concerns are on the application of forward-looking information and pro-cyclicality effect from applying TFRS 9 ECL provisioning concept. The BoT in collaboration with TFAC announced some guidelines to be applied under these 2-year period of 2020 and 2021, highlighted:

- Non-NPL modified loans (pre-emptive restructures) can be classified as stage 1 (performing) immediately once they are identified via well screening process for likely to repay borrowers, or else they remain at the stage before entering into restructuring;
- NPL modified loans (troubled debt restructures) can be classified as stage 1 (performing) only if they can repay 3 consecutive months or 3 consecutive dues, whichever is longer;
- Revision of EIR at the date of modification; and
- As a result of unprecedented circumstance, forward-looking information can be put less weight than historical information in ECL provisioning.

Regarding the impacts on the Bank's performance under both macro-economic and micro-economic uncertainties, the Bank's ECL still reflects fair position through closely monitoring, well-calibrated model with risk looking-through basis together with management overlay.

Moreover, the BoT announced a reduction in rate of contribution from financial institutions to the Financial Institutions Development Fund (FIDF) from 0.46% of deposit base to 0.23% per annum which is effective from 1 January 2020 to 31 December 2021.

6 Risk management

Risk management policies

The Bank is exposed to normal business risks from changes in market interest rates and from non-performance of contractual obligations by counterparties, lack of funding.

6.1 Credit risk

Credit risk is the risk of financial loss of the Bank when a customer or counterparty fails to meet its contractual obligations, and such risk is generated from claims, mainly loans, and investments. Credit risk is the most basic financial risk related to a credit creating function. The Bank continuously diversifies its credit portfolios and builds up a stronger customer base by expanding its credit risk management framework further, and by meeting a new and sound demand for credit.

Credit risk policy

The basic policy of the Bank on credit risk management calls for "Risk Management Policy".

The Bank manages credit exposures of each customer based on limited credit amount, and periodically reviews impacts of identified risks to large and particular debtors and concentration in industry sectors, including the measurement of the credit risk.

The Bank manages individual credits through processes such as internal credit ratings. Credit ratings indicate the credit status of debtor and the possibility of default on a scale, and provide the basis for credit screening of individual transactions and credit portfolio management. The Bank evaluates solvency and collectability of credits based on the analysis, for instance the customer's financial condition, cash flow, and revenue-generating capacity.

Credit risk framework

The Bank's board of directors decides on important matters related to credit risk management when developing management plans. The board of directors also decides on credit strategy and capital plan, and approves asset classification policy, to ensure the soundness of the assets. As for screening and credit management of each case, the Global Credit Supervision Department of parent company provides prior consultation to Credit Department. Furthermore, the Research Department of parent company also provide consultation to evaluate internal credit ratings based on industry research and credit analysis of individual companies along with performing quantitative analysis.

Credit approval process

In managing credit risk, the Bank segregates the roles and responsibilities of the credit marketing function from the credit granting function to ensure proper checks and balance. Individual credit risk is analysed and assessed by experienced credit officers and approved by an appropriate authority depending on the size and risk levels of credit requested.

The Bank has contingent liabilities by issuing letters of credit for its customers. Such contingent transaction activities require assessment on financial condition of customers and also makes a standard practice to set conditions to mitigate the elements of risk in the same manner as for direct lending procedures.

Credit review

The Audit unit, independent unit, is responsible for performing the assessments and making recommendations to improve the adequacy and effectiveness of credit-related processes and the risk management processes. Moreover, the Independent Credit Review (ICR) team performs individual credit reviews to ensure that the credit process and account administration are effectively conducted in accordance with policies and procedures, and in compliance with the regulatory requirements.

Credit quality analysis

The following tables set out information about the credit quality as at 30 September 2020 of financial assets measured at amortised cost and investments in debt instruments measured at FVOCI without taking into account collateral or other credit enhancement. The description of stage 1-3 are disclosed in note 4.

	30 September 2020				
	12 months PD ranges *(%)*	Stage 1	Stage 2	Excess reserve	Total
		(in thousand Baht)			
Interbank and money market items (asset)					
Low risk	0 - 1	18,068,516	-	-	18,068,516
Gross carrying amount		18,068,516	-	-	18,068,516
Less allowance for expected credit loss		(29,124)	-	-	(29,124)
Net carrying amount		**18,039,392**	-	-	**18,039,392**
Loans to customers and accrued interest receivables					
Low risk	0 - 3	52,004,310	148,561	-	52,152,871
Normal	6 - 13	411,015	141,006	-	552,021
Gross carrying amount		52,415,325	289,567	-	52,704,892
Less allowance for expected credit loss		(158,676)	(8,529)	(303,435)	(470,640)
Net carrying amount		52,256,649	281,038	(303,435)	52,234,252
Investments in debt instruments measured at FVOCI					
Low risk	0 - 1	9,713,396	-	-	9,713,396
Gross carrying amount		9,713,396	-	-	9,713,396
Allowance for expected credit loss		16,137	-	-	16,137
Carrying amount - fair value		9,717,739	-	-	9,717,739
Undrawn loan commitments and financial guarantee contracts					
Committed unused credit line	0 - 3	2,661,204	-	-	2,661,204

Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. Upon granting credit decision, the Bank assesses the loss given default, which is dependent on loan to value (LTV) ratio. The collateral value used for deriving LTV ratio is weighted by the expected loss from execution and public auction, which vary based on risk of each collateral type. The appraisal value of collateral is reviewed in accordance to risk of each collateral type to ensure that the value is the most up-to-date. In addition, in case there is no collateral or the collateral does not cover exposures, the Bank still has other credit enhancements such as letter of guarantee to mitigate the risk of credit exposures.

Information related to ECL

Significant increase in credit risk (SICR)

When determining whether the probability of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

Definition of default

The Bank considers, in principle, a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations, without recourse by the Bank to act such as realising security (if any is held), to the Bank in full;
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

- Information obtained during periodic review of customer files - e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
- Data from credit reference agencies, press articles, changes in external credit ratings
- Quoted bond and credit default swap (CDS) prices for the borrower where available
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of sector and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies might be also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures.

Incorporation of forward-looking information

The Bank applies forward-looking factor into the calculation of allowance for expected credit loss.

Periodically, the Bank carries out stress testing to calibrate its determination of the significant upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios.

The Bank has considered key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk, and credit losses.

The key driver for credit risk is GDP growth.

Management Overlay

The Bank calculated the ECL based on the model. However, management overlay was considered when underlying assumptions or data used to estimate ECLs do not reflect current circumstances, events or conditions of the Bank at the reporting date as post-model adjustments.

Concentrations of credit risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from interbank and money market items (asset), investments in debt instruments, loans to customers, undrawn loan commitments, and financial guarantee contracts is shown below.

