

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

Financial statements for the year ended
31 March 2024
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 2024, 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 2024, and its financial performance and cash flows for 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 including Independence Standards* issued by the Federation of Accounting Professions (Code of Ethics for Professional Accountants) that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants. 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, appearing to read 'Orawan C.'.

(Orawan Chotiwiwiyakul)
Certified Public Accountant
Registration No. 10566

KPMG Phoomchai Audit Ltd.
Bangkok
27 June 2024

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Statement of financial position

		31 March	
Assets	Note	2024	2023
(in thousand Baht)			
Cash		20	24
Interbank and money market items, net	8, 22	13,758,068	22,739,152
Derivative assets	9	1,279,420	861,391
Investments, net	10	15,733,184	12,544,936
Loans to customers and accrued interest receivables, net	11	85,329,223	80,440,772
Leasehold building improvements and equipment, net	13	36,097	52,926
Intangible assets, net		16,171	18,799
Deferred tax assets, net		50,101	45,955
Other assets	22	87,026	65,340
Total assets		116,289,310	116,769,295
Liabilities and equity			
Liabilities			
Deposits	14	26,533,746	31,006,396
Interbank and money market items	15, 22	67,299,757	63,608,606
Derivative liabilities	9	4,383	235,179
Provisions	16	96,963	69,603
Other liabilities	22	1,230,690	1,169,999
Total liabilities		95,165,539	96,089,783
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		(108,224)	(115,154)
Retained earnings			
Appropriated			
Legal reserve	19	61,600	39,733
Unappropriated		1,170,395	754,933
Total equity		21,123,771	20,679,512
Total liabilities and equity		116,289,310	116,769,295

林 俊行
 (Mr. Toshiyuki Hayashi)
 Deputy Chief Executive Officer
 in charge of Finance Department




 (Mr. Hidenari Kawashita)
 Chief Executive Officer

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of profit or loss and other comprehensive income

		For the years ended	
		31 March	
	Note	2024	2023
(in thousand Baht)			
Interest income	22, 25	3,272,714	1,974,197
Interest expenses	22, 26	3,057,818	1,449,971
Net interest income		214,896	524,226
Fee and service income	22	1,981	10,785
Fee and service expenses	22	28,590	7,923
Net fee and service (expenses) income	27	(26,609)	2,862
Net gains on financial instruments measured at fair value			
through profit or loss	28	725,455	461,915
Other operating income	22	12,800	11,851
Total operating income		926,542	1,000,854
Other operating expenses			
Employee expenses	22, 29	211,486	206,895
Directors' remuneration		2,987	3,131
Premises and equipment expenses	22	59,334	58,159
Taxes and duties		88,747	56,097
Others	22	81,815	82,453
Total other operating expenses		444,369	406,735
(Reversal of) expected credit loss	30	(64,598)	12,299
Profit from operations before income tax		546,771	581,820
Income tax	31	109,442	116,133
Profit for the year		437,329	465,687

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Statements of profit or loss and other comprehensive income

		For the years ended	
		31 March	
	Note	2024	2023
		<i>(in thousand Baht)</i>	
Other comprehensive income (loss)			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Change in fair value of hedging derivatives		(327,527)	(77,314)
Hedging reserve reclassified		296,648	81,457
Gains (losses) on investments in debt instruments at fair value through other comprehensive income		44,437	(54,444)
Income tax relating to items that will be reclassified subsequently to profit or loss	31	(2,711)	10,060
		<u>10,847</u>	<u>(40,241)</u>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
(Losses) gains on remeasurements of defined benefit obligations		(1,270)	4,183
Losses on investments in equity instruments designated at fair value through other comprehensive income		(3,626)	(7,325)
Income tax relating to items that will not be reclassified subsequently to profit or loss	31	979	629
		<u>(3,917)</u>	<u>(2,513)</u>
Other comprehensive income for the year, net of income tax		<u>6,930</u>	<u>(42,754)</u>
Total comprehensive income for the year		<u>444,259</u>	<u>422,933</u>
Basic earnings per share (in Baht)		<u>21.87</u>	<u>23.28</u>



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in charge of Finance Department

(Mr. Hidenari Kawashita)

Chief Executive Officer

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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of changes in equity

	Note	Other reserves					Retained earnings			
		Issued and paid-up share capital	Revaluation deficit on investments in debt instruments at fair value through other comprehensive income	Revaluation deficit on investments in equity instruments designated at fair value through comprehensive income	Remeasurement of post-employment benefits	Hedging reserves	Total other reserves	Legal reserve	Unappropriated	Total equity
(in thousand Baht)										
Year ended 31 March 2023										
Balance as at 1 April 2022		20,000,000	(71,233)	-	(1,167)	-	(72,400)	16,449	312,530	20,256,579
Comprehensive income (loss) for the year										
Profit for the year		-	-	-	-	-	-	-	465,687	465,687
Other comprehensive income (loss)		-	(43,555)	(5,860)	3,347	3,314	(42,754)	-	-	(42,754)
Total comprehensive income (loss) for the year		-	(43,555)	(5,860)	3,347	3,314	(42,754)	-	465,687	422,933
Transfer to legal reserves	19	-	-	-	-	-	-	23,284	(23,284)	-
Balance as at 31 March 2023		20,000,000	(114,788)	(5,860)	2,180	3,314	(115,154)	39,733	754,933	20,679,512

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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Statement of changes in equity

	Note	Issued and paid-up share capital	Other reserves				Retained earnings		Total equity	
			Revaluation deficit on investments in debt instruments at fair value through other comprehensive income	Revaluation deficit on investments in equity instruments designated at fair value through comprehensive income	Remeasurement of post-employment benefits	Hedging reserves	Total other reserves	Legal reserve		Unappropriated
(in thousand Baht)										
Year ended 31 March 2024										
Balance as at 1 April 2023		20,000,000	(114,788)	(5,860)	2,180	3,314	(115,154)	39,733	754,933	20,679,512
Comprehensive income (loss) for the year										
Profit for the year		-	-	-	-	-	-	-	437,329	437,329
Other comprehensive income (loss)		-	35,550	(2,901)	(1,016)	(24,703)	6,930	-	-	6,930
Total comprehensive income (loss) for the year		-	35,550	(2,901)	(1,016)	(24,703)	6,930	-	437,329	444,259
Transfer to legal reserves	19	-	-	-	-	-	-	21,867	(21,867)	-
Balance as at 31 March 2024		20,000,000	(79,238)	(8,761)	1,164	(21,389)	(108,224)	61,600	1,170,395	21,123,771

林 俊行

(Mr. Toshiyuki Hayashi)

Deputy Chief Executive Officer
in charge of Finance Department



(Mr. Hidenari Kawashita)

Chief Executive Officer

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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of cash flows

