

**Sumitomo Mitsui Trust Bank (Thai)
Public Company Limited**

Financial statements for the year ended
31 March 2022
and
Independent Auditor's Report



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Independent Auditor's Report

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

Opinion

I have audited the financial statements of Sumitomo Mitsui Trust Bank (Thai) Public Company Limited (the "Bank"), which comprise the statement of financial position as at 31 March 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 March 2022 and its financial performance and cash flows for the year 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 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 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.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

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

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

In preparing the financial statements, management is responsible for assessing the 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 Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



I communicate with 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.

A handwritten signature in blue ink, reading 'P. Gulsantithamrong'.


(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
27 June 2022

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of financial position

		31 March	
Assets	Note	2022	2021
		(in thousand Baht)	
Cash		19	29
Interbank and money market items, net	9, 23	19,071,637	26,081,455
Derivative assets	10	423,935	792,397
Investments, net	11	8,685,721	12,203,920
Loans to customers and accrued interest receivables, net	12	71,434,247	50,201,864
Leasehold building improvements and equipment, net	14	63,949	80,356
Intangible assets, net		19,770	21,094
Deferred tax assets, net		27,834	16,698
Other assets	23	55,638	68,472
Total assets		99,782,750	89,466,285
Liabilities and equity			
Liabilities			
Deposits	15	27,057,593	30,802,247
Interbank and money market items	16, 23	51,576,966	38,134,631
Derivative liabilities	10	182,281	278,273
Provisions	17	41,313	49,410
Other liabilities	23	668,018	251,648
Total liabilities		79,526,171	69,516,209
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	20	(72,400)	(12,171)
Retained earnings (deficit)			
Appropriated			
Legal reserve	20	16,449	-
Unappropriated (deficit)		312,530	(37,753)
Total equity		20,256,579	19,950,076
Total liabilities and equity		99,782,750	89,466,285





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

林 俊行

 Mr. Toshiyuki Hayashi
 Deputy Chief Executive Officer
 in charge of Finance Department

.....
 (Mr. Hidenari Kawashita)
 Chief Executive Officer

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of profit or loss and other comprehensive income

	Note	For the years ended	
		2022	2021
		31 March	
		(in thousand Baht)	
Interest income	23, 25	1,059,476	1,033,033
Interest expenses	23, 26	308,946	387,767
Net interest income		750,530	645,266
Fees and service income	23	3,763	7,855
Fees and service expenses	23	7,446	5,705
Net fees and service (expenses) income	27	(3,683)	2,150
Net (losses) gains on financial instruments measured at fair value			
through profit or loss	28	(4,430)	5,425
Other operating income	23	4,467	17,372
Total operating income		746,884	670,213
Other operating expenses			
Employee expenses	23, 29	206,608	190,685
Directors' remuneration		2,990	2,992
Premises and equipment expenses		60,188	66,752
Taxes and duties		35,770	37,339
Others	23	74,152	74,409
Total other operating expenses		379,708	372,177
(Reversal of) expected credit loss	30	(91,915)	39,420
Profit from operations before income tax		459,091	258,616
Income tax	31	92,359	46,726
Profit for the year		366,732	211,890

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		(74,486)	(53,163)
Income tax relating to items that will be reclassified			
subsequently to profit or loss	31	14,897	10,632
		(59,589)	(42,531)

Items that will not be reclassified subsequently to profit or loss

Losses on remeasurements of defined benefit obligations		(800)	(455)
Income tax relating to items that will not be reclassified			
subsequently to profit or loss	31	160	91
		(640)	(364)

Other comprehensive income (loss) for the year, net of income tax

Total comprehensive income (loss) for the year		(60,229)	(42,895)
Earnings per share (in Baht)		306,503	168,995
		18.34	10.59



The accompanying notes form an integral part of the financial statements

.....
Mr. Toshiyuki Hayashi
 Deputy Chief Executive Officer
 in charge of Finance Department

.....
(Mr. Hidenari Kawashita)
 Chief Executive Officer

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of changes in equity

		Other reserves				
		Revaluation				
		surplus (deficit) on				
		investments in debt				
		instruments at				
	Issued and	fair value through	Remeasurement of	Total other		
	paid-up	other comprehensive	post-employment	reserves	Deficit	Total equity
	share capital	income	benefits			
			(in thousand Baht)			
Year ended 31 March 2021						
Balance as at 1 April 2020	20,000,000	30,887	(163)	30,724	(249,643)	19,781,081
Comprehensive income (loss) for the year						
Profit for the year	-	-	-	-	211,890	211,890
Other comprehensive income (loss)	-	(42,531)	(364)	(42,895)	-	(42,895)
Total comprehensive income (loss) for the year	-	(42,531)	(364)	(42,895)	211,890	168,995
Balance as at 31 March 2021	20,000,000	(11,644)	(527)	(12,171)	(37,753)	19,950,076

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of changes in equity

		Other reserves			(Deficit) retained earnings			
		Deficit on investments in debt instruments at fair value through other comprehensive income	Remeasurement of post-employment benefits	Total other reserves	Legal reserve	(Deficit) unappropriated	Total equity	
	Note	Issued and paid-up share capital	(in thousand Baht)					
Year ended 31 March 2022								
Balance as at 1 April 2021		20,000,000	(11,644)	(527)	(12,171)	-	(37,753)	19,950,076
Comprehensive income for the year								
Profit for the year		-	-	-	-	-	366,732	366,732
Other comprehensive income		-	(59,589)	(640)	(60,229)	-	-	(60,229)
Total comprehensive income for the year		20,000,000	(59,589)	(640)	(60,229)	-	366,732	306,503
Transfer to legal reserve	20	-	-	-	-	16,449	(16,449)	-
Balance as at 31 March 2022		20,000,000	(71,233)	(1,167)	(72,400)	16,449	312,530	20,256,579

林 俊行

Mr. Toshiyuki Hayashi
Deputy Chief Executive Officer
in charge of Finance Department

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




(Mr. Hidenari Kawashita)
Chief Executive Officer

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of cash flows

For the years ended

31 March

2022 2021

(in thousand Baht)

Cash flows from operating activities

Profit from operations before income tax 459,091 258,616

Adjustment to reconcile profit from operations before income tax

to net cash provided by (used in) operating activities

Depreciation and amortisation 26,101 33,767

(Reversal of) expected credit loss (91,915) 39,420

Unrealised losses on revaluation of derivative contracts 460,298 383,471

Provisions for post-employment benefit 4,384 3,695

Net interest income (750,530) (645,266)

Interest received 1,074,240 948,075

Interest paid (308,464) (428,165)

Income tax paid (54,164) (20,419)

Profit from operations before changes in operating assets and liabilities 819,041 573,194

Decrease (increase) in operating assets

Interbank and money market items 7,029,421 (11,164,724)

Loans to customers (21,349,158) 3,520,652

Other assets 12,836 (30,884)

Increase (decrease) in operating liabilities

Deposits (3,744,654) 11,096,918

Interbank and money market items 13,442,335 (1,514,828)

Other liabilities 389,795 (845,153)

Provisions for post-employment benefits paid (394) (1,425)

Net cash (used in) provided by operating activities (3,400,778) 1,633,750

Cash flows from investing activities

Purchase of investments measured at fair value through other comprehensive income (3,583,875) (16,145,265)

Proceeds from investments measured at fair value through other comprehensive income 7,000,000 14,523,000

Purchase of leasehold building improvements and equipment (3,988) (1,259)

Purchase of intangible assets (2,477) (524)

Net cash provided by (used in) investing activities 3,409,660 (1,624,048)

Cash flows from financing activities

Payment of lease liabilities (8,892) (9,703)

Net cash used in financing activities (8,892) (9,703)

Net decrease in cash (10) (1)

Cash at beginning of the year 29 30

Cash at end of the year 19 29

Supplementary disclosures of cash flow information

Non-cash transactions:

Increase in payables on purchase of leasehold building improvements and equipment

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林 俊行

Mr. Toshiyuki Hayashi

Deputy Chief Executive Officer

in charge of Finance Department

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



(Mr. Hidenari Kawashita)
Chief Executive Officer

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2022

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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2022

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in Thai language. These English language financial statement have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors of the Bank on 27 June 2022.

