

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

Financial statements for the year ended
31 December 2015
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

I have audited the accompanying financial statements of Sumitomo Mitsui Trust Bank (Thai) Public Company Limited (the "Bank"), which comprise the statement of financial position as at 31 December 2015, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and the financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Chanchai S.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
14 March 2016

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of financial position

Assets	Note	31 December	
		2015	2014
		<i>(in thousand Baht)</i>	
Cash		10	29
Interbank and money market items, net	8, 19	1,352,403	1,691,835
Investments, net	9	16,166,302	8,206,094
Loans to customers and accrued interest receivable, net	10		
Loans to customers		3,481,000	-
Accrued interest receivable		301	-
Total loans to customers and accrued interest receivable		3,481,301	-
Less allowance for doubtful accounts	10.4, 11	(34,813)	-
Total loans to customers and accrued interest receivable, net		3,446,488	-
Leasehold building improvements and equipment, net	12	192,170	74,551
Intangible assets, net		38,069	-
Deferred tax assets	13	24,913	524
Other assets, net		19,888	8,038
Total assets		21,240,243	9,981,071

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of financial position

		31 December	
Liabilities and Equity	Note	2015	2014
		(in thousand Baht)	
<i>Liabilities</i>			
Deposits	14	1,319,153	-
Employee benefit obligations		3,272	-
Other liabilities	15, 19	206,588	118,950
Total liabilities		1,529,013	118,950
<i>Equity</i>			
Share capital	16		
Authorised share capital		20,000,000	20,000,000
Issued and paid-up share capital		20,000,000	10,000,000
Other reserves	17	(769)	(2,016)
Deficit		(288,001)	(135,863)
Total equity		19,711,230	9,862,121
Total liabilities and equity		21,240,243	9,981,071

明石 匠

(Mr. Oi Akashi)
Deputy Chief Executive Officer
and Division Head of Internal Control



(Mr. Manabu Inoue)
Chief Executive Officer

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of profit or loss and other comprehensive income

		For the year ended 31 December 2015	For the period 7 July 2014 to 31 December 2014
	Note	(in thousand Baht)	
Interest income	22	309,857	12,413
Interest expenses	23	5,623	-
Net interest income		304,234	12,413
Fee and service income		1	-
Fee and service expenses		1,734	-
Net fee and service income		(1,733)	-
Gains on foreign exchange transaction, net		84	-
Loss on investments, net		(2)	-
Other operating income		5,947	-
Total operating income		308,530	12,413
Other operating expenses			
Employee expenses	24	97,829	16,313
Directors' remuneration		1,880	-
Premises and equipment expenses		47,559	4,318
Taxes and duties		4,296	2,507
Professional services expense		159,992	112,821
Others		126,999	12,337
Total other operating expenses		438,555	148,296
Impairment loss of loans	25	46,814	-
Loss from operations before income tax benefit		(176,839)	(135,883)
Income tax benefit	26	(24,701)	(20)
Loss for the year/period		(152,138)	(135,863)
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss</i>			
Gain (loss) on remeasuring available-for-sale investments		1,559	(2,520)
Income tax relating to other comprehensive income		(312)	504
Other comprehensive income for the year/period,			
net of income tax	9.2, 26	1,247	(2,016)
Total comprehensive income for the year/period		(150,891)	(137,879)
Basic loss per share (in Baht)	27	(8.04)	(88.92)

明石 臣

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Deputy Chief Executive Officer
and Division Head of Internal Control



Manabu Inoue

(Mr. Manabu Inoue)
Chief Executive Officer

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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of changes in equity