	For the years ended	
	31 March	
	2024	2023
	(in thousand Baht)	
<i>Cash flows from operating activities</i>		
Profit from operations before income tax	546,771	581,820
<i>Adjustment to reconcile profit from operations before income tax to cash provided by (used in) operating activities</i>		
Depreciation and amortisation	27,410	27,254
(Reversal of) expected credit loss	(64,598)	12,299
Unrealised gains on revaluation of derivative contracts	(672,666)	(284,196)
Provisions for post-employment benefits	5,039	5,071
Net interest income	(214,896)	(524,226)
Interest received	3,205,775	1,887,260
Interest paid	(3,026,317)	(1,125,569)
Income tax paid	(133,679)	(112,465)
(Loss) profit from operations before changes in operating assets and liabilities	(327,161)	467,248
<i>Decrease (increase) in operating assets</i>		
Interbank and money market items	8,995,616	(3,675,679)
Loans to customers	(4,728,837)	(8,983,333)
Other assets	112	7,210
<i>(Decrease) increase in operating liabilities</i>		
Deposits	(4,472,650)	3,948,803
Interbank and money market items	3,691,151	12,031,640
Other liabilities	54,213	175,229
Provision for post-employment benefits paid	(1,378)	(68)
Net cash provided by operating activities	3,211,066	3,971,050

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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Statement of cash flows

	For the years ended 31 March	
	2024	2023
	(in thousand Baht)	
<i>Cash flows from investing activities</i>		
Purchase of investments measured at fair value through other comprehensive income	(4,696,452)	(7,047,018)
Proceeds from investments measured at fair value through other comprehensive income	1,500,000	3,094,000
Purchase of leasehold building improvements and equipment	(2,388)	(5,783)
Purchase of intangible assets	(1,785)	(3,120)
Net cash used in investing activities	(3,200,625)	(3,961,921)
<i>Cash flows from financing activities</i>		
Payment of lease liabilities	(10,445)	(9,124)
Net cash used in financing activities	(10,445)	(9,124)
Net (decrease) increase in cash	(4)	5
Cash at beginning of the year	24	19
Cash at ending of the year	20	24
Supplementary disclosures of cash flow information		
Non-cash transactions:		
Gains (losses) on investments in debt instruments at fair value through other comprehensive income	44,437	(54,444)
Losses on investments in equity instruments designated at fair value through other comprehensive income	(3,626)	(7,325)
Increase in payables for purchase of intangible assets	29	-

林 俊行
 (Mr. Toshiyuki Hayashi)
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 in charge of Finance Department




 (Mr. Hidenari Kawashita)
 Chief Executive Officer

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the financial statements
For the year ended 31 March 2024

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Notes to the financial statements

For the year ended 31 March 2024

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 2024.

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

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“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 financial statements are presented in Thai Baht, which is the Bank’s functional currency. The accounting policies set out in note 3 have been applied consistently to all periods presented in these financial statements.

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.

3 Significant accounting policies

(a) Foreign currencies

Transactions in foreign currencies including non-monetary assets and liabilities denominated 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 currency differences are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the financial statements
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- investments in equity instruments designated as at fair value through other comprehensive income (FVOCI)
- qualifying cash flow hedge to the extent the hedge is effective.

(b) Cash

Cash comprises cash on hand and cash on collection.

(c) Financial instruments

(1) Initial recognition and measurement

The Bank initially recognises financial assets or financial liabilities (including regular way purchase and sale of financial assets) 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 and financial liabilities not measured at fair value through profit or loss are initially measured at its fair value plus or minus transaction costs that are directly attributable to its 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 investment in 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 instrument-by-instrument 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 2024

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 2024

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.
Investment in equity instruments designated at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss on the date on which the Bank's right to receive payment is established. Other net gains and losses are recognised in OCI and are never 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 2024

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, measurement and gains and losses of financial liabilities

On initial recognition, financial liabilities, except undrawn loan commitments and financial guarantee contracts, are classified and 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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(3) Derecognition and offsetting

Derecognition of financial assets

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.

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

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

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

Derecognition of financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Bank also derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

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.

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(4) Securities purchased under reverse sale-and-repurchase agreements/ Securities sold under sale-and-repurchase agreements

The Bank enters into agreements to purchase securities or to sell securities back at certain dates in the future at fixed prices. Amounts paid for securities purchased subject to a resale commitment are presented as assets under the caption of “Interbank and money market items, net (assets)” or “Loans to customers”, depending upon the type of its counterparty, in the statements of financial position, and the underlying securities are treated as collateral to such receivables. Securities sold subject to repurchase commitments are presented as liabilities under the caption of “Interbank and money market items (liabilities)” or “Debt issued and borrowings”, depending upon the type of its counterparty, in the statements of financial position, at the amounts received from the sale of those securities, and the underlying securities are treated as collateral. The difference between the purchase and sale considerations is recognised as interest income or expenses, as the case may be, over the transaction periods.

(5) 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.

(6) 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.

The Bank designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is recognised as cost of hedge and accumulated separately in other reserves within equity.

The amount accumulated for cost of hedge is reclassified to profit or loss in the same period or periods during which the hedged items affect profit or loss.

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.

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Differences between the proceeds from disposal and the carrying amount of leasehold building improvements and equipment are recognised in profit or loss.

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 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.

Right-of-use asset is 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 of leasehold building improvements and equipment in the statement 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.

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 Bank's 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. 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. No amortisation is provided on assets under development.

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

ECLs 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.

ECLs are 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 percentage of 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:

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- *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 that have a SICR (Under-performing)*

When financial assets have a SICR since initial recognition, ECLs 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.

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 at the financial assets’ effective interest rate, and the gross carrying amount of the financial assets prior to any credit impairments.

Financial assets that are credit impaired require a lifetime provision.

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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 a longer of 3 consecutive months or 3 consecutive payments. 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.

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 payments, whichever is longer.

Write-offs of credit-impaired instruments and reverse of ECL

To the extent a financial instrument is considered irrecoverable, the applicable portion of the gross carrying amount is written off against the related allowance for ECL. Such financial instruments are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of ECL in the profit or loss.

If, in a subsequent period, the amount of the allowance for ECL decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised, the previously recognised ECL is reversed by adjusting the allowance for ECL. The amount of the reversal is recognised in the profit or loss.

(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 exceeds its 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.

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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.

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 services 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.

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(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) 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.

(l) 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.

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

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

Calculation of interest income and interest expense

The effective interest rate of a financial asset or a 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 are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, 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.

(m) Fees and service income

Fees and service income are recognised when a customer obtains control of the service 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.

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

Net gains (losses) 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.

(o) 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.

(p) 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 items recognised directly in equity or in other comprehensive income.

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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.

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.

(q) *Earnings per share*

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the number of ordinary shares outstanding during the year.

4 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.

4.1 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.

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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 provides consultation to evaluate internal credit ratings based on industry research and credit analysis of individual companies along with performing quantitative analysis.

Credit approval process

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

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

Credit review

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

Credit quality analysis

The following tables set out information about the credit quality as at 31 March 2024 and 2023 without taking into account collateral or other credit enhancement.