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 year was Sumitomo Mitsui Trust Holding, Inc. and the immediate parent company during the year 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 financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standard (“TFRSs”); guidelines promulgated by the Federation of Accounting Professions and applicable rules and regulations of the Bank of Thailand (“BoT”); 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”*.

The Bank has initially applied revised TFRSs that are effective for annual periods beginning on or after 1 April 2021. The application has no material impact on the financial statements.

In addition, the Bank has not early adopted a number of new and revised TFRSs, which are not yet effective for the current year in preparing these financial statements. Those new and revised TFRSs that are relevant to the Bank’s operations are disclosed in Note 33.

(b) Functional and presentation currency

The 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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2022

(c) Use of judgements and estimates

The preparation of financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of 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 financial statements is included in the following notes:

- Note 4 Impact of COVID-19 outbreak;
- Note 8 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; and
- Note 13 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.

Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties at 31 March 2022 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 4 Impact of COVID-19 outbreak;
- Note 6 Measurement of the fair value of financial instruments with significant unobservable inputs; and
- Note 13 Impairment of financial assets: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

3 Significant accounting policies

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

(a) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the reporting date.

Foreign exchange differences are generally recognised in profit or loss.

(b) Cash

Cash comprises cash on hand and cash on collection.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2022

(c) *Financial instruments*

(1) *Initial recognition and measurement*

The Bank initially recognises financial assets or financial liabilities (including regular way purchase or sale of 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*

Classification of financial assets

On initial recognition, a financial asset is classified as 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 in which they are managed.

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.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2022

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 income, 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 year, 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;
- 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).

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2022

Subsequent measurement and gains and losses of financial assets

Financial assets measured at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by expected credit losses. Interest income, foreign exchange gains and losses, expected credit loss, gain or loss on derecognition are recognised in profit or loss.
Investment in debt instruments measured at FVOCI	These assets are subsequently measured at fair value. Interest income, calculated using the effective interest method, foreign exchange gains and losses and expected credit loss are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified prospectively from the reclassification date.

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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2022

Financial guarantee contracts 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 expected credit losses ("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 exposure 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".

Classification, subsequent measurement and gains and losses of financial liabilities

On initial recognition, financial liabilities, except undrawn loan commitments and financial guarantee contracts, are classified and subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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.

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Notes to the financial statements

For the year ended 31 March 2022

(3) Derecognition and offsetting

Derecognition of financial assets and financial liabilities

The Bank derecognises a financial asset when the contractual rights to receive 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.

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

The difference between the carrying amount extinguished and the consideration received or paid is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the Bank intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(4) Derivatives

Derivative are recognised at fair value and remeasured at fair value at each reporting date. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(5) Hedging

At inception of designated hedging relationships, the Bank documents the risk management objective and strategy for undertaking the risk, the economic relationship between the hedged item and the hedging instrument, including consideration of the hedge effectiveness at the inception of the hedging relationship and throughout the remaining period to determine the existence of economic relationship between the hedged item and the hedging instrument.

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.

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For the year ended 31 March 2022

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.

(d) *Leasehold building improvements and equipment*

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

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

Differences between the proceeds from disposal and the carrying amount of leasehold building improvements and equipment 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 when 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 on a straight-line basis over the estimated useful lives of each component of an asset and recognised in profit or loss. No depreciation is provided on assets under construction or installation.

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

(e) *Leases*

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement of a contract, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

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.

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Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurements of lease liabilities. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any prepaid lease payments, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Right-of-use assets are presented as parts in leasehold building improvements and equipment in statements of financial position. Depreciation is charged to profit or loss on a straight-line method from the commencement date to the end of the lease term which is determined on the same basis as those of leasehold building improvements and equipment.

The lease liability is initially measured at the present value of all lease payments that shall be paid under the lease. The Bank uses the incremental borrowing rate to discount the lease payments to the present value. The Bank determines its incremental borrowing rate by obtaining the interest rates from internal source which reflect the term of the lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a lease modification, or a change in the assessment of options specified in the lease. 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.

(f) *Intangible assets*

Intangible assets are measured at cost less accumulated amortisation and impairment losses. Subsequent expenditure is capitalised only when it will generate the future economic benefits.

Amortisation is calculated on a straight-line basis over the estimated useful lives of intangible assets and recognised in profit or loss.

The estimated useful lives are as follows:

Software licenses	5 - 10 years
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(g) *Impairment of financial assets*

Significant estimates and judgements

The Bank's expected credit loss ("ECL") 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.

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

- financial assets: 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);
- 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 macroeconomic 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. 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 more than 30 days or 1 month 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. If the changes exceed the thresholds, the financial assets are considered to have experienced a significant increase in credit risk.

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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 more than 90 days or 3 month 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 debt 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 debt restructuring receivables, 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 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.

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For debt restructuring receivables, 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

The gross carrying amount of a financial asset is written off when the Bank has no reasonable expectations of recovering. Subsequent recoveries of an asset that was previously written off, are recognised as a reversal of impairment in profit or loss in the year in which the recovery occurs.

(h) 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 in profit or loss if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Calculation of recoverable amount

The recoverable amount 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 of assets recognised in prior years is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

Defined contribution plans

Obligations for contributions to the Bank's provident funds are recognised as employee expenses 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 by estimating the amount of future benefit that employees have earned in the current and prior years. The defined benefit obligations is discounted to the present value, which performed annually by a qualified actuary using the projected unit credit method.

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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 period by applying the discount rate used to measure the defined benefit obligation at the beginning of the 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 year, 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.

(j) 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.

Allowance for expected credit losses on obligation having credit risk exposures

The Bank provides allowance for expected credit losses on undrawn loan commitments and financial guarantee contracts by the same methods applied to allowance for expected credit losses as described in note 3 (g).

(k) 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 not issued loan commitments that are measured at FVTPL.

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

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(l) *Measurement of fair values*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank's has access at that date. The fair value of a liability reflects its non-performance risk.

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.

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and asset positions at a bid price and liabilities and liability positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value of a financial instrument on initial recognition differs from the transaction price, the financial instrument is initially measured at fair value, adjusted for the difference between the fair value on initial recognition and the transaction price and the difference is recognised in profit or loss immediately. However, for the fair value categorised as level 3, such difference is deferred and will be recognised in profit or loss on an appropriate basis over the life of the financial instrument or until the fair value level is transferred or the transaction is closed out.

(m) *Interest*

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.

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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 interest 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 interest 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.

(n) 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.

(o) Net (losses) gains on financial instruments measured at FVTPL

Net (losses) 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.

(p) 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.

(q) Income tax

Income tax expense for the year comprises current and deferred tax, which is 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 recognised in respect of the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the 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.

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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, using tax rates enacted or substantively enacted at the reporting date. Current deferred tax assets and liabilities are offset in the financial statements.

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

(r) *Earnings per share*

The Bank presents 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 year.

(s) *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.

4 **Impact of COVID-19 outbreak**

COVID-19 outbreak is still on-going, while vaccines for the COVID-19 are being rolled out during 2021. 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 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, the Bank has adopted the following accounting relief per the BoT Circular number Thor Por Tor. For Nor Sor. (23) Wor. 276/2563, regarding “*Relief programs to debtors who are adversely affected by the Thai economy*” which was effective during 1 January 2020 to 31 December 2021.