	Note	Issued and paid-up share capital	Other reserves Fair value change in available-for-sale investments (in thousand Baht)	Deficit	Total equity
For the period 7 July 2014 (date of incorporation) to 31 December 2014					
Issue of shares on incorporation 7 July 2014	16	300	-	-	300
Transaction with owners, recorded directly in equity					
<i>Contributions by owners of the Company</i>					
Issue of ordinary shares	16	9,999,700	-	-	9,999,700
<i>Total contributions by owners of the Company</i>		9,999,700	-	-	9,999,700
Total transactions with shareholders, recorded directly in equity		9,999,700	-	-	9,999,700
Comprehensive income for the period					
Loss for the period		-		(135,863)	(135,863)
Other comprehensive income					
Available-for-sale investments					
Net change in fair value of available-for-sale investments, net of income tax	9.2	-	(2,016)	-	(2,016)
Total comprehensive income for the period		-	(2,016)	(135,863)	(137,879)
Balance as at 31 December 2014		10,000,000	(2,016)	(135,863)	9,862,121

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of changes in equity

	Note	Issued and paid-up share capital	Other reserves Fair value change in available-for-sale investments (in thousand Baht)	Deficit	Total equity
Year ended 31 December 2015					
Balance as at 1 January 2015		10,000,000	(2,016)	(135,863)	9,862,121
Transaction with owners, recorded directly in equity					
Contributions by owners of the Bank					
Issue of ordinary shares	16	10,000,000	-	-	10,000,000
Total contributions by owners of the Bank		10,000,000	-	-	10,000,000
Total transactions with shareholders, recorded directly in equity		10,000,000	-	-	10,000,000
Comprehensive income for the year					
Loss for the year		-	-	(152,138)	(152,138)
Other comprehensive income					
Available-for-sale investments					
Net change in fair value of available-for-sale investments, net of income tax	9.2	-	1,247	-	1,247
Total comprehensive income for the year		-	1,247	(152,138)	(150,891)
Balance as at 31 December 2015		20,000,000	(769)	(288,001)	19,711,230

Mr. Oi Akashi

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Deputy Chief Executive Officer
and Division Head of Internal Control



Mr. Manabu Inoue

(Mr. Manabu Inoue)
Chief Executive Officer

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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of cash flows

	Note	For the year ended 31 December 2015	For the period 7 July 2014 to 31 December 2014
<i>(in thousand Baht)</i>			
Cash flows from operating activities			
Loss from operations before income tax benefit		(176,839)	(135,883)
Adjustment to reconcile loss from operations before income tax benefit to net cash provided by (used in) operating activities			
Depreciation and amortisation		22,711	88
Loss on investments		2	-
Impairment loss of loans		46,814	-
Net interest income		(304,234)	(12,413)
Interest received		27,010	2,320
Interest paid		(2,386)	-
Loss from operations before changes in operating assets and liabilities		(386,922)	(145,888)
Decrease (increase) in operating assets			
Interbank and money market items		325,767	(1,690,073)
Loans to customers		(3,481,000)	-
Other assets		(11,850)	(8,038)
Increase (decrease) in operating liabilities			
Deposits		1,319,153	-
Employee benefit obligations		3,272	-
Other liabilities		(71,103)	93,188
Net cash used in operating activities		(2,302,683)	(1,750,811)
Cash flows from investing activities			
Purchase of available-for-sale investments		(108,042,348)	(8,200,284)
Proceeds from available-for-sale investments		100,367,908	-
Purchase of leasehold building improvements and equipment		(15,851)	(48,876)
Purchase of intangible assets		(7,045)	-
Net cash used in investing activities		(7,697,336)	(8,249,160)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	16	10,000,000	10,000,000
Net cash provided by financing activities		10,000,000	10,000,000
Net increase (decrease) in cash		(19)	29
Cash at beginning of the year/period		29	-
Cash at end of the year/period		10	29
Non-cash transactions			
Gain (loss) on remeasuring available-for-sale investments		1,559	(2,520)
Payable for purchase of leasehold building improvements and equipment		123,435	29,464
Payable for purchase of intangible assets		32,069	-


 (Mr. Oi Akashi)
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 and Division Head of Internal Control




 (Mr. Manabu Inoue)
 Chief Executive Officer

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the financial statements

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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors of the Bank on 14 March 2016.

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 financial year was Sumitomo Mitsui Trust Holding, Inc. and the Bank’s major shareholder 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 on 14 August 2015, and commenced operating as a commercial bank business on 28 October 2015.