	2024			
	Stage 1	Stage 2	Excess reserve	Total
	(in thousand Baht)			
<i>Interbank and money market items (asset)</i>				
Low risk	13,766,628	-	-	13,766,628
Total	13,766,628	-	-	13,766,628
Less allowance for expected credit loss	(8,560)	-	-	(8,560)
Net	13,758,068	-	-	13,758,068
<i>Investments in debt instruments measured at FVOCI</i>				
Low risk	15,839,911	-	-	15,839,911
Gross carrying amount	15,839,911	-	-	15,839,911
Carrying amount - fair value	15,724,197	-	-	15,724,197
Allowance for expected credit loss	(16,667)	-	-	(16,667)

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	2024			
	Stage 1	Stage 2	Excess reserve	Total
		(in thousand Baht)		
Loans to customers and accrued interest receivables and undue interest receivables				
Low risk	84,334,370	-	-	84,334,370
Medium risk	862,528	495,118	-	1,357,646
Total	85,196,898	495,118	-	85,692,016
Less allowance for expected credit loss	(285,806)	(9,557)	(67,430)	(362,793)
Net	84,911,092	485,561	(67,430)	85,329,223
Undrawn loan commitments and financial guarantee contracts				
Committed unused credit line	12,265,080	2,750,000	-	15,015,080
Financial guarantee contracts	186,369	-	-	186,369
Allowance for expected credit loss	(53,908)	(16,826)	-	(70,734)
	2023			
	Stage 1	Stage 2	Excess reserve	Total
		(in thousand Baht)		
Interbank and money market items (asset)				
Low risk	22,761,575	-	-	22,761,575
Total	22,761,575	-	-	22,761,575
Less allowance for expected credit loss	(22,423)	-	-	(22,423)
Net	22,739,152	-	-	22,739,152
Investments in debt instruments measured at FVOCI				
Low risk	12,688,407	-	-	12,688,407
Gross carrying amount	12,688,407	-	-	12,688,407
Carrying amount - fair value	12,532,323	-	-	12,532,323
Allowance for expected credit loss	(12,598)	-	-	(12,598)
Loans to customers and accrued interest receivables and undue interest receivables				
Low risk	78,535,060	350,018	-	78,885,078
Medium risk	1,424,107	571,613	-	1,995,720
Total	79,959,167	921,631	-	80,880,798
Less allowance for expected credit loss	(282,914)	(22,252)	(134,860)	(440,026)
Net	79,676,253	899,379	(134,860)	80,440,772
Undrawn loan commitments and financial guarantee contracts				
Committed unused credit line	10,971,027	1,000,000	-	11,971,027
Financial guarantee contracts	141,917	-	-	141,917
Allowance for expected credit loss	(46,487)	(1,818)	-	(48,305)

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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.

Concentrations of credit risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk as at 31 March 2024 and 2023 is shown below.

	Interbank and money market items (asset)	Investments in debt instruments*	2024 Loans to customers and accrued interest receivables and undue interest receivables (in thousand Baht)	Undrawn loan commitments	Financial guarantee contracts
<i>Concentrations by sector</i>					
Corporate customers					
Manufacturing and commerce	-	-	22,053,550	5,508,080	-
Real estate and construction	-	-	3,349,568	3,597,000	186,369
Infrastructure and services	-	-	13,339,739	1,000,000	-
Financial service activities	-	-	42,721,033	2,160,000	-
Others	-	-	4,228,126	2,750,000	-
Financial institutions					
Government and state enterprises	6,136,501	15,839,911	-	-	-
Commercial banks	6,249,656	-	-	-	-
Other financial institutions	1,380,471	-	-	-	-
Total	13,766,628	15,839,911	85,692,016	15,015,080	186,369

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	Interbank and money market items (asset)	Investments in debt instruments*	2023 Loans to customers and accrued interest receivables and undue interest receivables (in thousand Baht)	Undrawn loan commitments	Financial guarantee contracts
Concentrations by sector					
Corporate customers					
Manufacturing and commerce	-	-	20,651,819	5,731,482	-
Real estate and construction	-	-	3,754,220	3,107,000	141,917
Infrastructure and services	-	-	12,516,210	1,027,545	-
Financial service activities	-	-	38,699,223	1,355,000	-
Others	-	-	5,259,326	750,000	-
Financial institutions					
Government and state enterprises	6,993,448	12,688,407	-	-	-
Commercial banks	14,087,992	-	-	-	-
Other financial institutions	1,680,135	-	-	-	-
Total	22,761,575	12,688,407	80,880,798	11,971,027	141,917

* Gross carrying amount

Information related to ECL

Significant increase in credit risk (SICR)

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

Definition of default

The Bank considers 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.

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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 aligns 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.

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.

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4.2 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 on 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 department determines the extent of the Bank's liquidity deficiency appropriately in cooperation with the treasury department, 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 department manages cash flow within the predetermined appropriate limits, and monitor its compliance.

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

Location of disclosure	The Bank' website at www.smtb.jp/smtbthai/
Disclosure period requirement	Within 4 months after the year end date, as indicated in the BoT's notification
Lasted information as at	30 September 2023

The disclosure for the year ended 31 March 2024 will be provided within 31 July 2024 on the Bank's website as noted above.

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As at 31 March 2024 and 2023, the remaining period to maturity of significant financial assets and financial liabilities based on contractual maturity is as follows:

	At call	Within 1 year	Over 1 year to 5 years (in thousand Baht)	Over 5 years	No maturity	Total
2024						
<i>Financial assets</i>						
Cash	-	-	-	-	20	20
Interbank and money market items ⁽¹⁾	4,432,679	9,333,949	-	-	-	13,766,628
Derivative assets	-	1,279,420	-	-	-	1,279,420
Investments, net	-	3,118,647	12,605,550	-	8,987	15,733,184
Loans to customers ^{(1), (2)}	21,110,509	23,783,726	35,462,454	5,038,954	-	85,395,643
Accrued interest receivables and undue interest receivables	5,078	310,538	-	-	-	315,616
Other financial assets	-	72,990	-	-	-	72,990
Total financial assets	25,548,266	37,899,270	48,068,004	5,038,954	9,007	116,563,501
<i>Financial liabilities</i>						
Deposits	1,645,441	24,888,305	-	-	-	26,533,746
Interbank and money market items	4,998	44,956,127	22,338,632	-	-	67,299,757
Derivatives liabilities	-	4,383	-	-	-	4,383
Other financial liabilities	652,350	409,205	-	-	-	1,061,555
Total financial liabilities	2,302,789	70,258,020	22,338,632	-	-	94,899,441
Net liquidity gap	23,245,477	(32,358,750)	25,729,372	5,038,954	9,007	21,664,060
Financial guarantee contracts	-	155,584	30,785	-	-	186,369