1. Using of new effective interest rate (EIR) at the time contracts are changed.
2. Stage classification which the Bank classified modified loans as stage 1 (performing) if they had ability to repay.

In addition, the Bank continues adopting the aforementioned accounting relief to debt restructuring which aims to reduce the repayment other than term extension per the BoT Circular number Thor Por Tor. For Nor Sor. 2 Wor. 802/2564, regarding “*Guidelines regarding the provision of financial assistance to the debtors affected by the COVID-19 (sustainable debt resolution)*”, which is effective during 1 January 2022 to 31 December 2023.

In case the Bank has provided relief measure by debt restructuring in form of term extension only, the Bank applies the relevant financial reporting standards.

On 7 April 2020, 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 temporarily which is effective from 1 January 2020 to 31 December 2021.

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In August 2021, the BoT has announced to extend the period of the reduction in rate of contribution from financial institutions to the FIDF from 0.46% per annum to 0.23% per annum to 31 December 2022.

5 Risk management

Risk management policies

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

5.1 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 management 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 the parent company provides prior consultation to Credit Department. Furthermore, the Research Department of the 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.

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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 31 March 2022 and 2021 without taking into account collateral or other credit enhancement.

	2022			
	Stage 1	Stage 2	Excess reserve	Total
	(in thousand Baht)			
<i>Interbank and money market items (asset)</i>				
Low risk	19,084,600	-	-	19,084,600
Total	19,084,600	-	-	19,084,600
Less allowance for expected credit loss	(12,963)	-	-	(12,963)
Net	19,071,637	-	-	19,071,637
<i>Loans to customers and accrued interest receivables and undue interest receivables</i>				
Low risk	68,863,412	2,149,080	-	71,012,492
Normal risk	700,616	190,007	-	890,623
Total	69,564,028	2,339,087	-	71,903,115
Less allowance for expected credit loss	(200,216)	(66,362)	(202,290)	(468,868)
Net	69,363,812	2,272,725	(202,290)	71,434,247
<i>Investments in debt instruments measured at FVOCI</i>				
Low risk	8,783,149	-	-	8,783,149
Gross carrying amount	8,783,149	-	-	8,783,149
Allowance for expected credit loss	(8,387)	-	-	(8,387)
Carrying amount - fair value	8,685,721	-	-	8,685,721
<i>Undrawn loan commitments and financial guarantee contracts</i>				
Committed unused credit line	2,963,862	-	-	2,963,862
Allowance for expected credit loss	(20,835)	-	-	(20,835)

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	2021			
	Stage 1	Stage 2	Excess reserve	Total
	(in thousand Baht)			
<i>Interbank and money market items (asset)</i>				
Low risk	26,114,190	-	-	26,114,190
Total	26,114,190	-	-	26,114,190
Less allowance for expected credit loss	(32,735)	-	-	(32,735)
Net	26,081,455	-	-	26,081,455
<i>Loans to customers and accrued interest receivables and undue interest receivables</i>				
Low risk	49,753,048	148,561	-	49,901,609
Normal risk	680,149	141,006	-	821,155
Total	50,433,197	289,567	-	50,722,764
Less allowance for expected credit loss	(236,366)	(14,814)	(269,720)	(520,900)
Net	50,196,831	274,753	(269,720)	50,201,864
<i>Investments in debt instruments measured at FVOCI</i>				
Low risk	12,234,086	-	-	12,234,086
Gross carrying amount	12,234,086	-	-	12,234,086
Allowance for expected credit loss	(15,611)	-	-	(15,611)
Carrying amount - fair value	12,203,920	-	-	12,203,920
<i>Undrawn loan commitments and financial guarantee contracts</i>				
Committed unused credit line	3,701,533	-	-	3,701,533
Allowance for expected credit loss	(33,722)	-	-	(33,722)

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 varies 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.

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Definition of default

The Bank considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held).

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

- quantitative e.g., the borrower is more than 90 days or 3 months 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; and
- qualitative e.g., it is becoming probable that the borrower will enter into debt restructure as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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 applied by the Bank largely signs with the BoT criteria.

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

Probability of default

Credit risk grades are a primary input into the determination of the probability of default. The Bank has collected repayment performance data of each receivable. 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. Then, the Bank uses the PD to estimate ECL.

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.

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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 and accrued interest receivables and undue interest receivables, undrawn loan commitments, and financial guarantee contracts is shown below.

	Interbank and money market items (asset)	Investments in debt instruments	Loans to customers and accrued interest receivables and undue interest receivables (in thousand Baht)	Undrawn loan commitments	Financial guarantee contracts
2022					
Gross carrying amount	19,084,600	8,783,149	71,903,115	-	-
Undrawn loan commitments and financial guarantee contracts	-	-	-	2,767,726	196,136
Concentrations by sector					
Corporate customers					
Manufacturing and commerce	-	-	19,919,270	1,001,707	-
Real estate and construction	-	-	4,542,533	878,712	196,136
Infrastructure and services	-	-	8,740,167	761,176	-
Financial service activities	-	-	31,248,362	84,087	-
Others	-	-	7,452,783	42,044	-
Financial institutions					
Government and state enterprises	4,766,615	8,783,149	-	-	-
Commercial banks	12,317,892	-	-	-	-
Other financial institutions	2,000,093	-	-	-	-

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	Interbank and money market items (asset)	Investments in debt instruments	Loans to customers and accrued interest receivables and undue interest receivables (in thousand Baht)	Undrawn loan commitments	Financial guarantee contracts
2021					
Gross carrying amount	26,114,190	12,234,086	50,722,764	-	-
Undrawn loan commitments and financial guarantee contracts	-	-	-	3,557,649	143,884
<i>Concentrations by sector</i>					
Corporate customers					
Manufacturing and commerce	-	-	11,683,144	1,061,509	-
Real estate and construction	-	-	2,588,822	1,097,339	143,884
Infrastructure and services	-	-	4,516,455	-	-
Financial service activities	-	-	27,227,416	-	-
Others	-	-	4,706,927	1,398,801	-
Financial institutions					
Government and state enterprises	10,763,592	12,234,086	-	-	-
Commercial banks	13,350,532	-	-	-	-
Other financial institutions	2,000,066	-	-	-	-

5.2 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:

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Location of disclosure	The Bank' website at www.smtb.jp/smtbthai/
Disclosure period requirement	Within 4 months after the year end date, as indicated in the BoT's notification
Lasted information as at	30 September 2021

The disclosure for the year ended 31 March 2022 will be provided within 31 July 2022 on the Bank's website as noted above.

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As at 31 March 2022 and 2021, the remaining period to maturity of significant financial assets and financial liabilities based on contractual maturity is as follows:

	2022				No maturity	Total
	At call	Within 1 year	Over 1 year to 5 years (in thousand Baht)	Over 5 years		
<i>Financial assets</i>						
Cash	-	-	-	-	19	19
Interbank and money market items ⁽¹⁾	5,247,532	13,837,068	-	-	-	19,084,600
Derivative assets	-	423,935	-	-	-	423,935
Investments, net	-	2,092,377	6,593,344	-	-	8,685,721
Loans to customers ^{(1), (2)}	22,773,430	15,817,573	28,647,658	4,451,131	-	71,689,792
Accrued interest receivables and undue interest receivables	551	124,615	-	-	-	125,166
Other financial assets	1,264	36,563	-	-	-	37,827
Total financial assets	28,022,777	32,332,131	35,241,002	4,451,131	19	100,047,060
<i>Financial liabilities</i>						
Deposits	647,413	26,410,180	-	-	-	27,057,593
Interbank and money market items	4,547	31,137,866	20,434,553	-	-	51,576,966
Derivatives liabilities	-	126,490	55,791	-	-	182,281
Other financial liabilities	467,484	54,178	-	-	-	521,662
Total financial liabilities	1,119,444	57,728,714	20,490,344	-	-	79,338,502
Net liquidity gap	26,903,333	(25,396,583)	14,750,658	4,451,131	19	20,708,558
Financial guarantee contracts	-	194,630	1,506	-	-	196,136