	30 September 2020				
	Interbank and money market items (asset)	Investments in debt instruments	Loans to customers	Undrawn loan commitments	Financial guarantee contracts
			(in thousand Baht)		
Gross carrying amount	18,068,516	9,713,396	52,704,892	-	-
Undrawn loan commitments and financial guarantee contracts	-	-	-	2,619,842	41,362
Concentrations by sector					
Corporate customers					
Manufacturing and commerce	-	-	11,331,839	975,936	-
Real estate and construction	-	-	2,422,695	1,097,339	41,362
Infrastructure and services	-	-	4,354,977	-	-
Financial service activities	-	-	27,673,612	-	-
Others	-	-	6,921,769	546,567	-
Financial institutions					
Government	3,467,500	9,713,396	-	-	-
Commercial banks	14,601,016	-	-	-	-

6.2 *Liquidity risk*

Liquidity risk is the risk of financial loss to the Bank when the Bank fails to raise necessary funds or is forced to raise funds at significantly higher interest rates.

Risk management policy of liquidity risk

With regard to liquidity risk, the Bank designs and implements a policy to build up a risk management framework for liquidity risk, recognising that financial difficulties due to exposure to such risk could possibly lead the Bank directly to bankruptcy under certain circumstances.

Risk management framework and approaches for liquidity risk

Risk management departments determine the extent of the Bank's liquidity deficiency appropriately in cooperation with the treasury departments, while gathering and analysing information related to both the internal environment, such as the Bank's risk profiles, and external environment, such as economic circumstances or market conditions, based on the ALM plan approved by the board of directors.

To reduce liquidity risk, treasury departments manage cash flow within the predetermined appropriate limits, and monitor its compliance.

The Bank will disclose the Liquidity Coverage Ratio (LCR) information the BoT notification number Sor Nor Sor 2/2561 date 25 January 2018, regarding to *Liquidity coverage ratio disclosure standards* as follows:

Location of disclosure	The Bank' website at www.smtb.jp/smtbthai/
Disclosure period requirement	Within 4 months after the period end date, as indicated in the BoT's notification
Lasted information as at	31 March 2020

The disclosure for the six-month period ended 30 September 2020 will be provided on or before 31 January 2021 on the Bank's website as noted above.

As at 30 September 2020 and 31 March 2020, the remaining period to maturity of significant financial assets and financial liabilities based on contractual maturity is as follows:

	30 September 2020					
	At call	Within 1 year	Over 1 year to 5 year	Over 5 year	No maturity	Total
	(in thousand Baht)					
Financial assets						
Cash	-	-	-	-	30	30
Interbank and money market items [(1)]	5,479,550	12,588,966	-	-	-	18,068,516
Derivative assets	-	311,212	-	-	-	311,212
Investments, net	-	9,214,741	502,998	-	-	9,717,739
Loans to customers [(1), (2)]	14,210,650	10,323,180	23,482,576	4,185,249	-	52,201,655
Accrued interest receivables and undue interest receivables	342	114,090	-	-	-	114,432
Other financial assets	274,308	1,148	-	-	-	275,456
Total financial assets	**19,964,850**	**32,553,337**	**23,985,574**	**4,185,249**	**30**	**80,689,040**
Financial liabilities						
Deposits	1,466,147	21,626,247	30	-	-	23,092,424
Interbank and money market items	-	27,590,227	9,513,385	-	-	37,103,612
Derivatives liabilities	-	51,128	337,863	-	-	388,991
Other financial liabilities	9,801	46,727	-	-	-	56,528
Total financial liabilities	**1,475,948**	**49,314,329**	**9,851,278**	**-**	**-**	**60,641,555**
Net liquidity gap	**18,488,902**	**(16,760,992)**	**14,134,296**	**4,185,249**	**30**	**20,047,485**
Financial guarantee contracts	**-**	**41,362**	**-**	**-**	**-**	**41,362**

(1) Before deducting allowance for expected credit loss
(2) Exclude fair value adjustment in loans to customers

	31 March 2020					
	At call	Within 1 year	Over 1 year to 5 years	Over 5 years	No maturity	Total
			(in thousand Baht)			
Financial assets						
Cash	-	-	-	-	30	30
Interbank and money market items [1]	4,702,618	9,746,668	-	-	-	14,449,286
Derivative assets	-	1,202,223	-	-	-	1,202,223
Investments, net	-	10,567,807	-	-	-	10,567,807
Loans to customers net of deferred revenue [1], [2]	12,867,200	11,936,281	24,175,486	5,377,456	-	54,356,423
Accrued interest receivables	397	114,986	-	-	-	115,383
Other financial assets	47	-	-	-	-	47
Total financial assets	**17,570,262**	**33,567,965**	**24,175,486**	**5,377,456**	**30**	**80,691,199**
Financial liabilities						
Deposits	392,600	19,322,967	-	-	-	19,715,567
Interbank and money market items	-	25,546,872	14,092,349	-	-	39,639,221
Derivatives liabilities	-	61,604	356,356	-	-	417,960
Other financial liabilities	403,669	89,190	4,759	-	-	497,618
Total financial liabilities	**796,269**	**45,020,633**	**14,453,464**	**-**	**-**	**60,270,366**
Net liquidity gap	**16,773,993**	**(11,452,668)**	**9,722,022**	**5,377,456**	**30**	**20,420,833**

[1] Before deducting allowance for doubtful accounts
[2] Exclude fair value adjustment in loans to customers

Derivatives

The remaining periods to maturity of the notional amount of derivatives as at 30 September 2020 and 31 March 2020 are as follows:

	30 September 2020		
	Within 1 year	Over 1 year to 5 years	Total
	(in thousand Baht)		
Foreign currency related			
Foreign currency swap contracts	26,529,320	-	26,529,320
Interest rate related			
Interest rate swap contracts	5,400,000	8,595,169	13,995,169
Total	**31,929,320**	**8,595,169**	**40,524,489**

	31 March 2020		
	Within 1 year	Over 1 year to 5 years	Total
	(in thousand Baht)		
Foreign currency related			
Foreign currency swap contracts	28,606,859	-	28,606,859
Interest rate related			
Interest rate swap contracts	5,200,000	10,814,218	16,014,218
Total	**33,806,859**	**10,814,218**	**44,621,077**

6.3 *Market risk*

Market risk is the risk of financial loss of the Bank through changes in income and value of assets and liabilities held, including off-balance items, due to fluctuations in various market risk factors such as interest rates and foreign exchange rates.

Risk management policy on market risk

In managing market risk, the Bank ensures the soundness of its business by appropriately controlling risks, and strives to secure reasonable profits which correspond to strategic goals, the scale and nature of its operations, and risk profiles through an advanced risk management framework.

Risk management framework for market risk

The Bank's board of directors resolves ALM plans and risk management plans as important matters related to market risk under management plans. The ALM Committee resolves basic matters of ALM plans and risk management plans related to market risk regarding bank-wide comprehensive risk management for assets and liabilities.