⁽¹⁾ Before deducting allowance for expected credit loss

⁽²⁾ Exclude fair value adjustment in loans to customers

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			2023			
	At call	Within 1 year	Over 1 year to 5 years (in thousand Baht)	Over 5 years	No maturity	Total
<i>Financial assets</i>						
Cash	-	-	-	-	24	24
Interbank and money market items ⁽¹⁾	4,903,338	17,858,237	-	-	-	22,761,575
Derivative assets	-	838,636	22,755	-	-	861,391
Investments, net	-	1,494,459	11,037,864	-	12,613	12,544,936
Loans to customers ^{(1), (2)}	22,016,754	12,802,101	39,598,522	6,250,592	-	80,667,969
Accrued interest receivables and undue interest receivables	1,270	223,764	-	-	-	225,034
Other financial assets	10	51,195	-	-	-	51,205
Total financial assets	26,921,372	33,268,392	50,659,141	6,250,592	12,637	117,112,134
<i>Financial liabilities</i>						
Deposits	707,322	30,216,074	83,000	-	-	31,006,396
Interbank and money market items	1,888	33,293,708	30,313,010	-	-	63,608,606
Derivatives liabilities	-	235,179	-	-	-	235,179
Other financial liabilities	609,995	378,610	3	-	-	988,608
Total financial liabilities	1,319,205	64,123,571	30,396,013	-	-	95,838,789
Net liquidity gap	25,602,167	(30,855,179)	20,263,128	6,250,592	12,637	21,273,345
Financial guarantee contracts	-	139,013	2,904	-	-	141,917

⁽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 2024 and 2023 are as follows:

	Within 1 year	2024 Over 1 year to 5 years (in thousand Baht)	Total
<i>Foreign currency related</i>			
Foreign currency swap contracts	52,842,932	-	52,842,932
<i>Interest rate related</i>			
Interest rate swap contracts	685,543	-	685,543
Total	53,528,475	-	53,528,475
	Within 1 year	2023 Over 1 year to 5 years (in thousand Baht)	Total
<i>Foreign currency related</i>			
Foreign currency swap contracts	55,989,304	-	55,989,304
<i>Interest rate related</i>			
Interest rate swap contracts	1,800,000	641,057	2,441,057
Total	57,789,304	641,057	58,430,361

4.3 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 2024 and 2023, the Bank has net open position assets (liabilities) denominated in the various foreign currencies as follows:

	US Dollar	2024 Japanese Yen	Euro	US Dollar	2023 Japanese Yen	Euro
			(in thousand Baht)			
Spot	(41,942,675)	(7,275,727)	(2,597)	(51,229,312)	30,575	48,732
Forward	42,687,672	7,268,887	-	51,466,424	(63,480)	(6,603)
Net position	744,997	(6,840)	(2,597)	237,112	(32,905)	42,129

(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:

	2024			2023		
	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	16,965,160	383,585	2.261	20,472,552	209,324	1.022
Investments	13,747,742	186,046	1.353	11,570,889	121,110	1.047
Loans to customers	79,866,755	2,703,083	3.384	72,825,567	1,643,763	2.257
Total	110,579,657	3,272,714		104,869,008	1,974,197	
Financial liabilities						
Deposits	27,874,730	628,342	2.254	26,821,600	281,810	1.051
Interbank and money						
market items	66,827,369	2,429,476	3.635	59,525,852	1,168,161	1.962
Total	94,702,099	3,057,818		86,347,452	1,449,971	

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As at 31 March 2024 and 2023, significant financial assets and financial liabilities classified by earlier of maturity or interest repricing are as follows:

	2024					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>						
<i>Financial assets</i>							
Cash	-	-	-	-	-	20	20
Interbank and money market items ⁽¹⁾	1,380,471	9,333,949	-	-	-	3,052,208	13,766,628
Investments, net	-	999,073	2,119,574	12,605,550	-	8,987	15,733,184
Loans to customers ^{(1), (2)}	21,110,509	27,370,676	17,335,270	19,325,663	253,525	-	85,395,643
Accrued interest receivables and undue interest receivables	-	-	-	-	-	315,616	315,616
Other financial assets	-	-	-	-	-	72,990	72,990
Total financial assets	22,490,980	37,703,698	19,454,844	31,931,213	253,525	3,449,821	115,284,081
<i>Financial liabilities</i>							
Deposits	1,629,018	22,549,241	2,339,064	-	-	16,423	26,533,746
Interbank and money market items	4,998	51,958,739	15,336,020	-	-	-	67,299,757
Other financial liabilities	-	-	-	-	-	1,061,555	1,061,555
Total financial liabilities	1,634,016	74,507,980	17,675,084	-	-	1,077,978	94,895,058
Effect of derivatives held for risk management ⁽³⁾	685,543	-	(685,543)	-	-	-	-

⁽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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	2023						
	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	-	-	-	-	-	24	24
Interbank and money market items ⁽¹⁾	1,680,000	17,856,662	-	-	-	3,224,913	22,761,575
Investments, net	-	498,469	995,990	11,037,864	-	12,613	12,544,936
Loans to customers ^{(1), (2)}	22,016,754	26,992,576	8,298,726	23,127,413	232,500	-	80,667,969
Accrued interest receivables and undue interest receivables	-	-	-	-	-	225,034	225,034
Other financial assets	-	-	-	-	-	51,205	51,205
Total financial assets	23,696,754	45,347,707	9,294,716	34,165,277	232,500	3,513,789	116,250,743
Financial liabilities							
Deposits	633,675	28,540,092	1,675,982	83,000	-	73,647	31,006,396
Interbank and money market items	1,888	63,406,718	200,000	-	-	-	63,608,606
Other financial liabilities	609,622	-	-	-	-	378,986	988,608
Total financial liabilities	1,245,185	91,946,810	1,875,982	83,000	-	452,633	95,603,610
Effect of derivatives held for risk management ⁽³⁾	2,441,057	-	(1,800,000)	(641,057)	-	-	-

⁽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:

	2024	2023
	<i>(in thousand Baht)</i>	
Baht	8,808	(99,475)
US Dollar	(25,502)	(30,515)
Japanese Yen	(48,462)	(9,512)
Euro	(52)	221
Total effect on net interest income	<u>(65,208)</u>	<u>(139,281)</u>

Managing interest rate benchmark reform (IBOR reform)

At 31 March 2024, the Bank finished the process of amending contractual terms of USD LIBOR to USD SOFR and for THBFIX, the Bank amended contractual terms to add the standard provisions for interest rate transitions (Fallback provisions), which these provisions will change interest rates from THBFIX to Fallback Rate (THBFIX) and Thai Overnight Repurchase Rate (THOR). The Bank's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

4.4 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.