⁽¹⁾ Before deducting allowance for expected credit loss

⁽²⁾ Exclude fair value adjustment in loans to customers

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	2021					
	At call	Within 1 year	Over 1 year to 5 years	Over 5 years	No maturity	Total
	<i>(in thousand Baht)</i>					
<i>Financial assets</i>						
Cash	-	-	-	-	29	29
Interbank and money market items ⁽¹⁾	14,193,790	11,920,400	-	-	-	26,114,190
Derivative assets	-	792,397	-	-	-	792,397
Investments, net	-	5,492,648	6,711,272	-	-	12,203,920
Loans to customers ^{(1), (2)}	11,598,140	10,193,754	24,679,786	3,864,200	-	50,335,880
Accrued interest receivables and undue interest receivables	265	110,634	-	-	-	110,899
Other financial assets	23,380	31,244	-	-	-	54,624
Total financial assets	25,815,575	28,541,077	31,391,058	3,864,200	29	89,611,939
<i>Financial liabilities</i>						
Deposits	520,961	30,281,256	30	-	-	30,802,247
Interbank and money market items	869	32,443,890	5,689,872	-	-	38,134,631
Derivatives liabilities	-	42,736	235,537	-	-	278,273
Other financial liabilities	87,726	53,398	-	-	-	141,124
Total financial liabilities	609,556	62,821,280	5,925,439	-	-	69,356,275
Net liquidity gap	25,206,019	(34,280,203)	25,465,619	3,864,200	29	20,255,664
Financial guarantee contracts	-	143,884	-	-	-	143,884

⁽¹⁾ Before deducting allowance for expected credit loss

⁽²⁾ Exclude fair value adjustment in loans to customers

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Derivatives

The remaining periods to maturity of the notional amount of derivatives as at 31 March 2022 and 2021 are as follows:

	Within 1 year	2022 Over 1 year to 5 years (in thousand Baht)	Total
Foreign currency related			
Foreign currency swap contracts	38,787,591	-	38,787,591
Interest rate related			
Interest rate swap contracts	4,600,000	2,425,989	7,025,989
Total	43,387,591	2,425,989	45,813,580
	Within 1 year	2021 Over 1 year to 5 years (in thousand Baht)	Total
Foreign currency related			
Foreign currency swap contracts	26,013,714	-	26,013,714
Interest rate related			
Interest rate swap contracts	3,800,000	6,989,180	10,789,180
Total	29,813,714	6,989,180	36,802,894

5.3 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.

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Market risk management approach

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

(1) 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 31 March 2022 and 2021, the Bank has net open position assets (liabilities) denominated in the various foreign currencies as follows:

	US Dollar	2022 Japanese Yen	Euro (in thousand Baht)	US Dollar	2021 Japanese Yen	Euro
Spot	(38,100,812)	(18,494)	42,490	(25,592,695)	13,183	19,614
Forward	38,075,463	(798)	(5,109)	25,583,242	(12,387)	-
Net position	<u>(25,349)</u>	<u>(19,292)</u>	<u>37,381</u>	<u>(9,453)</u>	<u>796</u>	<u>19,614</u>

(2) 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 year and future years. 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:

	2022			2021		
	Average balance (in thousand Baht)	Interest	Average interest rate (% per annum)	Average balance (in thousand Baht)	Interest	Average interest rate (% per annum)
Financial assets						
Interbank and money						
market items	17,025,367	107,768	0.633	13,711,322	81,110	0.592
Investments	10,414,121	71,352	0.685	10,615,054	89,153	0.840
Loans to customers	58,591,960	880,356	1.503	53,468,086	862,770	1.614
Total	<u>86,031,448</u>	<u>1,059,476</u>		<u>77,794,462</u>	<u>1,033,033</u>	
Financial liabilities						
Deposits	26,669,348	173,391	0.650	23,256,471	193,078	0.830
Interbank and money						
market items	42,911,608	135,555	0.316	39,024,148	194,689	0.499
Total	<u>69,580,956</u>	<u>308,946</u>		<u>62,280,619</u>	<u>387,767</u>	

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As at 31 March 2022 and 2021, significant financial assets and financial liabilities classified by earlier of maturity or interest repricing are as follows:

	2022					Non-interest bearing	Total
	Immediate repricing	Within 3 months	Repricing periods Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years		
	<i>(in thousand Baht)</i>						
Financial assets							
Cash	-	-	-	-	-	19	19
Interbank and money market items ⁽¹⁾	2,000,000	13,563,901	272,845	-	-	3,247,854	19,084,600
Investments, net	-	1,952,591	139,786	6,593,344	-	-	8,685,721
Loans to customers ^{(1), (2)}	22,773,430	22,696,739	10,356,845	15,610,678	252,100	-	71,689,792
Accrued interest receivables and undue interest receivables	-	-	-	-	-	125,166	125,166
Other financial assets	1,200	-	-	-	-	36,627	37,827
Total financial assets	24,774,630	38,213,231	10,769,476	22,204,022	252,100	3,409,666	99,623,125
Financial liabilities							
Deposits	624,798	23,222,809	3,187,371	-	-	22,615	27,057,593
Interbank and money market items	4,547	50,852,419	720,000	-	-	-	51,576,966
Other financial liabilities	467,078	-	-	-	-	54,584	521,662
Total financial liabilities	1,096,423	74,075,228	3,907,371	-	-	77,199	79,156,221
Effect of derivatives held for risk management ⁽³⁾	7,025,989	(2,000,000)	(2,600,000)	(2,425,989)	-	-	-

⁽¹⁾ Before deducting allowance for expected credit loss

⁽²⁾ Exclude fair value adjustment in loans to customers

⁽³⁾ Risk management for loans to customers

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	2021						
	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	-	-	-	-	-	29	29
Interbank and money market items ⁽¹⁾	2,000,000	11,919,882	-	-	-	12,194,308	26,114,190
Investments, net	-	1,499,824	3,992,824	6,711,272	-	-	12,203,920
Loans to customers ^{(1), (2)}	11,598,140	14,442,090	6,559,255	17,464,695	271,700	-	50,335,880
Accrued interest receivables and undue interest receivables	-	-	-	-	-	110,899	110,899
Other financial assets	23,300	-	-	-	-	31,324	54,624
Total financial assets	13,621,440	27,861,796	10,552,079	24,175,967	271,700	12,336,560	88,819,542
Financial liabilities							
Deposits	477,033	25,610,963	4,670,292	30	-	43,929	30,802,247
Interbank and money market items	869	37,683,762	450,000	-	-	-	38,134,631
Other financial liabilities	87,024	-	-	-	-	54,100	141,124
Total financial liabilities	564,926	63,294,725	5,120,292	30	-	98,029	69,078,002
Effect of derivatives held for risk management ⁽³⁾	10,789,180	(500,000)	(3,300,000)	(6,989,180)	-	-	-

⁽¹⁾ Before deducting allowance for expected credit loss

⁽²⁾ Exclude fair value adjustment in loans to customers

⁽³⁾ Risk management for loans to customers

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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 interest income within 1 year by applying the increasing of 100 bps is as follows:

	2022 Total effect on net interest income (in thousand Baht)	2021 Total effect on net interest income
Baht	121,761	(52,829)
US Dollar	(122,899)	(628)
Japanese Yen	(13,180)	(33,011)
Euro	221	122
Total effect of interest rates change	(14,097)	(86,346)

5.4 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.