2 Basis of preparation of the financial statements

(a) *Statement of compliance*

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and presented as prescribed by the Bank of Thailand (BoT) Notification No. Sor Nor Sor 21/2558, directive dated 4 December 2015, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are a parent company of a group of companies offering financial services”.

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2015. The initial application of these new and revised TFRS has resulted in a change to certain of the Bank’s accounting policies. These changes did not have significant material effect on the financial statement as disclosed in Note 3.

In addition to the above new and required TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2016 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Bank’s operations are disclosed in Note 28.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

<i>Items</i>	<i>Measurement bases</i>
Available-for-sale financial assets	Fair value

(c) *Functional and presentation currency*

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

(d) *Use of judgements and estimates*

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

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

Assumptions and estimation uncertainties

Information about significant areas of estimation uncertainty that have a significant risk of material adjustments to the amounts recognised in the financial statements is included in the following notes:

Note 6	Fair value of financial assets and liabilities
Note 11	Allowance for doubtful accounts

Measurement of fair values

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 6 Fair value of financial assets and liabilities.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

3 Change in accounting policy

(a) Overview

From 1 January 2015, the Bank has adopted the following new TFRS which requires additional information to be disclosed in the financial statements (note 6) but has no material impact on the Bank reported results included herein.

A description of the nature and effect of the changes in accounting policy consequent to the adoption of the new TFRS is included in note 3 (b) below:

(b) Fair value measurement

TFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other TFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurements date. It also replaces and expands the disclosure requirements about fair value measurements in other TFRSs.

In accordance with the transitional provisions of TFRS 13, the Bank has applied the new fair value measurement guidance by prospectively, and has not provided any comparative information for new disclosures.

4 Significant accounting policies

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

(a) Foreign currencies

Foreign currency transactions

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

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

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

(b) Cash

Cash comprises cash on hand and cash on collection.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

(c) *Investments*

Investments in debt securities

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

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

Initial recognition

The Bank recognises and derecognises such items in these financial statements on the trade date.

Disposal of investments

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

If the Bank disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(d) *Loans to customers*

Loans to customers are presented at the principal balances, excluding accrued interest receivables.

(e) *Allowance for doubtful accounts*

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

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

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

(f) Leasehold building improvements and equipment

Recognition and measurement

Owned assets

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

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

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

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

Subsequent costs

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

Depreciation

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

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

Leasehold improvement and system structure	10 years
Furniture and office equipment	5 years
Vehicle	5 years

No depreciation is provided on assets under construction.

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

(g) Intangible assets

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

Subsequent expenditure

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

Amortisation

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

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

Software licenses	10 years
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(h) Impairment

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

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

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

Calculation of recoverable amount

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

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

Reversals of impairment

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

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

(i) *Employee benefits*

Defined contribution plans

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

Defined benefit plan

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

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

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. 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 annual period, taking into account any changes in the net defined benefit liability during the period as the result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Bank's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period 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 recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

(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.

A provision for contingent liabilities is recognised when the transactions relate to credit facilities (e.g. letter of credit and guarantee) that are classified as substandard, doubtful and doubtful of loss. The provision has been determined by using the same rate as the allowance for doubtful accounts on each of those loans to customers and after management's estimate of the likelihood of these contingent liabilities being realised.

(k) *Income*

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

Fees and commission income is recognised when the services are rendered.

(l) *Expenses*

Interest expenses and non-interest expenses are recognised on an accrual basis.

(m) *Income tax*

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

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

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

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

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

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. 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.

(n) *Loss per share*

The Bank presents basic loss per share for its ordinary shares which is calculated by dividing the loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

(o) *Offsetting*

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

5 Financial risk management

Financial risk management policies

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

5.1 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 arise 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 transactions;
- 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;

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- Training and professional development; and
- Risk mitigation, including insurance where this is cost effective.

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

5.2 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 securities. 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.

(1) Risk management policy on credit risk

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 creditors 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 creditor 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 earning capacity.

(2) Risk management framework for credit risk

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

5.3 Market risk

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

(1) 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.

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(2) 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 company-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 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.