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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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5 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			
	<i>Note</i>	FVTPL	FVOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
					<i>(in thousand Baht)</i>				
2024									
Financial assets									
Derivatives assets	9								
- Foreign currency related		1,260,177	-	-	1,260,177	-	1,260,177	-	1,260,177
- Interest rate related		19,243	-	-	19,243	-	19,243	-	19,243
Investments	10								
- Debt instruments		-	15,724,197	-	15,724,197	-	15,724,197	-	15,724,197
- Equity instruments		-	8,987	-	8,987	-	-	8,987	8,987
Loans to customers and accrued interest receivables and undue interest receivables ⁽¹⁾	11.1								
- with fair value hedge		-	-	671,800	671,800	-	-	671,800	671,800
- without fair value hedge		-	-	84,724,853	84,724,853	-	50,217,709	34,983,198	85,200,907
Financial liabilities									
Derivatives liabilities	9								
- Foreign currency related		4,383	-	-	4,383	-	4,383	-	4,383

⁽¹⁾ Exclude excess reserve

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	<i>Note</i>	Carrying amount			Total (in thousand Baht)	Fair value			
		FVTPL	FVOCI	Amortised Cost		Level 1	Level 2	Level 3	Total
2023									
<i>Financial assets</i>									
Derivatives assets	9								
- Foreign currency related		838,636	-	-	838,636	-	838,636	-	838,636
- Interest rate related		22,755	-	-	22,755	-	22,755	-	22,755
Investments	10								
- Debt instruments		-	12,532,323	-	12,532,323	-	12,532,323	-	12,532,323
- Equity instruments		-	12,613	-	12,613	-	-	12,613	12,613
Loans to customers and accrued interest receivables and undue interest receivables ⁽¹⁾	11.1								
- with fair value hedge		-	-	2,454,785	2,454,785	-	-	2,454,785	2,454,785
- without fair value hedge		-	-	78,120,847	78,120,847	-	51,371,448	27,019,484	78,390,932
<i>Financial liabilities</i>									
Derivatives liabilities	9								
- Foreign currency related		224,629	-	-	224,629	-	224,629	-	224,629
- Interest rate related		10,550	-	-	10,550	-	10,550	-	10,550

⁽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 2024 and 2023.

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques as well as the significant unobservable inputs used in measuring Level 3 fair values for financial instruments measured at fair value in the statement of financial positions.

Financial instruments measured at fair value	Valuation technique	Significant unobservable inputs
Investments in equity instruments	Discounted cash flow	Expected future cash flow and discount rate
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 of Level 3 fair values of financial instruments.

	For the year ended 31 March	
	2024	2023
	<i>(in thousand Baht)</i>	
<i>Investments in equity instruments</i>		
Beginning balance	12,613	-
Purchased or acquired	-	19,938
Losses recognised in other comprehensive income	(3,626)	(7,325)
Ending balances	8,987	12,613
	For the year ended 31 March	
	2024	2023
	<i>(in thousand Baht)</i>	
<i>Loans to customers with fair value hedge</i>		
Beginning balance	2,428,853	7,114,147
Derecognised	(1,800,000)	(4,600,000)
Exchange rate adjustment	44,485	15,068
Losses recognised in profit or loss	(7,038)	(100,362)
Ending balance	666,300	2,428,853
Add accrued interest receivables and undue interest receivables	5,570	26,352
Loans to customers and accrued interest receivables and undue interest receivables with fair value hedge - ending balance	671,870	2,455,205
Less allowance for expected credit loss	(70)	(420)
Net	671,800	2,454,785

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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.

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 in debt instruments

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

Investments in equity instruments

Fair values of domestic non-marketable equity instruments are calculated by discounted cash flow method with unobservable inputs.

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 is equal to the carrying value of such deposits. The fair value 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 carrying amount. 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.

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6 Maintenance of capital fund

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E.2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. As announced by the BoT notification number Sor Nor Sor. 12/2555, dated 8 November 2012, Re: *Regulations on Supervision of Capital for Commercial Banks* and Sor Nor Sor. 7/2562, dated 7 May 2019, Re: *Regulations on Components of Capital for Locally-incorporated Banks*, the Bank is required to calculate its Capital Fund in accordance with Basel III.

As at 31 March 2024 and 2023, the Bank's total capital funds and capital ratio can be categorised as follows:

	2024	2023
	<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
Legal reserves	39,733	16,449
Net profits after appropriated	1,032,870	541,938
Other reserves	(101,332)	(130,727)
Less capital deduction items on CET1	(454,609)	(329,792)
Total Tier 1 Capital	20,516,662	20,097,868
<i>Tier 2 capital</i>		
General provision	415,393	293,826
Total Tier 2 Capital	415,393	293,826
Total Capital funds	20,932,055	20,391,694
Total Risk-Weighted Assets	77,263,739	79,336,104
	The BoT's regulation minimum requirement	
	2024	2023
	(%)	
Capital Adequacy Ratio	11.00	27.09
Tier-1 Capital ratio	8.50	26.55
Tier-1 Common Equity ratio	7.00	26.55
		25.70
		25.33
		25.33

As at 31 March 2024 and 2023, 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* and the 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 2023

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The disclosure for the year ended 31 March 2024 will be provided within 31 July 2024 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.

7 Classification of financial assets and financial liabilities

	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	2024 Investments in equity instruments designated at FVOCI (in thousand Baht)	Financial instruments measured at amortised cost	Total
<i>Financial assets</i>					
Cash	-	-	-	20	20
Interbank and money market items, net	-	-	-	13,758,068	13,758,068
Derivative assets	1,279,420	-	-	-	1,279,420
Investments, net					
Government and state enterprise securities	-	15,724,197	-	-	15,724,197
Domestic non-marketable equity securities	-	-	8,987	-	8,987
Loans to customers and accrued interest receivables, net ⁽¹⁾					
with fair value hedge	-	-	-	671,800	671,800
without fair value hedge	-	-	-	84,724,853	84,724,853
Other financial assets	-	-	-	72,990	72,990
Total	1,279,420	15,724,197	8,987	99,227,731	116,240,335
<i>Financial liabilities</i>					
Deposits	-	-	-	26,533,746	26,533,746
Interbank and money market items	-	-	-	67,299,757	67,299,757
Derivative liabilities	4,383	-	-	-	4,383
Other financial liabilities	-	-	-	1,061,555	1,061,555
Total	4,383	-	-	94,895,058	94,899,441

⁽¹⁾ Exclude excess reserve

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	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	2023 Investments in equity instruments designated at FVOCI (in thousand Baht)	Financial instruments measured at amortised cost	Total
Financial assets					
Cash	-	-	-	24	24
Interbank and money market items, net	-	-	-	22,739,152	22,739,152
Derivative assets	861,391	-	-	-	861,391
Investments, net					
Government and state enterprise securities	-	12,532,323	-	-	12,532,323
Domestic non-marketable equity securities	-	-	12,613	-	12,613
Loans to customers and accrued interest receivables, net ⁽¹⁾					
with fair value hedge	-	-	-	2,454,785	2,454,785
without fair value hedge	-	-	-	78,120,847	78,120,847
Other financial assets	-	-	-	51,205	51,205
Total	861,391	12,532,323	12,613	103,366,013	116,772,340
Financial liabilities					
Deposits	-	-	-	31,006,396	31,006,396
Interbank and money market items	-	-	-	63,608,606	63,608,606
Derivative liabilities	235,179	-	-	-	235,179
Other financial liabilities	-	-	-	988,608	988,608
Total	235,179	-	-	95,603,610	95,838,789

⁽¹⁾ Exclude excess reserve

8 Interbank and money market items, net (assets)

	Note	2024 (in thousand Baht)	2023
Domestic			
Bank of Thailand		753,360	1,385,793
Commercial banks		3,985,936	12,269,748
Specialised financial institutions		5,382,040	5,606,662
Other financial institutions		1,380,000	1,680,000
Total		11,501,336	20,942,203
Add accrued interest receivables and undue interest receivables		2,380	1,711
Less allowance for expected credit loss		(8,560)	(22,423)
Total domestic		11,495,156	20,921,491
Foreign			
US Dollar		128,725	107,573
Japanese Yen	22	2,128,318	1,688,038
Euro	22	5,869	22,050
Total foreign		2,262,912	1,817,661
Total domestic and foreign		13,758,068	22,739,152