The Risk Management Department is responsible for planning and implementing market risk management. The role of the Risk Management Department includes measuring risk levels and profits or losses and monitoring the status of market risks managed under ALM plans and status of compliance with risk limits. The Risk Management Department reports its findings to the members of the ALM Committee on a daily basis, and to ALM Committee as well as the board of directors periodically.

Market risk management approach

The Bank uses sensitivity analysis to measure market risk for both foreign exchange rate risk and interest rate risk.

(1) *Interest rate risk*

Interest rate risk in the statements of financial position arises from the potential for a change in interest rates to have an effect on the interest income of the Bank in the current reporting period and future periods. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities.

The Bank's average interest bearing financial assets and financial liabilities, together with the average interest rates are as follows:

	30 September 2020			31 March 2020		
	Average balance	Interest	Average interest rate	Average balance	Interest	Average interest rate
	(in thousand Baht)		*(% per annum)*	*(in thousand Baht)*		*(% per annum)*
Financial assets						
Interbank and money market items	13,044,572	32,246	0.494	11,571,145	148,795	1.286
Investments	9,890,754	51,377	1.039	7,227,308	108,323	1.499
Loans to customers	56,715,151	493,588	1.741	53,830,602	1,270,186	2.360
Total	79,650,477	577,211		72,629,055	1,527,304	
Financial liabilities						
Deposits	22,610,698	101,310	0.896	17,652,754	297,978	1.688
Interbank and money market items	40,835,331	129,113	0.632	40,354,447	713,792	1.769
Total	63,446,029	230,423		58,007,201	1,011,770	

As at 30 September 2020 and 31 March 2020, significant financial assets and financial liabilities classified by earlier of maturity or interest repricing are as follows:

	30 September 2020						
	Repricing periods						
	Immediate repricing	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
				(in thousand Baht)			
Financial assets							
Cash	-	-	-	-	-	30	30
Interbank and money market items [1]	-	12,588,687	-	-	-	5,479,829	18,068,516
Investments, net	-	5,302,725	3,912,016	502,998	-	-	9,717,739
Loans to customers [1], [2]	14,210,650	13,158,794	6,150,522	18,400,189	281,500	-	52,201,655
Accrued interest receivables and undue interest receivables	-	-	-	-	-	114,432	114,432
Other financial assets	274,183	-	-	-	-	1,273	275,456
Total financial assets	**14,484,833**	**31,050,206**	**10,062,538**	**18,903,187**	**281,500**	**5,595,564**	**80,377,828**
Financial liabilities							
Deposits	1,418,371	13,746,491	7,879,756	30	-	47,776	23,092,424
Interbank and money market items	-	37,103,612	-	-	-	-	37,103,612
Other financial liabilities	9,801	-	-	-	-	46,727	56,528
Total financial liabilities	**1,428,172**	**50,850,103**	**7,879,756**	**30**	**-**	**94,503**	**60,252,564**
Effect of derivatives held for risk management [3]	**13,995,169**	**(1,600,000)**	**(3,800,000)**	**(8,595,169)**	**-**	**-**	**-**

[1] Before deducting allowance for expected credit loss
[2] Exclude fair value adjustment in loans to customers
[3] Risk management for loans to customers

	31 March 2020						
	Repricing periods						
	Immediate repricing	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
				(in thousand Baht)			
Financial assets							
Cash	-	-	-	-	-	30	30
Interbank and money market items [1]	-	9,746,264	-	-	-	4,703,022	14,449,286
Investments, net	-	999,509	9,568,298	-	-	-	10,567,807
Loans to customers net of deferred revenue [2]	12,867,200	11,918,284	9,832,036	19,383,903	355,000	-	54,356,423
Accrued interest receivables	-	-	-	-	-	115,383	115,383
Other financial assets	-	-	-	-	-	47	47
Total financial assets	**12,867,200**	**22,664,057**	**19,400,334**	**19,383,903**	**355,000**	**4,818,482**	**79,488,976**
Financial liabilities							
Deposits	345,621	18,359,224	963,743	-	-	46,979	19,715,567
Interbank and money market items	-	39,639,221	-	-	-	-	39,639,221
Other financial liabilities	403,247	-	-	-	-	94,371	497,618
Total financial liabilities	**748,868**	**57,998,445**	**963,743**	**-**	**-**	**141,350**	**59,852,406**
Effect of derivatives held for risk management [3]	**16,014,218**	**-**	**(5,200,000)**	**(10,814,218)**	**-**	**-**	**-**

[1] Before deducting allowance for doubtful accounts
[2] Exclude fair value adjustment in loans to customers
[3] Risk management for loans to customers

(2) Foreign exchange rate risk

Foreign exchange rate risk in the statements of financial position arises from the potential unfavourable fluctuation in foreign exchange rates which causes a loss in the value of an asset or a liability denominated in a foreign currency.

The Bank uses sensitivity analysis to measure and manage market risk for foreign exchange rate risk.

As at 30 September 2020 and 31 March 2020, the Bank has net open position assets (liabilities) denominated in the various currencies as follows:

	30 September 2020			31 March 2020		
	US Dollar	Japanese Yen	Euro	US Dollar	Japanese Yen	Euro
			(in thousand Baht)			
Spot	(26,078,217)	(32,607)	12,815	(28,367,256)	(14,468)	4,897
Forward	26,086,110	-	-	28,358,558	-	-
Net position	7,893	(32,607)	12,815	(8,698)	(14,468)	4,897

Sensitivity analysis

The Bank uses re-pricing gap analysis to provide an estimated measure of the Banking book sensitivity to interest rates change by distributing interest-rate sensitive assets, liabilities and off-balance sheet positions into time bands based on re-pricing schedule.

The result of interest rate to net earnings within 1 year by applying the increasing of 100 bps is as follows:

	30 September 2020 Total effect on net profit *(in thousand Baht)*
Baht	66,264
US Dollar	13,718
Euro	62
Other currencies	(37,533)
Total effect of interest rates change	42,511

6.4 *Operational risks*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risk arises from the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, the Bank's policy requires compliance with all applicable legal and regulatory requirements. The board of directors has delegated responsibility for operational risk to Risk Management Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of the Bank's rule and policy for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transaction;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development; and
- Risk mitigation, including insurance where this is cost effective.

Compliance with the Bank's policy is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are submitted to the Audit Committee and senior management of the Bank.