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6 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 measured at amortised cost if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
	Note	FVTPL	FVOCI	Amortised Cost	Total (in thousand Baht)	Level 1	Level 2	Level 3	Total
2022									
Financial assets									
Derivatives assets	10								
- Foreign currency related		423,935	-	-	423,935	-	423,935	-	423,935
Investments	11								
- Debt instruments		-	8,685,721	-	8,685,721	-	8,685,721	-	8,685,721
Loans to customers and accrued interest receivables and undue interest receivables ⁽¹⁾	12.1								
- with fair value hedge		-	-	7,146,397	7,146,397	-	-	7,146,397	7,146,397
- without fair value hedge		-	-	64,490,140	64,490,140	-	45,301,781	19,346,090	64,647,871
Financial liabilities									
Derivatives liabilities	10								
- Foreign currency related		94,124	-	-	94,124	-	94,124	-	94,124
- Interest rate related		88,157	-	-	88,157	-	88,157	-	88,157

⁽¹⁾ Exclude excess reserve

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	Note	Carrying amount			Total (in thousand Baht)	Fair value			Total
		FVTPL	FVOCI	Amortised Cost		Level 1	Level 2	Level 3	
2021									
Financial assets									
Derivatives assets	10								
- Foreign currency related		792,397	-	-	792,397	-	792,397	-	792,397
Investments	11								
- Debt instruments		-	12,203,920	-	12,203,920	-	12,203,920	-	12,203,920
Loans to customers and accrued interest receivables and undue interest receivables ⁽¹⁾	12.1								
- with fair value hedge		-	-	11,098,515	11,098,515	-	-	11,098,515	11,098,515
- without fair value hedge		-	-	39,373,069	39,373,069	-	26,497,433	13,182,515	39,679,948
Financial liabilities									
Derivatives liabilities	10								
- Foreign currency related		2,288	-	-	2,288	-	2,288	-	2,288
- Interest rate related		275,985	-	-	275,985	-	275,985	-	275,985

⁽¹⁾ Exclude excess reserve

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There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 March 2022 and 2021.

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

	Valuation technique	Significant unobservable inputs
Loan to customers and accrued interest receivables and undue interest receivables with fair value hedge	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 and undue interest receivables with fair value hedge.

For the years ended 31 March

	2022	2021
	<i>(in thousand Baht)</i>	
Loans to customers with fair value hedge - beginning balance	11,065,165	16,402,941
Derecognised	(3,800,000)	(5,199,405)
Exchange rate adjustment	36,810	(25,039)
Losses recognised in profit or loss	(187,828)	(113,332)
Loans to customers with fair value hedge - ending balance	7,114,147	11,065,165
Add accrued interest receivables and undue interest receivables	33,527	41,650
Loans to customers and accrued interest receivables and undue interest receivables with fair value hedge - ending balance	7,147,674	11,106,815
Less allowance for expected credit loss	(1,277)	(8,300)
Net	7,146,397	11,098,515

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

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Derivatives

The fair value of over-the-counter derivatives is based on inputs which are observable from independent and reliable market data sources. These inputs are tested for reasonableness. The fair value is calculated 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 into 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 and floating rate deposit repricing within 1 year from reporting date approximate their fair value. 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.

7 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.

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As at 31 March 2022 and 2021, the Bank's total capital funds and capital ratio can be categorised as follows:

	2022	2021
	<i>(in thousand Baht)</i>	
<i>Tier 1 capital</i>		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	20,000,000	20,000,000
Net profits after appropriated	101,512	(103,673)
Other reserves	(77,942)	(24,133)
Less capital deduction items on CET1	(29,504)	(34,749)
Total Tier 1 Capital Base	19,994,066	19,837,445
Total Risk-Weighted Assets	67,315,891	53,346,176

	The BoT's regulation minimum requirement*	2022	2021
		(%)	
Capital Adequacy Ratio	11.00	29.70	37.19
Tier-1 Capital ratio	8.50	29.70	37.19
Tier-1 Common Equity ratio	7.00	29.70	37.19

* 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 31 March 2022 and 2021, 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)*, were as follows:

Location of disclosure	The Bank's website at www.smtb.jp/smtbthai/
Disclosure period requirement	Within 4 months after the year end date as indicated in the BoT's notification
Latest information	30 September 2021

The disclosure for the year ended 31 March 2022 will be provided within 31 July 2022 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.

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For the year ended 31 March 2022

8 Classification of financial assets and financial liabilities

	2022			
	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortised cost	Total
	(in thousand Baht)			
Financial assets				
Cash	-	-	19	19
Interbank and money market items, net	-	-	19,071,637	19,071,637
Derivative assets	423,935	-	-	423,935
Investments, net				
Government and state enterprise securities	-	8,685,721	-	8,685,721
Loans to customers and accrued interest receivables, net ⁽¹⁾				
with fair value hedge	-	-	7,146,397	7,146,397
without fair value hedge	-	-	64,490,140	64,490,140
Other financial assets	-	-	37,827	37,827
Total	423,935	8,685,721	90,746,020	99,855,676
Financial liabilities				
Deposits	-	-	27,057,593	27,057,593
Interbank and money market items	-	-	51,576,966	51,576,966
Derivative liabilities	182,281	-	-	182,281
Other financial liabilities	-	-	521,662	521,662
Total	182,281	-	79,156,221	79,338,502

⁽¹⁾ Exclude excess reserve

	2021			
	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortised cost	Total
	(in thousand Baht)			
Financial assets				
Cash	-	-	29	29
Interbank and money market items, net	-	-	26,081,455	26,081,455
Derivative assets	792,397	-	-	792,397
Investments, net				
Government and state enterprise securities	-	12,203,920	-	12,203,920
Loans to customers and accrued interest receivables, net ⁽¹⁾				
with fair value hedge	-	-	11,098,515	11,098,515
without fair value hedge	-	-	39,373,069	39,373,069
Other financial assets	-	-	54,624	54,624
Total	792,397	12,203,920	76,607,692	89,604,009
Financial liabilities				
Deposits	-	-	30,802,247	30,802,247
Interbank and money market items	-	-	38,134,631	38,134,631
Derivative liabilities	278,273	-	-	278,273
Other financial liabilities	-	-	141,124	141,124
Total	278,273	-	69,078,002	69,356,275

⁽¹⁾ Exclude excess reserve

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For the year ended 31 March 2022

9 Interbank and money market items, net (assets)

	2022 (in thousand Baht)	2021
Domestic		
Bank of Thailand	979,682	7,843,311
Commercial banks	10,074,673	9,034,316
Specialised financial institutions	3,786,746	2,919,882
Other financial institutions	2,000,000	2,000,000
Total	16,841,101	21,797,509
Add accrued interest receivables and undue interest receivables	415	584
Less allowance for expected credit loss	(12,963)	(32,735)
Total domestic	16,828,553	21,765,358
Foreign		
US Dollar	222,112	115,953
Japanese Yen	2,005,009	4,193,529
Euro	15,963	6,615
Total foreign	2,243,084	4,316,097
Total domestic and foreign	19,071,637	26,081,455

10 Derivatives

10.1 Derivatives held for trading

As at 31 March 2022 and 2021, the fair value and notional amount of derivatives classified by type of risks were as follows:

Type of risks	2022		Notional amount <i>(in thousand Baht)</i>	2021		Notional amount
	Fair value			Fair value		
	Assets	Liabilities		Assets	Liabilities	
Foreign currency related	78,355	58,746	14,846,833	35,711	2,288	2,305,496
Total	78,355	58,746	14,846,833	35,711	2,288	2,305,496

10.2 Derivatives held for hedging

Fair value hedges

Type of risks	2022		Notional amount <i>(in thousand Baht)</i>	2021		Notional amount
	Fair value			Fair value		
	Assets	Liabilities		Assets	Liabilities	
Foreign currency related	345,580	35,378	23,940,758	756,686	-	23,708,218
Interest rate related	-	88,157	7,025,989	-	275,985	10,789,180
Total	345,580	123,535	30,966,747	756,686	275,985	34,497,398

- (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.