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9 Derivatives

9.1 Derivatives held for trading

As at 31 March 2024 and 2023, the fair value and notional amount of derivatives classified by type of risks were as follows:

Type of risks	2024		Notional amount <i>(in thousand Baht)</i>	2023		Notional amount
	Fair value			Fair value		
	Assets	Liabilities		Assets	Liabilities	
Foreign currency related	409,952	4,383	21,665,315	246,661	207,243	31,131,279
Total	409,952	4,383	21,665,315	246,661	207,243	31,131,279

9.2 Derivatives held for hedging

Fair value hedges

Type of risks	2024			2023		
	Fair value		Notional amount <i>(in thousand Baht)</i>	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Foreign currency related	850,225	-	31,177,617	591,975	17,386	24,858,025
Interest rate related	19,243	-	685,543	22,755	10,550	2,441,057
Total	869,468	-	31,863,160	614,730	27,936	27,299,082

- (1) The Bank uses spot element of foreign currency swaps to hedge its foreign currency risk exposure arising from foreign exchange translation of borrowings in foreign currency to functional currency.
- (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 Fallback SOFR 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 2024 and 2023, there were no sources of ineffectiveness in these hedging relationships.

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10 Investments, net

	2024	2023
	<i>(in thousand Baht)</i>	
<i>Investments in debt instruments measured at FVOCI</i>		
Government and state enterprise securities	15,724,197	12,532,323
Total	15,724,197	12,532,323
Allowance for expected credit loss	(16,667)	(12,598)
<i>Investments in equity instruments designated at FVOCI</i>		
Domestic non-marketable equity securities	8,987	12,613
Total	8,987	12,613
Total investment, net	15,733,184	12,544,936

As at 31 March 2024 and 2023, the Bank had some investments in securities pledged as collateral or under restriction as disclosed in note 20.

As at 31 March 2024, the Bank had investments in entity in which the Bank held 10% or more of the paid up share capital of the investee company. The carrying amount of the investment has Baht 8.99 million (2023: Baht 12.61 million). The entity was operated in financial service activities.

11 Loans to customers and accrued interest receivables, net

11.1 Classified by type of loans

	2024	2023
	<i>(in thousand Baht)</i>	
Loans	60,847,894	55,230,609
Bills	24,547,749	25,437,360
Less fair value adjustment in loans to customers	(19,243)	(12,205)
Total loans to customers	85,376,400	80,655,764
Add accrued interest receivables and undue interest receivables	315,616	225,034
Total loans to customers and accrued interest receivables and undue interest receivables	85,692,016	80,880,798
Less allowance for expected credit loss	(362,793)	(440,026)
Loan to customers and accrued interest receivables, net	85,329,223	80,440,772

11.2 Classified by residence of debtors

	2024	2023
	<i>(in thousand Baht)</i>	
Domestic	84,473,746	78,892,768
Foreign	921,897	1,775,201
Total *	85,395,643	80,667,969

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

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11.3 Classified by stage

	2024 (in thousand Baht)	2023
Loans to customers and accrued interest receivables and undue interest receivables*		
Financial assets that have not had a significant increase in credit risk (Performing)	85,216,141	79,971,371
Financial assets that have a significant increase in credit risk (Under-performing)	495,118	921,632
Total	85,711,259	80,893,003

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

12 Allowance for expected credit loss

	2024			
	Financial assets that have not had a significant increase in credit risk	Financial assets that have a significant increase in credit risk (in thousand Baht)	Excess reserve	Total
Interbank and money market items (assets)	8,560	-	-	8,560
Investments in debt instruments	16,667	-	-	16,667
Loans to customers and accrued interest receivables and undue interest receivables	285,806	9,557	67,430	362,793
Undrawn loan commitments and financial guarantee contracts	53,908	16,826	-	70,734
Total	364,941	26,383	67,430	458,754

	2023			
	Financial assets that have not had a significant increase in credit risk	Financial assets that have a significant increase in credit risk (in thousand Baht)	Excess reserve	Total
Interbank and money market items (assets)	22,423	-	-	22,423
Investments in debt instruments	12,598	-	-	12,598
Loans to customers and accrued interest receivables and undue interest receivables	282,914	22,252	134,860	440,026
Undrawn loan commitments and financial guarantee contracts	46,487	1,818	-	48,305
Total	364,422	24,070	134,860	523,352

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Movements in allowance for expected credit loss during the year ended 31 March 2024 and 2023 consisted of:

	Financial assets that have not had a significant increase in credit risk	Financial assets that have a significant increase in credit risk	Excess reserve *	Total
	<i>(in thousand Baht)</i>			
<i>Interbank and money market items (assets)</i>				
At 1 April 2022	12,963	-	-	12,963
Purchased or acquired	22,423	-	-	22,423
Derecognised	(12,963)	-	-	(12,963)
At 31 March 2023 and 1 April 2023	22,423	-	-	22,423
Purchased or acquired	8,560	-	-	8,560
Derecognised	(22,423)	-	-	(22,423)
At 31 March 2024	8,560	-	-	8,560
<i>Investments in debt instruments</i>				
At 1 April 2022	8,387	-	-	8,387
Change from remeasurement of ECL	200	-	-	200
Purchased or acquired	6,002	-	-	6,002
Derecognised	(1,991)	-	-	(1,991)
At 31 March 2023 and 1 April 2023	12,598	-	-	12,598
Change from remeasurement of ECL	614	-	-	614
Purchased or acquired	4,934	-	-	4,934
Derecognised	(1,479)	-	-	(1,479)
At 31 March 2024	16,667	-	-	16,667
<i>Loans to customers and accrued interest receivables and undue interest receivables</i>				
At 1 April 2022	200,216	66,362	202,290	468,868
Change from stage reclassification	(248)	248	-	-
Change from remeasurement of ECL	14,031	14,862	-	28,893
Purchased or acquired	162,895	7,142	-	170,037
Derecognised	(93,980)	(66,362)	-	(160,342)
Excess reserve amortisation	-	-	(67,430)	(67,430)
At 31 March 2023 and 1 April 2023	282,914	22,252	134,860	440,026
Change from stage reclassification	14,700	(14,700)	-	-
Change from remeasurement of ECL	(10,414)	-	-	(10,414)
Purchased or acquired	124,056	9,557	-	133,613
Derecognised	(125,450)	(7,552)	-	(133,002)
Excess reserve amortisation	-	-	(67,430)	(67,430)
At 31 March 2024	285,806	9,557	67,430	362,793