7 Fair value of financial instruments

Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
	Note	FVTPL	FVOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
					(in thousand Baht)				
30 September 2020									
Financial assets									
Derivatives assets	*11*								
- Foreign exchange swap contracts		311,212	-	-	311,212	-	311,212	-	311,212
Investments	*12*								
- Debt instruments		-	9,717,739	-	9,717,739	-	9,717,739	-	9,717,739
Loans to customers and accrued interest receivables	*13.1*								
- measured at fair value		14,439,031	-	-	14,439,031	-	-	14,439,031	14,439,031
- not measured at fair value		-	-	38,265,861	38,265,861	-	27,656,863	10,969,580	38,626,443
Total financial assets		**14,750,243**	**9,717,739**	**38,265,861**	**62,733,843**	**-**	**37,685,814**	**25,408,611**	**63,094,425**
Financial liabilities									
Derivatives liabilities	*11*								
- Foreign exchange swap contracts		187	-	-	187	-	187	-	187
- Interest rate swap contracts		388,804	-	-	388,804	-	388,804	-	388,804
Total financial liabilities		**388,991**	**-**	**-**	**388,991**	**-**	**388,991**	**-**	**388,991**

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
			(in thousand Baht)		
31 March 2020					
Financial assets					
Derivatives					
- Foreign currency swap contracts	1,202,223	-	1,202,223	-	1,202,223
Investments					
- Available-for-sale investments	10,567,807	-	10,567,807	-	10,567,807
Loans to customers and accrued Interest receivables					
- measured at fair value	16,461,989	-	-	16,461,989	16,461,989
- not measured at fair value	38,399,134	-	27,992,373	10,733,536	38,725,909
Financial liabilities					
Derivatives					
- Foreign currency swap contracts	28,643	-	28,643	-	28,643
- Interest rate swap contracts	389,317	-	389,317	-	389,317

There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the six-month period ended 30 September 2020 and the year ended 31 March 2020.

Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

Type	**Valuation technique**	**Significant unobservable inputs**
Loan to customers and accrued interest receivables	Discounted Cash Flow	Risk-adjusted discount rate

Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair values of loans to customers and accrued interest receivables.

	Six-month period ended 30 September 2020	Year ended 31 March 2020
	(in thousand Baht)	
Loans to customers - beginning balance	16,402,941	17,170,999
Derecognised	(1,999,405)	(1,097,523)
Exchange rate adjustment	(19,050)	16,158
(Losses) gains recognised in profit or loss	(513)	313,307
Loans to customers - ending balance	14,383,973	16,402,941
Add accrued interest receivables and undue interest receivables	55,058	59,048
Loans to customers and accrued interest receivables - ending balance	**14,439,031**	**16,461,989**

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

Interbank and money market items (assets and liabilities)

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.

Derivatives

The fair value of over-the-counter derivatives is based on inputs which are observable from independent and reliable market date sources. These 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 assets reflect the credit risk of the instrument and include adjustments to take account of credit risk of the counter party when appropriate.

Investments

The fair value of investments in debt instruments is referenced from price quoted on the Thai Bond Market Association ("ThaiBMA")

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 fair 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.

8 Maintenance of capital fund

The Bank maintains its capital fund in accordance with 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 announced by the BoT notification number Sor Nor Sor. 12/2555, dated 8 November 2012, *Re: Regulations on Supervision of Capital for Commercial Banks* and Sor Nor Sor. 7/2562, dated 7 May 2019, Re: *Regulations on Components of Capital for Locally-incorporated Banks*, the Bank is required to calculate its Capital Fund in accordance with Basel III.

As at 30 September 2020 and 31 March 2020, the Bank's total capital funds and capital ratio can be categorised as follows:

	30 September 2020	31 March 2020
	(in thousand Baht)	
Tier 1 capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	20,000,000	20,000,000
Net profits after appropriated	(249,806)	(412,610)
Other reserves	3,475	16,404
Less capital deduction items on CET1	(34,899)	(46,260)
Total Tier 1 Capital Base	**19,718,770**	**19,557,534**
Total Risk-Weighted Assets	**53,875,545**	**53,752,021**

	The BoT's regulation minimum requirement*	30 September 2020	31 March 2020
		(%)	
Capital Adequacy Ratio	11.000	36.60	36.38
Tier-1 Capital ratio	8.500	36.60	36.38
Tier-1 Common Equity ratio	7.000	36.60	36.38

* Includes capital conservation buffer as required by the BoT commencing 1 January 2016.

According to the Bank of Thailand notification number For Gor Gor (12) Wor 1030/2562, dated 10 July 2019, the Bank is required to disclose capital after deducting capital add-on arising from Single Lending Limit, effective on 15 July 2019. As at 30 September 2020 and 31 March 2020, the Bank had no add-on arising from Single Lending Limit.

Disclosures of capital maintenance information under the BoT notification number Sor Nor Sor 4/2556, dated 2 May 2013, regarding to *Disclosure Requirement on Capital Adequacy for a Commercial Bank*, BoT notification number Sor Nor Sor 14/2562, dated 7 May 2019, regarding to *Disclosure requirement on Capital Adequacy for a Commercial Bank (Volume 2)*, the BoT notification number Sor Nor Sor 5/2556, dated 2 May 2013, regarding *to Disclosure Requirement on Capital Adequacy for a Financial Group* and the BoT notification number Sor Nor Sor 15/2562, dated 7 May 2019, regarding to *Disclosure Requirement on Capital Adequacy for a Financial Group (Volume 2)*, were as follows:

Location of disclosure	The Bank's website at www.smtb.jp/smtbthai/
Disclosure period requirement	Within 4 months after the period end date as indicated in the BoT's notification
Latest information	31 March 2020

The disclosure for the six-month period ended 30 September 2020 will be provided within 31 January 2021 on the Bank's website as noted above.

Capital management

The Management's policy is to maintain a strong capital base in order to maintain investor and creditor confidence and to sustain future development of the business. The Management monitors the return on capital, which the Bank defines as result from operating activities divided by total equity, and the level of dividends to ordinary shareholders.

9 Classification of financial assets and financial liabilities

	30 September 2020			
	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortised cost	Total
	(in thousand Baht)			
Financial assets				
Cash	-	-	30	30
Interbank and money market items, net	-	-	18,039,392	18,039,392
Derivative assets	311,212	-	-	311,212
Investments, net				
Government securities	-	9,717,739	-	9,717,739
Loans to customers and accrued interest receivables	14,439,031	-	38,265,861	52,704,892
Other financial assets	-	-	275,456	275,456
Total	**14,750,243**	**9,717,739**	**56,580,739**	**81,048,721**
Financial liabilities				
Deposits	-	-	23,092,424	23,092,424
Interbank and money market items	-	-	37,103,612	37,103,612
Derivative liabilities	388,991	-	-	388,991
Other financial liabilities	-	-	56,528	56,528
Total	**388,991**	**-**	**60,252,564**	**60,641,555**