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For the year ended 31 March 2022

- (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 USD 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 31 March 2022 and 2021, 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.

11 Investments, net

	2022	2021
	<i>(in thousand Baht)</i>	
<i>Investments in debt instruments measured at FVOCI</i>		
Government and state enterprise securities	8,685,721	12,203,920
Total investments	8,685,721	12,203,920
Allowance for expected credit loss	8,387	15,611

As at 31 March 2022 and 2021, the Bank had some investments in securities pledged as collateral or under restriction as disclosed in note 21.

As at 31 March 2022 and 2021, 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 Loans to customers and accrued interest receivables, net

12.1 Classified by type of loans

	2022	2021
	<i>(in thousand Baht)</i>	
Loans	46,753,661	37,607,240
Bills	24,936,131	12,728,640
Add fair value adjustment in loans to customers	88,157	275,985
Total loans to customers	71,777,949	50,611,865
Add accrued interest receivables and undue interest receivables	125,166	110,899
Total loans to customers and accrued interest receivables and undue interest receivables	71,903,115	50,722,764
Less allowance for expected credit loss	(468,868)	(520,900)
Net	71,434,247	50,201,864

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12.2 Classified by residence of debtors

	2022	2021
	<i>(in thousand Baht)</i>	
Domestic	69,352,867	48,205,411
Foreign	2,336,925	2,130,469
Total *	71,689,792	50,335,880

* Loans to customers exclude fair value adjustment in loans to customers

12.3 Classified by stage

	2022	2021
	<i>(in thousand Baht)</i>	
Loans to customers and accrued interest receivables and undue interest receivables*		
Financial assets that are not significant increase in credit risk (Performing)	69,475,871	50,157,212
Financial assets that are significant increase in credit risk (Under-performing)	2,339,087	289,567
Total	71,814,958	50,446,779

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

13 Allowance for expected credit loss

Allowance for expected credit loss as at 31 March 2022 and 2021 were as follows:

	2022			
	Financial assets that are not significant increase in credit risk	Financial assets that are significant increase in credit risk	Excess reserve	Total
			<i>(in thousand Baht)</i>	
Interbank and money market items (assets)	12,963	-	-	12,963
Investments in debt instruments	8,387	-	-	8,387
Loans to customers and accrued interest receivables and undue interest receivables	200,216	66,362	202,290	468,868
Undrawn loan commitments and financial guarantee contracts	20,835	-	-	20,835
Total	242,401	66,362	202,290	511,053

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For the year ended 31 March 2022

		2021		
	Financial assets that are not significant increase in credit risk	Financial assets that are significant increase in credit risk (in thousand Baht)	Excess reserve	Total
Interbank and money market items (assets)	32,735	-	-	32,735
Investments in debt instruments	15,611	-	-	15,611
Loans to customers and accrued interest receivables and undue interest receivables	236,366	14,814	269,720	520,900
Undrawn loan commitments and financial guarantee contracts	33,722	-	-	33,722
Total	318,434	14,814	269,720	602,968

Movements in allowance for expected credit loss during the year ended 31 March 2022 and 2021 consisted of:

	Financial assets that are not significant increase in credit risk	Financial assets that are significant increase in credit risk (in thousand Baht)	Excess reserve *	Total
<i>Interbank and money market items (assets)</i>				
At 1 April 2020	2,998	-	-	2,998
Purchased or acquired	32,735	-	-	32,735
Derecognised	(2,998)	-	-	(2,998)
At 31 March 2021 and 1 April 2021	32,735	-	-	32,735
Purchased or acquired	12,963	-	-	12,963
Derecognised	(32,735)	-	-	(32,735)
At 31 March 2022	12,963	-	-	12,963
<i>Investments in debt instruments</i>				
At 1 April 2020	18,104	-	-	18,104
Purchased or acquired	15,611	-	-	15,611
Derecognised	(18,104)	-	-	(18,104)
At 31 March 2021 and 1 April 2021	15,611	-	-	15,611
Change from remeasurement of ECL	(2,227)	-	-	(2,227)
Purchased or acquired	1,991	-	-	1,991
Derecognised	(6,988)	-	-	(6,988)
At 31 March 2022	8,387	-	-	8,387

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	Financial assets that are not significant increase in credit risk	Financial assets that are significant increase in credit risk (in thousand Baht)	Excess reserve *	Total
Loans to customers and accrued interest receivables and undue interest receivables				
At 1 April 2020	158,990	12,463	337,150	508,603
Change from remeasurement of ECL	19,474	461	-	19,935
Purchased or acquired	137,459	13,583	-	151,042
Derecognised	(79,557)	(11,693)	-	(91,250)
Excess reserve amortisation	-	-	(67,430)	(67,430)
At 31 March 2021 and 1 April 2021	236,366	14,814	269,720	520,900
Change from stage reclassification	(24,167)	24,167	-	-
Change from remeasurement of ECL	(23,721)	26,587	-	2,866
Purchased or acquired	137,137	14,377	-	151,514
Derecognised	(125,399)	(13,583)	-	(138,982)
Excess reserve amortisation	-	-	(67,430)	(67,430)
At 31 March 2022	200,216	66,362	202,290	468,868
Undrawn loan commitments and financial guarantee contracts				
At 1 April 2020	33,843	-	-	33,843
Change from remeasurement of ECL	(6,622)	-	-	(6,622)
Purchased or acquired	16,992	-	-	16,992
Derecognised	(10,491)	-	-	(10,491)
At 31 March 2021 and 1 April 2021	33,722	-	-	33,722
Change from remeasurement of ECL	(11,525)	-	-	(11,525)
Purchased or acquired	3,983	-	-	3,983
Derecognised	(5,345)	-	-	(5,345)
At 31 March 2022	20,835	-	-	20,835

* As at 1 April 2020, the date of adoption of financial instruments standards, the Bank had the excess reserve amounting to Baht 337 million 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 would 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".

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For the year ended 31 March 2022

14 Leasehold building improvements and equipment, net

As at 31 March 2022 and 2021, changes in leasehold building improvements and equipment were as follows:

	Net book value as of 1 April 2021	As of 1 April 2021	Cost		2022		Accumulated depreciation		As of 31 March 2022	Net book value as of 31 March 2022
			Purchases and transfers in	Write-off/ transfers out	As of 31 March 2022	As of 1 April 2021	Depreciation	Write-off/ transfers out		
					<i>(in thousand Baht)</i>					
Leasehold improvement and system structure	31,801	121,234	54	-	121,288	89,433	8,157	-	97,590	23,698
Furniture and office equipment	12,248	120,081	4,434	(94)	124,421	107,833	5,103	(94)	112,842	11,579
Vehicles	-	980	-	-	980	980	-	-	980	-
Right-of-use assets										
Office buildings	30,419	37,433	-	-	37,433	7,014	7,014	-	14,028	23,405
Vehicles	5,792	7,442	1,501	(1,103)	7,840	1,650	2,026	(1,103)	2,573	5,267
Assets under installation	96	96	-	(96)	-	-	-	-	-	-
Total	80,356	287,266	5,989	(1,293)	291,962	206,910	22,300	(1,197)	228,013	63,949

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	Cost				2021		Accumulated depreciation		As of 31 March 2021	Net book value as of 31 March 2021
	Net book value as of 1 April 2020	As of 1 April 2020	Purchases and transfers in	Write-off/ transfers out	As of 31 March 2021	As of 1 April 2020	Depreciation	Write-off/ transfers out		
					<i>(in thousand Baht)</i>					
Leasehold improvement and system structure	39,955	121,234	-	-	121,234	81,279	8,154	-	89,433	31,801
Furniture and office equipment	19,529	118,822	1,259	-	120,081	99,293	8,540	-	107,833	12,248
Vehicles	143	980	-	-	980	837	143	-	980	-
Right-of-use assets										
Office buildings	37,433	37,433	-	-	37,433	-	7,014	-	7,014	30,419
Vehicles	5,133	5,133	3,630	(1,321)	7,442	-	2,971	(1,321)	1,650	5,792
Assets under installation	-	-	96	-	96	-	-	-	-	96
Total	102,193	283,602	4,985	(1,321)	287,266	181,409	26,822	(1,321)	206,910	80,356

The gross amount of the Bank's fully depreciated leasehold building improvements and equipment that were still in use as at 31 March 2022 amounted to Baht 139 million (2021: Baht 138 million).