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	Financial assets that have not had a significant increase in credit risk	Financial assets that have a significant increase in credit risk <i>(in thousand Baht)</i>	Excess reserve *	Total
<i>Undrawn loan commitments and financial guarantee contracts</i>				
At 1 April 2022	20,835	-	-	20,835
Change from stage reclassification	(1,119)	1,119	-	-
Change from remeasurement of ECL	25,953	699	-	26,652
Purchased or acquired	4,164	-	-	4,164
Derecognised	(3,346)	-	-	(3,346)
At 31 March 2023 and 1 April 2023	46,487	1,818	-	48,305
Change from stage reclassification	(4,697)	4,697	-	-
Change from remeasurement of ECL	4,712	10,311	-	15,023
Purchased or acquired	9,133	-	-	9,133
Derecognised	(1,727)	-	-	(1,727)
At 31 March 2024	53,908	16,826	-	70,734

* 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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13 Leasehold building improvements and equipment, net

	2024									
	Cost				Accumulated depreciation					
	Net book value as of 1 April 2023	As of 1 April 2023	Purchases and transfers in	Write-off/ transfers out	As of 31 March 2024	As of 1 April 2023	Depreciation	Write-off/ transfers out	As of 31 March 2024	Net book value as of 31 March 2024
	<i>(in thousand Baht)</i>									
Leasehold improvement and system structure	15,539	121,288	-	-	121,288	105,749	8,182	-	113,931	7,357
Furniture and office equipment	11,961	130,178	1,170	-	131,348	118,217	4,565	-	122,782	8,566
Vehicles	-	550	-	-	550	550	-	-	550	-
Right-of-use assets										
Office buildings	16,631	37,731	-	-	37,731	21,100	7,132	-	28,232	9,499
Vehicles	8,795	13,899	3,751	(2,709)	14,940	5,104	3,089	(2,709)	5,484	9,456
Asset under construction	-	-	1,647	(429)	1,219	-	-	-	-	1,219
Total	52,926	303,646	6,568	(3,138)	307,076	250,720	22,968	(2,709)	270,979	36,097

	2023									
	Cost				Accumulated depreciation					
	Net book value as of 1 April 2022	As of 1 April 2022	Purchases and transfers in	Write-off/ transfers out	As of 31 March 2023	As of 1 April 2022	Depreciation	Write-off/ transfers out	As of 31 March 2023	Net book value as of 31 March 2023
	<i>(in thousand Baht)</i>									
Leasehold improvement and system structure	23,698	121,288	-	-	121,288	97,590	8,159	-	105,749	15,539
Furniture and office equipment	11,579	124,421	5,783	(26)	130,178	112,842	5,401	(26)	118,217	11,961
Vehicles	-	980	-	(430)	550	980	-	(430)	550	-
Right-of-use assets										
Office buildings	23,405	37,433	298	-	37,731	14,028	7,072	-	21,100	16,631
Vehicles	5,267	7,840	6,059	-	13,899	2,573	2,531	-	5,104	8,795
Total	63,949	291,962	12,140	(456)	303,646	228,013	23,163	(456)	250,720	52,926

The gross amount of the Bank's fully depreciated leasehold building improvements and equipment that were still in use as at 31 March 2024 amounted to Baht 155 million (2023: Baht 149 million).

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14 Deposits

14.1 Classified by type of deposits

	2024	2023
	<i>(in thousand Baht)</i>	
Current	16,423	73,647
Savings	1,629,018	633,675
Term	24,888,305	30,299,074
Total	26,533,746	31,006,396

14.2 Classified by currencies and residence of depositors

	2024	2023
	Domestic	Domestic
	<i>(in thousand Baht)</i>	
Thai Baht	26,468,222	30,839,304
US Dollar	44,071	35,436
Japanese Yen	21,453	131,656
Total	26,533,746	31,006,396

15 Interbank and money market items (liabilities)

	Note	2024	2023
		<i>(in thousand Baht)</i>	
Domestic			
Commercial banks		1,000,000	-
Specialised financial institution		4,000,000	-
Other financial institutions		1,084,998	481,888
Total domestic		6,084,998	481,888
Foreign			
US Dollar	22	49,592,468	58,946,596
Japanese Yen	22	10,122,840	2,692,982
Euro	22	1,499,451	1,487,140
Total foreign		61,214,759	63,126,718
Total domestic and foreign		67,299,757	63,608,606

16 Provisions

	Note	2024	2023
		<i>(in thousand Baht)</i>	
Allowance for expected credit loss on undrawn loan commitments and financial guarantee contracts	12	70,734	48,305
Employee benefit obligations		26,229	21,298
Total		96,963	69,603

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17 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 2024, the Bank didn't have any advance received from e-Money and EFT (2023: Nil).

18 Offsetting of financial assets and financial liabilities

						2024
						Amount of unoffsetting in statement of financial position
						Offsetting
						amount which
						is not met the
						accounting
						standard's
						conditions
						Relevant
						financial
						collateral
						amount
						Net amount
						(in thousand Baht)
Financial assets						
Derivative assets	870,679	-	870,679	-	(650,583)	220,096
Total	870,679	-	870,679	-	(650,583)	220,096
Financial liabilities						
Derivative liabilities	3,838	-	3,838	-	-	3,838
Total	3,838	-	3,838	-	-	3,838
						2023
						Amount of unoffsetting in statement of financial position
						Offsetting
						amount which
						is not met the
						accounting
						standard's
						conditions
						Relevant
						financial
						collateral
						amount
						Net amount
						(in thousand Baht)
Financial assets						
Derivative assets	719,485	-	719,485	-	(609,622)	109,863
Total	719,485	-	719,485	-	(609,622)	109,863
Financial liabilities						
Derivative liabilities	137,394	-	137,394	-	-	137,394
Total	137,394	-	137,394	-	-	137,394

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

2024					
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	870,679	Derivative assets	9	1,279,420	408,741
Total	870,679			1,279,420	408,741
Financial liabilities					
Derivative liabilities	3,838	Derivative liabilities	9	4,383	545
Total	3,838			4,383	545
2023					
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	719,485	Derivative assets	9	861,391	141,906
Total	719,485			861,391	141,906
Financial liabilities					
Derivative liabilities	137,394	Derivative liabilities	9	235,179	97,785
Total	137,394			235,179	97,785

19 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.

Movement in the legal reserve was as follows :

	(in thousand Baht)
At 1 April 2022	16,449
Increase	23,284
At 31 March 2023 and 1 April 2023	39,733
Increase	21,867
At 31 March 2024	61,600

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20 Assets pledged as collateral and under restriction

As at 31 March 2024, government and state enterprise securities amounting to Baht 1.63 million (2023: Baht 2.39 million), were pledged as collateral for other commitment with government organisation.

21 Contingent liabilities

	2024	2023
	<i>(in thousand Baht)</i>	
Other contingencies		
- Committed line	15,015,080	11,971,027
- Financial guarantee contracts	186,369	141,917
Total	15,201,449	12,112,944

Litigation

As at 31 March 2024 and 2023, there was no litigation case outstanding against the Bank.

22 Related parties

A related party is a person or entity that has direct or indirect control or joint 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 joint control, or has significant influence over the financial and managerial decision-making of a person or entity.