10 Interbank and money market items, net (assets)

	30 September 2020	31 March 2020
	(in thousand Baht)	
Domestic		
Bank of Thailand	778,664	8,252,442
Commercial banks	9,921,362	30,230
Specialised financial institution	2,688,687	1,746,264
Total	**13,388,713**	**10,028,936**
Add accrued interest receivables and undue interest receivables	279	404
Less allowance for expected credit loss	(29,124)	-
Less allowance for doubtful accounts	-	(17,466)
Total domestic	**13,359,868**	**10,011,874**
Foreign		
US Dollar	150,001	188,034
Japanese Yen	4,522,043	4,228,359
Euro	7,480	3,553
Total foreign	**4,679,524**	**4,419,946**
Total domestic and foreign	**18,039,392**	**14,431,820**

11 Derivatives

11.1 Derivatives held for trading

As at 30 September 2020 and 31 March 2020, the fair value and notional amount of derivatives classified by type of risks were as follows:

	30 September 2020			31 March 2020		
	Fair value		Notional	Fair value		Notional
Type of risks	Assets	Liabilities	amount	Assets	Liabilities	amount
			(in thousand Baht)			
Foreign currency related	42,349	187	3,735,632	34,014	28,643	5,083,631
Total	**42,349**	**187**	**3,735,632**	**34,014**	**28,643**	**5,083,631**

11.2 Derivatives held for hedging

Fair value hedges

	30 September 2020			31 March 2020		
	Fair value		Notional	Fair value		Notional
Type of risks	Assets	Liabilities	amount	Assets	Liabilities	amount
			(in thousand Baht)			
Foreign currency related	268,863	-	22,793,688	1,168,209	-	23,523,228
Interest rate related	-	388,804	13,995,169	-	389,317	16,014,218
Total	**268,863**	**388,804**	**36,788,857**	**1,168,209**	**389,317**	**39,537,446**

(1) The Bank uses foreign currency swaps to hedge its exposure to changes in the fair values of borrowings in foreign currency. The designated risk being hedged is the risk of changes in foreign exchange rate.

(2) The Bank uses interest rate swaps to hedge its exposure to changes in the fair values of fixed-rate loans to customers. The designated risk being hedged is the risk of changes in interest rate risk from fixed rate to THBFIX 6M and LIBOR 3M.

Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria. In these hedging relationships, hedge effectiveness is assessed based on the following factors:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from the economic relationship.
- The hedge ratio of the hedging relationship is the same in the quantity.

The Bank establishes a hedge ratio by aligning the par amount of a hedged item and a hedging instrument. The Bank applies the hedge ratio of 1:1.

As at 30 September 2020, there were no sources of ineffectiveness in these hedging relationships and there were no gains or losses on fair value hedges recognised in profit or loss.

12 Investments, net

12.1 Classified by type of investments

	30 September 2020 Fair value *(in thousand Baht)*
Investments in debt instruments measured at FVOCI	
Government securities	9,717,739
Total	**9,717,739**
Allowance for expected credit loss	**16,137**

	31 March 2020 Fair value *(in thousand Baht)*
Available-for-sale investments - fair value	
Government securities	10,567,807
Total investment, net	**10,567,807**

As at 30 September 2020 and 31 March 2020, the Bank had no investments in securities pledged as collateral or under restriction.

As at 30 September 2020 and 31 March 2020, the Bank did not have investment in any entity in which the Bank held 10% or more of the paid up share capital of the investee company.

12.2 Revaluation surplus on available-for-sale investments

As at 31 March 2020, revaluation surplus on investments is summarised as follows:

	31 March 2020 *(in thousand Baht)*
Debt securities	
Revaluation surplus on investments	20,505
Less deferred tax	(4,101)
Net	**16,404**

12.3 Classified by the remaining period to maturity of the debt securities

	31 March 2020 Remaining periods within 1 year *(in thousand Baht)*
Available-for-sale investments	
Government securities	10,547,302
Add allowance for revaluation	20,505
Total	**10,567,807**

13 Loans to customers and accrued interest receivables, net

13.1 Classified by type of loans

	30 September 2020 *(in thousand Baht)*
Loans	52,201,655
Add fair value adjustment in loans to customers	388,805
Add accrued interest receivables and undue interest receivables	114,432
Total loans to customers and accrued interest receivables	**54,704,892**
Less allowance for expected credit loss	(470,640)
Net	**52,234,252**

	31 March 2020 *(in thousand Baht)*
Loans	54,393,968
Less deferred revenue	(37,545)
Loans to customers net of deferred revenue	54,356,423
Add fair value adjustment in loans to customers	389,317
Add accrued interest receivables	115,383
Total loans to customers net of deferred revenue and accrued interest receivables	**54,861,123**
Less allowance for doubtful accounts	
- BoT's minimum requirement - Individual approach	(544,928)
- Allowance in excess	(1,154)
Total loans to customers and accrued interest receivables, net	**54,315,041**

13.2 Classified by residence of debtors

	30 September 2020	31 March 2020
	(in thousand Baht)	
Domestic	49,925,526	52,302,625
Foreign	2,276,129	2,053,798
Total *	**52,201,655**	**54,356,423**

* Loans to customers exclude fair value adjustment in loans to customers *(31 March 2020: Loans to customers net of deferred revenue and exclude fair value adjustment in loans to customers).*

13.3 Classified by stage

	30 September 2020 *(in thousand Baht)*
Loans to customers and accrued interest receivables*	
Financial assets that are not significant increase in credits risk (Performing)	52,026,520
Financial assets that are significant increase in credit risk (Under-performing)	289,567
Total	**52,316,087**

* Total loans to customers and accrued interest receivables, excluding fair value adjustment in loans to customers

	31 March 2020			
	Loans to customers and accrued interest receivables	Net amount used to set the allowance for doubtful accounts	Rates used for setting the allowance for doubtful accounts	Allowance for doubtful accounts
	(in thousand Baht)		*(%)*	*(in thousand Baht)*
Minimum allowance as per BoT's regulations				
- Pass	54,330,799	54,210,837	1	542,108
- Special mention	141,007	141,000	2	2,820
Total*	**54,471,806**	**54,351,837**		**544,928**
Excess allowance				1,154
Total				**546,082**

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

14 Allowance for expected credit loss and allowance for doubtful accounts

Allowance for expected credit loss as at 30 September 2020 was as follows:

	30 September 2020			
	Financial assets that are not significant increase in credit risk	Financial assets that are significant increase in credit risk	Excess reserve	Total
	(in thousand Baht)			
Interbank and money market items	29,124	-	-	29,124
Investments in debt instruments	16,137	-	-	16,137
Loans to customers and accrued interest receivables	158,676	8,529	303,435	470,640
Undrawn loan commitments and financial guarantee contracts	35,491	-	-	35,491
Total	**239,428**	**8,529**	**303,435**	**551,392**

Movements in allowance for expected credit loss during the six-month period ended 30 September 2020 consisted of:

For the six-month period ended 30 September	2020			
	Financial assets that are not significant increase in credit risk	Financial assets that are significant increase in credit risk	Excess reserve *	Total
	(in thousand Baht)			
Interbank and money market items				
At 1 April - adjusted *(see note 3)*	2,998	-	-	2,998
Purchased or acquired	29,124	-	-	29,124
Derecognised	(2,998)	-	-	(2,998)
At 30 September	**29,124**	**-**	**-**	**29,124**
Investments in debt instruments				
At 1 April - adjusted *(see note 3)*	18,104	-	-	18,104
Change from remeasurement of ECL	(195)	-	-	(195)
Purchased or acquired	8,995	-	-	8,995
Derecognised	(10,767)	-	-	(10,767)
At 30 September	**16,137**	**-**	**-**	**16,137**
Loans to customers and accrued interest receivables				
At 1 April - adjusted *(see note 3)*	158,990	12,463	337,150	508,603
Change from remeasurement of ECL	5,790	(89)	-	5,701
Purchased or acquired	53,355	7,848	-	61,203
Derecognised	(59,459)	(11,693)	-	(71,152)
Excess reserve amortisation	-	-	(33,715)	(33,715)
At 30 September	**158,676**	**8,529**	**303,435**	**470,640**
Undrawn loan commitments and financial guarantee contracts				
At 1 April - adjusted *(see note 3)*	33,843	-	-	33,843
Change from remeasurement of ECL	(933)	-	-	(933)
Purchased or acquired	11,526	-	-	11,526
Derecognised	(8,945)	-	-	(8,945)
At 30 September	**35,491**	**-**	**-**	**35,491**

* The Bank amortises the excess reserve which arised from changes in accounting policies according to TFRSs Financial instruments standards to profit or loss using straight-line method over 5 years consecutively from 1 April 2020 according to the BoT Circular.

Movements in allowance for doubtful accounts for loans to customers during the year ended 31 March 2020 consisted of:

	31 March 2020				
	Minimum allowance as per BoT's regulations				
	Pass	Special mention	Doubtful	Excess allowance	Total
	(in thousand Baht)				
Beginning balance	527,000	-	90,000	1,300	618,300
Allowance for doubtful accounts (reversal)	15,108	2,820	(90,000)	(146)	(72,218)
Ending balance	**542,108**	**2,820**	**-**	**1,154**	**546,082**

15 Leasehold building improvements and equipment, net

As at 30 September 2020 and 31 March 2020, changes in leasehold building improvements and equipment were as follows:

	30 September 2020									
		Cost				**Accumulated depreciation**				
	Net book value as of 1 April 2020 - adjusted	As of 1 April 2020 - adjusted	Purchases and transfers in	Write-off/ transfers out	As of 30 September 2020	As of 1 April 2020	Depreciation	Write-off/ transfers out	As of 30 September 2020	Net book value as of 30 September 2020
					(in thousand Baht)					
Leasehold improvement and system structure	39,955	121,234	-	-	121,234	81,279	4,088	-	85,367	35,867
Furniture and office Equipment	19,529	118,822	599	-	119,421	99,293	4,536	-	103,829	15,592
Vehicles	143	980	-	-	980	837	98	-	935	45
Right-of-use assets										
Office buildings	37,433	37,433	-	-	37,433	-	3,517	-	3,517	33,916
Vehicles	5,133	5,133	-	(221)	4,912	-	1,912	(221)	1,691	3,221
Total	102,193	283,602	599	(221)	283,980	181,409	14,151	(221)	195,339	88,641

	31 March 2020									
		Cost				**Accumulated depreciation**				
	Net book value as of 1 April 2019	As of 1 April 2019	Purchases and transfers in	Write-off/ transfers out	As of 31 March 2020	As of 1 April 2019	Depreciation	Write-off/ transfers out	As of 31 March 2020	Net book value as of 31 March 2020
					(in thousand Baht)					
Leasehold improvement and system structure	50,336	117,629	3,610	(5)	121,234	67,293	13,987	(1)	81,279	39,955
Furniture and office equipment	29,809	109,499	9,323	-	118,822	79,690	19,603	-	99,293	19,529
Vehicles	339	980	-	-	980	641	196	-	837	143
Total	80,484	228,108	12,933	(5)	241,036	147,624	33,786	(1)	181,409	59,627

The gross amount of the Bank's fully depreciated leasehold building improvements and equipment that were still in use as at 30 September 2020 amounted to Baht 118.57 million *(31 March 2020: Baht 115.47 million)*.

16 Deferred tax assets, net

Deferred tax assets and liabilities as at 30 September 2020 and 31 March 2020 were as follows:

	30 September 2020	31 March 2020
	(in thousand Baht)	
Deferred tax assets	16,552	25,845
Deferred tax liabilities	(8,743)	(11,161)
Net	**7,809**	**14,684**

Movements in deferred tax assets and liabilities during the six-month periods ended 30 September 2020 and 2019 were as follows:

	At 1 April 2020	(Charge)/Credited to : Profit or loss (Note 35)	Other comprehensive income	At 30 September 2020
		(in thousand Baht)		
Deferred tax assets				
Undrawn loan commitments and financial guarantee contracts	6,769	329	-	7,098
Allowance for doubtful accounts	191	(191)	-	-
Provision for post-employment Benefits	2,418	525	(62)	2,881
Deferred revenue	7,090	(537)	-	6,553
Loss carry forward	16,146	(16,146)	-	-
Others	-	20	-	20
Total	**32,614**	**(16,000)**	**(62)**	**16,552**
Deferred tax liabilities				
Investments in debt instruments measured at FVOCI	(11,161)	(1,207)	3,625	(8,743)
Total	**(11,161)**	**(1,207)**	**3,625**	**(8,743)**
Net	**21,453**	**(17,207)**	**3,563**	**7,809**

	At 1 April 2019	(Charge)/Credited to : Profit or loss (Note 35)	Other comprehensive income	At 30 September 2019
		(in thousand Baht)		
Deferred tax assets				
Allowance for doubtful account	260	(33)	-	227
Provision for post-employment benefits	1,689	339	176	2,204
Deferred revenue	7,946	(544)	-	7,402
Loss carry forward	90,710	(32,471)	-	58,239
Total	**100,605**	**(32,709)**	**176**	**68,072**
Deferred tax liabilities				
Investments	(3,063)	(51)	(846)	(3,960)
Total	**(3,063)**	**(51)**	**(846)**	**(3,960)**
Net	**97,542**	**(32,760)**	**(670)**	**64,112**

17 Deposits

17.1 Classified by type of deposits

	30 September 2020	31 March 2020
	(in thousand Baht)	
Current	47,776	46,979
Savings	1,418,371	345,621
Term	21,626,277	19,322,967
Total	**23,092,424**	**19,715,567**

17.2 Classified by currencies and residence of depositors

	30 September 2020 Domestic	31 March 2020 Domestic
	(in thousand Baht)	
Thai Baht	23,028,259	19,650,222
US Dollar	64,165	65,345
Total	**23,092,424**	**19,715,567**