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Notes to the financial statements

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15 Deposits

15.1 Classified by type of deposits

	2022	2021
	<i>(in thousand Baht)</i>	
Current	22,615	43,929
Savings	624,798	477,033
Term	26,410,180	30,281,285
Total	27,057,593	30,802,247

15.2 Classified by currencies and residence of depositors

	2022	2021
	Domestic	Domestic
	<i>(in thousand Baht)</i>	
Thai Baht	26,996,072	30,738,675
US Dollar	61,521	63,572
Total	27,057,593	30,802,247

16 Interbank and money market items (liabilities)

	2022	2021
	<i>(in thousand Baht)</i>	
Domestic		
Other financial institutions	1,154,547	930,869
Total domestic	1,154,547	930,869
Foreign		
US Dollar	46,206,663	31,370,690
Japanese Yen	2,728,450	5,113,574
Euro	1,487,306	719,498
Total foreign	50,422,419	37,203,762
Total domestic and foreign	51,576,966	38,134,631

17 Provisions

	Note	2022	2021
		<i>(in thousand Baht)</i>	
Allowance for expected credit loss on undrawn loan commitments and financial guarantee contracts	13	20,835	33,722
Employee benefit obligations		20,478	15,688
Total		41,313	49,410

18 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)*, the Bank is required to disclose advance received from e-Money and EFT. As at 31 March 2022, the Bank did not have any advance received from e-Money and EFT (2021: Nil).

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				2022		
					Amount of unoffsetting in statement of financial position	
					<u>Offsetting</u>	
	Gross carrying amount	Amount to be offset in statement of financial position	Net amount presented in statement of financial position	amount which is not met the accounting standard's conditions	Relevant financial collateral amount	Net amount
						(in thousand Baht)
Financial assets						
Derivative assets	318,605	-	318,605	-	(467,078)	(148,473)
Total	318,605	-	318,605	-	(467,078)	(148,473)
Financial liabilities						
Derivative liabilities	142,270	-	142,270	-	(1,200)	141,070
Total	142,270	-	142,270	-	(1,200)	141,070
				2021		
					Amount of unoffsetting in statement of financial position	
					<u>Offsetting</u>	
	Gross carrying amount	Amount to be offset in statement of financial position	Net amount presented in statement of financial position	amount which is not met the accounting standard's conditions	Relevant financial collateral amount	Net amount
						(in thousand Baht)
Financial assets						
Derivative assets	450,790	-	450,790	-	(87,024)	363,766
Total	450,790	-	450,790	-	(87,024)	363,766
Financial liabilities						
Derivative liabilities	278,196	-	278,196	-	(23,300)	254,896
Total	278,196	-	278,196	-	(23,300)	254,896

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

2022					
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 (in thousand Baht)	Carrying amount in statement of financial position not under the offsetting conditions
Financial assets					
Derivative assets	318,605	Derivative assets	10	423,935	105,330
Total	318,605			423,935	105,330
Financial liabilities					
Derivative liabilities	142,270	Derivative liabilities	10	182,281	40,011
Total	142,270			182,281	40,011
2021					
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 (in thousand Baht)	Carrying amount in statement of financial position not under the offsetting conditions
Financial assets					
Derivative assets	450,790	Derivative assets	10	792,397	341,607
Total	450,790			792,397	341,607
Financial liabilities					
Derivative liabilities	278,196	Derivative liabilities	10	278,273	77
Total	278,196			278,273	77

20 Reserves

Reserves comprise:

Appropriations of profit and/or retained earnings

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

As at 31 March 2022, the Bank has allocated a legal reserve amounted to Baht 16.45 million from unappropriated retained earnings.

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Other components of equity

Fair value changes in investments in debt instruments measured at FVOCI

The fair value changes in investments in debt instruments measured at FVOCI comprises the cumulative net change in the fair value of investments in debt instruments measured at FVOCI and the allowance for ECL of investments in debt instruments measured at FVOCI until the investments are derecognised or reclassified.

Remeasurement of post-employment benefits

Remeasurement of post-employment benefits within equity comprises actuarial gains and losses.

21 Assets pledged as collateral and under restriction

As at 31 March 2022 and 2021, government and state enterprise securities amounting to Baht 21.56 million and Baht 0.31 million, respectively, were pledged as collateral for other commitment with government organisation.

22 Contingent liabilities

	2022	2021
	<i>(in thousand Baht)</i>	
Other contingencies		
- Committed line	9,874,476	12,692,701
- Other letters of guarantee	196,136	143,884
Total	10,070,612	12,836,585

Litigation

As at 31 March 2022 and 2021, there was no litigation case outstanding against the Bank.

23 Related parties

Related parties that the Bank had significant transactions with during the year 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

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Name of entity/personnel	Country of incorporation/ nationality	Nature of relationship
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 income	Contractually agreed rate
Interest expenses	Contractually agreed rate
Fee and service income	Contractually agreed price
Fee and service expenses	Contractually agreed price/rate or fee as announced
Other operating income	Contractually agreed price
Other expenses	Contractually agreed price

Significant transactions for the years ended 31 March 2022 and 2021 with related parties were as follows:

<i>For the years ended 31 March</i>	2022	2021
	<i>(in thousand Baht)</i>	
Immediate parent company		
Interest income	2,431	3,559
Interest expenses	101,784	180,957
Fee and service income	-	1,182
Fee and service expenses	4,977	4,404
Other operating income	3,299	14,890
Other expenses	18,809	15,265
Other branches of immediate parent company		
Interest income	7,431	2,755
Fee and service expenses	76	99
Key management personnel		
Short-term and other employee benefits	53,379	55,116

Significant balances as at 31 March 2022 and 2021 with related parties were as follows:

	2022	2021
	<i>(in thousand Baht)</i>	
Immediate parent company		
Interbank and money market items (assets)	2,005,009	4,193,529
Other assets	22	37
Interbank and money market items (liabilities)	48,525,846	36,059,313
Other liabilities	28,640	14,616
Other branches of immediate parent company		
Interbank and money market items (assets)	15,963	6,615
Other assets	386	90
Interbank and money market items (liabilities)	1,487,306	719,948
Other liabilities	37	36

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For the year ended 31 March 2022

As at 31 March 2022, borrowings from immediate parent company and other branches of immediate parent company were USD 1,387.70 million, EUR 40.00 million and JPY 8,500.00 million (2021: USD 1,101.00 million, EUR 19.60 million and JPY 16,550.00 million) due to mature from April 2022 to April 2024 (2021: April 2021 to December 2022) which principal repayable at maturity and interest payable quarterly. Borrowings were carried fixed interest rates between -0.53% to 1.03% per annum (2021: -0.50% to 0.30% per annum). Borrowings were carried floating interest rates based on USD 3M LIBOR plus a fixed percent per annum, USD SOFR plus a fixed percent per annum and JPY 3M TIBOR plus a fixed percent per annum (2021: USD 3M LIBOR plus a fixed percent per annum and JPY 3M TIBOR plus a fixed percent per annum).