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
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

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The pricing policies for transactions were explained further below:

Transactions	Pricing policies
Interest income	Contractually agreed rate
Interest expenses	Contractually agreed rate
Fees and service income	Contractually agreed price
Fees and service expenses	Contractually agreed price/rate or fee as announced
Other operating income	Contractually agreed price
Premises and equipment expenses	Contractually agreed price
Other expenses	Contractually agreed price

Significant transactions for the years ended 31 March 2024 and 2023 with related parties were as follows:

<i>For the years ended 31 March</i>	2024	2023
	<i>(in thousand Baht)</i>	
<i>Immediate parent company</i>		
Interest income	201	357
Interest expenses	3,242,614	1,712,991
Fees and service income	559	9,658
Fees and service expenses	26,973	4,230
Other operating income	11,138	9,222
Premises and equipment expenses	-	100
Other expenses	17,813	19,927
<i>Other branches of immediate parent company</i>		
Interest income	-	2,619
Interest expenses	56,894	12,915
Fees and service expenses	50	57
<i>Key management personnel compensation</i>		
Short-term and other employee benefits	50,391	48,861

Significant balances as at 31 March 2024 and 2023 with related parties were as follows:

	2024	2023
	<i>(in thousand Baht)</i>	
<i>Immediate parent company</i>		
Interbank and money market items (assets)	2,128,318	1,688,038
Other assets	-	8
Interbank and money market items (liabilities)	59,715,308	61,639,578
Other liabilities	319,618	320,537
<i>Other branches of immediate parent company</i>		
Interbank and money market items (assets)	5,869	22,050
Interbank and money market items (liabilities)	1,499,451	1,487,140
Other liabilities	2,013	2,040

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As at 31 March 2024, borrowings from immediate parent company and other branches of immediate parent company were USD 1,360.00 million, EUR 38.00 million and JPY 42,000.00 million (2023: USD 1,728.70 million, EUR 40.00 million and JPY 10,500.00 million) due to mature from April 2024 to March 2026 (2023: April 2023 to January 2026) which principal repayable at maturity and interest payable quarterly. Borrowings were carried fixed interest rates between 4.11% to 5.59% per annum (2023: 2.73% to 5.29% per annum). Borrowings were carried floating interest rates based on SOFR plus a fixed percent per annum, TONAR plus a fixed percent per annum and Euroyen TIBOR 3M (2023: USD LIBOR 3M plus a fixed percent per annum, SOFR plus a fixed percent per annum and Euroyen TIBOR 3M).

Significant agreements with related parties

- (a) In 2014, the Bank entered into 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 which the Bank has been served on 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.

23 Other benefits to directors and persons with managing authority

The Bank has not paid other benefits to director and executives except for the benefit that are normally paid such as directors fee, directors bonus, executives' salary and bonus.

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 banking business in Thailand.

25 Interest income

<i>For the years ended 31 March</i>	<i>Note</i>	<i>2024</i>	<i>2023</i>
		<i>(in thousand Baht)</i>	
Interbank and money market items	22	383,585	209,324
Investments in debt instruments		186,046	121,110
Loans to customers		2,703,083	1,643,763
Total		3,272,714	1,974,197

26 Interest expenses

<i>For the years ended 31 March</i>	<i>Note</i>	<i>2024</i>	<i>2023</i>
		<i>(in thousand Baht)</i>	
Deposits		493,032	198,848
Interbank and money market items	22	2,429,476	1,168,161
Contribution to Deposit Protection Agency		135,310	82,962
Total		3,057,818	1,449,971

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27 Net fees and service (expenses) income

<i>For the years ended 31 March</i>	<i>Note</i>	<i>2024</i>	<i>2023</i>
		<i>(in thousand Baht)</i>	
Fees and service income			
- Fund transfer services fees		375	281
- Guarantee fee		888	694
- Prepayment fee	22	559	9,658
- Others		159	152
Total		1,981	10,785
Fees and service expenses			
- Fund transfer between financial institutions fee	22	(1,542)	(1,275)
- Loan registration fee		-	(1,370)
- Legal service fee		-	(773)
- Prepayment fee	22	(26,408)	(3,922)
- Others		(640)	(583)
Total		(28,590)	(7,923)
Net		(26,609)	2,862

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

<i>For the years ended 31 March</i>	<i>2024</i>	<i>2023</i>
	<i>(in thousand Baht)</i>	
Gains on trading and foreign exchange transactions		
- Foreign currencies and foreign currency related derivatives	725,455	461,915
Total	725,455	461,915

29 Employee expenses

<i>For the years ended 31 March</i>	<i>Note</i>	<i>2024</i>	<i>2023</i>
		<i>(in thousand Baht)</i>	
Key management			
Wages, salaries and bonus		25,814	23,614
Non-monetary benefits		22,889	23,576
Defined benefit plans and other long-term employee benefits		803	844
Others		885	827
	22	50,391	48,861
Other employees			
Salaries, wages and bonus		125,817	124,576
Non-monetary benefits		22,207	20,527
Defined benefit plans and other long-term employee benefits		4,235	4,227
Others		8,836	8,704
		161,095	158,034
Total		211,486	206,895

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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>	2024	2023
	<i>(in thousand Baht)</i>	
Interbank and money market items	(13,863)	9,460
Investments in debt instruments measured at FVOCI	4,069	4,211
Loans to customers and accrued interest receivables and undue interest receivables	(77,233)	(28,842)
Undrawn loan commitments and financial guarantee contracts	22,429	27,470
Total	(64,598)	12,299

31 Income tax

Income tax recognised in profit or loss

<i>For the years ended 31 March</i>	2024	2023
	<i>(in thousand Baht)</i>	
Current tax expense		
Current year	115,320	123,707
Over provided in prior year	-	(142)
Deferred tax expense		
Movement in temporary difference	(5,878)	(7,432)
Total	109,442	116,133

Income tax recognised in other comprehensive income

<i>For the years ended 31 March</i>	2024			2023		
	Before Tax	Tax benefit (expense)	Net of Tax	Before Tax	Tax (expenses) benefit	Net of Tax
	<i>(in thousand Baht)</i>					
Change in fair value of hedging derivatives	(30,879)	6,176	(24,703)	4,143	(829)	3,314
Financial assets measured at FVOCI	40,811	(8,162)	32,649	(61,769)	12,354	(49,415)
Defined benefit plan actuarial (losses) gains	(1,270)	254	(1,016)	4,183	(836)	3,347
Total	8,662	(1,732)	6,930	(53,443)	10,689	(42,754)

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Reconciliation of effective tax rate

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	Rate	2024	Rate	2023
	(%)	(in thousand Baht)	(%)	(in thousand Baht)
Profit before income tax		546,771		581,820
Income tax using the Thai corporation tax rate	20	109,354	20	116,364
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable income, net		88		(89)
Over provided in prior years		-		(142)
Total	20	109,442	20	116,133

32 Event after reporting period

On 27 June 2024, the Board of Directors Meeting No. 2/2024 resolved to present to the 2024 Annual General Meeting of Shareholders to consider approving the allocation of profits and dividend payments from operations for the year ended 31 March 2024 to shareholders at the rate of Baht 6.98 per share, representing a total amount of Baht 139.6 million.