18 Interbank and money market items (liabilities)

	30 September 2020	31 March 2020
	(in thousand Baht)	
Foreign		
US Dollar	30,955,095	33,187,354
Japanese Yen	5,412,852	5,735,574
Euro	735,665	716,293
Total	**37,103,612**	**39,639,221**

19 Provisions

	Note	30 September 2020	31 March 2020
		(in thousand Baht)	
Allowance for expected credit loss on undrawn loan commitments and financial guarantee contracts	*14*	35,491	-
Employee benefit obligations		14,398	12,963
Total		**49,889**	**12,963**

20 Other liabilities

	Note	30 September 2020	31 March 2020
		(in thousand Baht)	
Payables on purchase of investment		-	498,142
Collateral on derivative transactions		9,801	403,247
Lease liabilities	*26*	37,243	-
Payables to related party	*25*	16,287	64,926
Other payables		5,243	3,108
Accrued expenses		28,979	60,744
Accrued interest payables		21,947	24,524
Deferred revenue		2,575	3,654
Payable to Deposit Protection Agency		13,933	10,255
Income tax payable		20,882	-
Others		4,367	10,922
Total		**161,257**	**1,079,522**

21 Advance received from electronic payment

In accordance with the BoT notification number Sor Nor Chor 7/2561 dated 16 April 2018, Re: *Regulations on Service Business relating to Electronic Money (e-Money)* and Sor Nor Chor 2/2562 dated 20 December 2019, Re: *Regulations on Service Business relating to Electronic Fund Transfer (EFT)* require the Bank to disclose advance received from e-Money and EFT. The Bank did not have any advance received from e-Money and EFT as at 30 September 2020.

22 Offsetting of financial assets and financial liabilities

	30 September 2020			Amount of unoffsetting in statement of financial position		
	Gross carrying amount	Amount to be offset in statement of financial position	Net amount presented in statement of financial position	Offsetting amount which is not met the accounting standard's conditions	Relevant financial collateral amount	Net amount
			(in thousand Baht)			
Financial assets						
Derivative assets	164,907	-	164,907	-	(9,801)	155,106
Total	**164,907**	**-**	**164,907**	**-**	**(9,801)**	**155,106**
Financial liabilities						
Derivative liabilities	388,880	-	388,880	-	(274,183)	114,697
Total	**388,880**	**-**	**388,880**	**-**	**(274,183)**	**114,697**

Reconciliation of net amount presented in statement of financial position with the caption in statement of financial position as follows:

	30 September 2020				
Financial instrument type	Net amount presented in statement of financial position *(in thousand Baht)*	Caption in Statement of financial position	*Notes*	Carrying amount presented in statement of financial position	Carrying amount in statement of financial position not under the offsetting conditions
				(in thousand Baht)	
Financial assets					
Derivative assets	164,907	Derivatives	*11*	311,212	146,305
Total	**164,907**			**311,212**	**146,305**
Financial liabilities					
Derivative liabilities	388,880	Derivatives	*11*	388,991	111
Total	**388,880**			**388,991**	**111**

23 Other reserves

Other component of equity

Fair value changes of investments in debt instruments measured at FVOCI (31 March 2020: Fair value changes in available-for-sale investments)

The fair value changes of investments in debt instruments measured at FVOCI within equity comprises the cumulative net change in the fair value of investments in debt instruments measured at FVOCI and allowance for expected credit loss of investments in debt instruments measured at FVOCI until the investments are derecognised.

24 Contingent liabilities

	30 September 2020	31 March 2020
	(in thousand Baht)	
Other contingencies		
- Committed line	9,341,702	8,647,419
- Other letters of guarantee	41,362	98,591
Total	**9,383,064**	**8,746,010**

Litigation

As at 30 September 2020 and 31 March 2020, there was no litigation case outstanding against the Bank.

25 Related parties

Related parties that the Bank had significant transactions with during the period were as follows:

Name of entity/personnel	Country of incorporation/ nationality	Nature of relationship
Key management personnel	Japanese / Thai	Persons having authority and responsibility for planning and controlling the activities of the Bank directly or indirectly, including any director of the Bank (whether executive or otherwise)
Sumitomo Mitsui Trust Holding, Inc.	Japan	Ultimate parent company
Sumitomo Mitsui Trust Bank, Limited	Japan	Immediate parent company, 99.99% shareholding
Sumitomo Mitsui Trust Systems & Services Co., Ltd.	Japan	Subsidiary of ultimate parent company
Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.	Japan	Subsidiary of ultimate parent company
Sumitomo Mitsui Trust Investment Co., Ltd.	Japan	Subsidiary of ultimate parent company
Sumitomo Mitsui Trust Asset Management Co., Ltd.	Japan	Subsidiary of ultimate parent company
Other Branches of Sumitomo Mitsui Trust Bank, Limited	Various	Other branches of immediate parent company

The pricing policies for transactions were explained further below:

Transactions	Pricing policies
Interest expenses	Contractually agreed rate
Fee and service income	Fee as announced
Fee and service expenses	Fee as announced
Other expenses	Contractually agreed price

Significant related parties transactions for the six-month periods ended 30 September 2020 and 2019 were as follows:

Six-month periods ended 30 September	2020	2019
	(in thousand Baht)	
Interest expenses		
Immediate parent company	131,230	420,729
Other branches of immediate parent company	(984)	-
Fee and service income		
Immediate parent company	1,182	-
Fee and service expenses		
Immediate parent company	2,997	-
Other expenses		
Immediate parent company	7,641	7,115
Benefits to key management personnel		
Short-term employee benefits and other employee benefits	29,009	22,477

Significant balances as at 30 September 2020 and 31 March 2020 with related parties were as follows:

	30 September 2020	31 March 2020
	(in thousand Baht)	
Interbank and money market items (assets)		
Immediate parent company	4,522,043	4,228,359
Other branches of immediate parent company	7,480	3,553
Other assets		
Immediate parent company	41	-
Other branches of immediate parent company	77	-
Interbank and money market items (liabilities)		
Immediate parent company	35,918,125	38,471,308
Other branches of immediate parent company	735,655	716,293
Other liabilities		
Immediate parent company	16,287	64,926

Significant agreements with related parties

(a) In 2014, the Bank entered into a The Usage of Symbols or Trademark agreement with the ultimate parent company by receiving permission to use the Bank name logo, and other mark in connection with its business in Thailand. The usage fee is charged in accordance with the term in the agreement.

(b) In 2014, the Bank entered into 2 memorandum agreements with the immediate parent company relating to the provision of control and management and internal audit services. The service fee is charged in accordance with the terms in the agreement.

(c) In 2015, the Bank entered into service agreements with the immediate parent company relating to the provision of certain advisory, information technology and other services support to the Bank and other related activities. The service fee is charged in accordance with terms in the agreement.