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.

24 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.

25 Interest income

<i>For the years ended 31 March</i>	<i>Note</i>	<i>2022</i>	<i>2021</i>
		<i>(in thousand Baht)</i>	
Interbank and money market items	23	107,768	81,110
Investments in debt instruments		71,352	89,153
Loans to customers		880,356	862,770
Total		1,059,476	1,033,033

26 Interest expenses

<i>For the years ended 31 March</i>	<i>Note</i>	<i>2022</i>	<i>2021</i>
		<i>(in thousand Baht)</i>	
Deposits		106,750	134,937
Interbank and money market items	23	135,555	194,689
Contribution to Deposit Protection Agency		66,641	58,141
Total		308,946	387,767

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Notes to the financial statements

For the year ended 31 March 2022

27 Net fees and service (expenses) income

<i>For the years ended 31 March</i>	<i>Note</i>	<i>2022</i> <i>(in thousand Baht)</i>	<i>2021</i>
Fees and service income			
- Funds transfer services fees		217	183
- Guarantee fee		717	394
- Prepayment fee	23	-	1,182
- Amendment agreement fee		2,614	6,026
- Others		215	70
Total		3,763	7,855
Fees and service expenses			
- Funds transfer between financial institutions fees	23	(954)	(878)
- Loan registration fee		(478)	-
- Legal service fee		(974)	-
- Prepayment fee	23	(4,824)	(4,295)
- Others		(216)	(532)
Total		(7,446)	(5,705)
Net		(3,683)	2,150

28 Net (losses) gains on financial instruments measured at fair value through profit or loss

<i>For the years ended 31 March</i>	<i>2022</i> <i>(in thousand Baht)</i>	<i>2021</i>
(Losses) gains on trading and foreign exchange transactions		
- Foreign currencies and foreign currency related derivatives	(4,430)	5,425
Total	(4,430)	5,425

29 Employee expenses

<i>For the years ended 31 March</i>	<i>Note</i>	<i>2022</i> <i>(in thousand Baht)</i>	<i>2021</i>
Key management			
Wages, salaries and bonus		27,054	26,005
Non-monetary benefits		24,607	27,715
Defined benefit plan and other long-term employee benefits		887	825
Others		831	571
	23	53,379	55,116
Other employees			
Wages, salaries and bonus		121,979	105,680
Non-monetary benefits		20,227	20,806
Defined benefit plan and other long-term employee benefits		3,497	2,870
Others		7,526	6,213
		153,229	135,569
Total		206,608	190,685

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2022

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.

30 (Reversal of) expected credit loss

<i>For the years ended 31 March</i>	2022	2021
	<i>(in thousand Baht)</i>	
Interbank and money market items	(19,772)	29,737
Investment in debt instruments measured at FVOCI	(7,224)	(2,493)
Loans to customers and accrued interest receivables and undue interest receivables	(52,032)	12,297
Undrawn loan commitments and financial guarantee contracts	(12,887)	(121)
Total	(91,915)	39,420

31 Income tax

Income tax recognised in profit or loss

<i>For the years ended 31 March</i>	2022	2021
	<i>(in thousand Baht)</i>	
Current tax expense		
Current year	89,159	31,709
Over provided in prior years	(721)	(461)
Deferred tax		
Movement in temporary difference	3,921	15,478
Total	92,359	46,726

Income tax recognised in other comprehensive income

<i>For the years ended 31 March</i>	2022			2021		
	Before tax	Tax benefit	Net of Tax	Before tax	Tax benefit	Net of Tax
	<i>(in thousand Baht)</i>					
Investments in debt instruments measured at FVOCI	(74,486)	14,897	(59,589)	(53,163)	10,632	(42,531)
Defined benefit plan actuarial losses	(800)	160	(640)	(455)	91	(364)
Total	(75,286)	15,057	(60,229)	(53,618)	10,723	(42,895)

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Notes to the financial statements

For the year ended 31 March 2022

Reconciliation of effective tax rate

For the years ended 31 March

	Rate (%)	2022 (in thousand Baht)	Rate (%)	2021 (in thousand Baht)
Profit before income tax		459,091		258,616
Income tax using the Thai corporation tax rate	20	91,818	20	51,723
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		419		(681)
Reversal of deferred tax assets		-		191
Utilisation of previously unrecognised tax losses		-		(3,871)
Over provided in prior years		(721)		(461)
Others		843		(175)
Total	20	92,359	18	46,726

32 Earnings per share

For the years ended 31 March

	2022	2021
Profit attributable to ordinary shareholders of the Bank (in thousand Baht)	366,732	211,890
Number of ordinary shares outstanding (in thousand shares)	20,000	20,000
Earnings per share (in Baht)	18.34	10.59

33 Thai Financial Reporting Standards (TFRSs) not yet adopted

Interbank Rate Benchmark Reform - Phase 2

Revised TFRSs due to Interbank Offer Rate (IBOR) Reform - Phase 2, which are relevant to the Bank's operations, expected to have material impact on the financial statements when initially adopted, and will become effective for the financial statements in annual reporting periods beginning on or after 1 April 2022, are as follows:

TFRSs	Topic
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

The amendments are applicable when an existing interest rate benchmark is replaced by another interest rate benchmark. The amendments, providing a practical expedient that modifications to asset and liability values as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e., the basis immediately preceding the change), can be accounted by only updating the effective interest rate.

Additionally, hedge accounting is not discontinued solely because of the replacement of another interest rate benchmark. Hedging relationships (and related documentation) must instead be amended to reflect modification to the hedged item, hedging instrument and hedged risk.

The amendments to these standards are effective for the financial statements in annual reporting periods beginning on or after 1 April 2022.

The Bank expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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Notes to the financial statements

For the year ended 31 March 2022

The Bank is in the process of preparing to amend contractual terms in response to IBOR reform according to ISDA IBOR Fallback Protocol 2020. The timing and method of transition has been performing in accordance with the Bank of Thailand and ISDA's transition milestones. The main risk to which the Bank is exposed as a result of IBOR reform is mainly due to the renegotiation on loan contracts (referred to USD LIBOR and THBFIX interest rate) to a new alternative interest rate through bilateral negotiation with customers. Financial risk is predominantly limited to interest rate risk.

As at 31 March 2022, notional amounts of interest rate swap contracts which qualified for hedge accounting and utilise USD LIBOR and THBFIX as reference rates and for which the maturity dates are after the IBOR abolition date, were Baht 2,425.99 million. The maturity dates of the contracts are between October 2023 and January 2025.

As at 31 March 2022, the gross carrying amount of loans to customers which utilise the USD LIBOR and THBFIX as reference rates and for which the maturity dates are after the IBOR abolition date, were Baht 10,071.25 million. The maturity dates of the contracts are between September 2023 and March 2040.

34 Reclassification of accounts

Certain accounts in the statement of financial position as at 31 March 2021 have been reclassified to conform to the classification in the statement of financial position as at 31 March 2022 as follows:

		2021	
	Before reclassification	Reclassification (in thousand Baht)	After reclassification
<i>Statement of financial position</i>			
Interbank and money market items, net	24,091,372	1,990,083	26,081,455
Loans to customers and accrued interest receivables, net	52,191,947	(1,990,083)	50,201,864
Deposits	31,733,116	(930,869)	30,802,247
Interbank and money market items	37,203,762	930,869	38,134,631
		<u>-</u>	

35 Events after the reporting period

The Bank has entered into a Share Sale and Purchase Agreement dated 4 April 2022 to acquire 10 percent of common share of the company which is licensed to provide private fund management business and has been granted permission to be a Selling Agent for mutual funds by the Securities and Exchange Commission (SEC).