26 Leases

Leases as leasee

As at 30 September 2020, the Bank has office buildings and vehicles lease agreements for a period from 1 to 5 years *(31 March 2020: 1 to 5 years)* with local companies and the Bank has extension options at the end of the contract period. Lease payment is specified in the contract.

Extension options reasonably certain to be exercised have been included to carrying amount of right-of-use assets and lease liabilities.

Right-of-use assets

	Office buildings	Vehicles	Total
		(in thousand Baht)	
Cost			
At 1 April 2020	37,433	5,133	42,566
Disposal	-	(221)	(221)
At 30 September 2020	**37,433**	**4,912**	**42,345**
Accumulated Depreciation			
At 1 April 2020	-	-	-
Depreciation charge for the period	(3,517)	(1,912)	(5,429)
Disposal	-	221	221
At 30 September 2020	**(3,517)**	**(1,691)**	**(5,208)**
Net	**33,916**	**3,221**	**37,137**

Lease liabilities

	30 September 2020
	(in thousand Baht)
Maturity analysis - contractual undiscounted cash flows	
Within 1 year	8,899
Over 1 year but within 5 years	30,015
Total undiscounted lease liabilities	**38,914**
Lease liabilities included in the statements of financial position	**37,243**

Operating leases

As at 31 March 2020, the Bank entered into a number of operating lease agreements covering office space, office equipment, vehicles and residences for the Bank's executives, individuals and non-related companies for periods of 1 to 5 years commencing from August and ending in September 2023.

The future minimum lease payments from the dates on the statement of financial position were summarised as follows:

Future minimum lease payments under non-cancellable leases

	31 March 2020
	(in thousand Baht)
Within 1 year	26,159
Over 1 year but within 5 years	22,997
Total	**49,156**

Six-month periods ended 30 September	2020	2019
	(in thousand Baht)	
Amount recognised in profit or loss		
Interest expense on lease liabilities	378	-
Expenses relating to short-term leases	6,566	-
Lease expense under operating leases	-	12,811

27 Financial position and results of operations classified by domestic and foreign business

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

28 Interest income

Six-month periods ended 30 September	2020	2019
	(in thousand Baht)	
Interbank and money market items	32,246	77,871
Investments in debt instruments	51,377	52,632
Loans to customers	493,588	673,640
Total	**577,211**	**804,143**

29 Interest expenses

Six-month periods ended 30 September	2020	2019
	(in thousand Baht)	
Deposits	74,178	122,392
Interbank and money market items	129,113	424,969
Contribution to Deposit Protection Agency	27,132	41,346
Total	**230,423**	**588,707**

30 Net fee and service income (expenses)

Six-month periods ended 30 September	2020	2019
	(in thousand Baht)	
Fees and service income		
- Fund transfer services fees	81	80
- Loan guarantee	238	160
- Prepayment fee	1,182	1,926
- Amendment agreement fee	3,243	-
- Others	31	28
Total	**4,775**	**2,194**
Fees and service expenses		
- Fund transfer between financial institutions fee	430	363
- Loan registration fee	-	1,442
- Legal service fee	-	387
- Prepayment fee	2,907	-
- Others	-	433
Total	**3,337**	**2,625**
Net	**1,438**	**(431)**

31 Net gains on financial instruments measured at fair value through profit or loss

Six-month period ended 30 September	2020
	(in thousand Baht)
Gains on trading and foreign exchange transactions	
- Foreign currencies and foreign currency related derivatives	2,045
Total	**2,045**

32 Net gains on trading and foreign exchange transactions

Six-month period ended 30 September	2019
	(in thousand Baht)
Gains on trading and foreign exchange transactions	
- Foreign currencies and foreign currency related derivatives	127,312
Total	**127,312**

33 Employee expenses

Six-month periods ended 30 September	*Note*	2020	2019
		(in thousand Baht)	
Key management			
Wages, salaries and bonus		14,514	6,181
Non-monetary benefits		13,790	14,212
Post-employment benefits - defined benefit plans		412	-
Others		293	2,084
	25	29,009	22,477
Other employees			
Wages, salaries and bonus		50,635	62,038
Non-monetary benefits		9,923	11,333
Post-employment benefits - defined benefit plans		1,394	1,594
Others		2,938	2,615
		64,890	77,580
Total		**93,899**	**100,057**

The Bank has established contributory provident fund for their employees. Membership in the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 5% to 15% of their basic salaries and by the Bank at 5% to 10% of the employees' basic salaries. The provident fund are registered with the Ministry of Finance as juristic entities and are managed by licensed fund managers.

34 Expected credit loss and bad debts, doubtful accounts and impairment losses

Six-month period ended 30 September	2020
	(in thousand Baht)
Expected credit loss (reversal)	
Interbank and money market items	26,126
Investments in debt instruments measured at FVOCI	(1,967)
Loans to customers and accrued interest receivables	(37,963)
Undrawn loan commitments and financial guarantee contracts	1,648
Total	**(12,156)**

Six-month period ended 30 September	2019
	(in thousand Baht)
Interbank and money market items	13,608
Loans to customers and accrued interest receivables	16,988
Total	**30,596**

35 Income tax

Six-month periods ended 30 September	*Note*	2020	2019
		(in thousand Baht)	
Current tax expense			
Current period		11,029	-
Over provided in prior period		(461)	-
Deferred tax expense			
Movement in temporary difference	*16*	17,207	32,760
Total		**27,775**	**32,760**

Income tax recognised in other comprehensive income

Six-month periods ended 30 September	2020			2019		
	Before Tax	Tax benefit (expense)	Net of Tax	Before tax	Tax (expense) benefit	Net of Tax
			(in thousand Baht)			
Investments in debt instruments measured at FVOCI	(18,128)	3,625	(14,503)	-	-	-
Available-for-sale investments	-	-	-	4,229	(846)	3,383
Defined benefit plan actuarial gains (losses)	313	(62)	251	(880)	176	(704)
Total	(17,815)	3,563	(14,252)	3,349	(670)	2,679

Reconciliation of effective tax rate

Six-month periods ended 30 September	2020		2019	
	Rate (*%*)	*(in thousand Baht)*	Rate (*%*)	*(in thousand Baht)*
Profit before income tax		173,656		107,248
Income tax using the Thai corporation tax rate	20	34,731	20	21,450
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable income, net		(2,640)		2,758
Reversal of deferred tax assets		191		-
Utilisation of previously unrecognised tax losses		(3,871)		-
Over provided in prior periods		(461)		-
Others		(175)		8,552
Total	**16**	**27,775**	**31**	**32,760**

36 Earnings per share

Six-month periods ended 30 September	2020	2019
Profit attributable to ordinary shareholders of the Bank (basic) ***(in thousand Baht)***	**145,881**	**74,488**
Number of ordinary shares outstanding ***(in thousand shares)***	**20,000**	**20,000**
Earnings per share (basic) ***(in Baht)***	**7.29**	**3.72**