(3) Market risk management approach

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

(a) Interest rate risk

Interest rate risk in the statements of financial position arises from the potential for a change in interest rates to have an effect on the interest income of the Bank in the current reporting period and future 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.

As at 31 December 2015 and 2014, significant financial assets and financial liabilities classified by types of interest rate are as follows:

	2015			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in thousand Baht)			
Financial assets				
Cash	-	-	10	10
Interbank and money market items	-	1,200,124	164,280	1,364,404
Investments, net	-	16,166,302	-	16,166,302
Loans to customers and accrued interest receivables	3,481,301	-	-	3,481,301
Other assets	-	-	13,821	13,821
Total financial assets	3,481,301	17,366,426	178,111	21,025,838
Financial liabilities				
Deposits	1,297,500	11,103	10,550	1,319,153
Other liabilities	-	-	1,849	1,849
Total financial liabilities	1,297,500	11,103	12,399	1,321,002
	2014			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in thousand Baht)			
Financial assets				
Cash	-	-	29	29
Interbank and money market items	-	1,677,986	13,849	1,691,835
Investments, net	-	8,206,094	-	8,206,094
Total financial assets	-	9,884,080	13,878	9,897,958

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

	2015			2014		
	Average balance (in thousand Baht)	Interest	Average interest rate (% per annum)	Average balance (in thousand Baht)	Interest	Average interest rate (% per annum)
<i>Financial assets</i>						
Interbank and market items	1,570,718	25,146	1.601	445,742	4,083	0.916
Investments	17,987,982	284,211	1.580	8,208,614	8,330	1.986
Loans to customers	<u>3,481,000</u>	<u>500</u>	1.579	<u>-</u>	<u>-</u>	-
Total	<u>23,039,700</u>	<u>309,857</u>		<u>8,654,356</u>	<u>12,413</u>	
<i>Financial liabilities</i>						
Deposits	1,209,664	4,232	1.456	-	-	-
Interbank and money market items	<u>100,000</u>	<u>4</u>	1.520	<u>-</u>	<u>-</u>	-
Total	<u>1,309,664</u>	<u>4,236</u>		<u>-</u>	<u>-</u>	

Notes to the financial statements

2015

Immediate repricing	Within 3 months	3 - 12 months	interest bearing	Total
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Deposits

2014

Immediate repricing	Within 3 months	3 - 12 months	interest bearing	Total
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(b) *Currency exchange rate risk*

Currency exchange rate risk in the statements of financial position arises from the potential for an unfavourable fluctuation in currency exchange rates which causes a result to lose value of an asset or 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 December 2015 and 2014, the Bank has net open position assets denominated in the various currencies as follows:

	2015	2014
	<i>(in thousand Baht)</i>	
Net foreign currency exposure		
US Dollar	489	-
Japanese Yen	76	-

5.4 **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.

(1) Risk management policy of liquidity risk

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

(2) Risk management framework and approaches for liquidity risk

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

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

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The remaining period to maturity of significant financial assets and financial liabilities as at 31 December 2015 and 2014 based on contractual maturity is as follows:

	At call	Within 3 months	2015 3 - 12 months (in thousand Baht)	No maturity	Total
<i>Financial assets</i>					
Cash	-	-	-	10	10
Interbank and money market items	164,280	1,200,124	-	-	1,364,404
Investments, net	-	16,166,302	-	-	16,166,302
Loans to customers	3,481,301	-	-	-	3,481,301
Other assets	-	13,821	-	-	13,821
Total financial assets	3,645,581	17,380,247	-	10	21,025,838
<i>Financial liabilities</i>					
Deposits	21,653	1,070,000	227,500	-	1,319,153
Other liabilities	3	1,684	162	-	1,849
Total financial liabilities	21,656	1,071,684	227,662	-	1,321,002
Net liquidity gap	3,623,925	16,308,563	(227,662)	10	19,704,836
			2014 3 - 12 months (in thousand Baht)	No maturity	Total
<i>Financial assets</i>					
Cash	-	-	-	29	29
Interbank and money market items	476,017	-	1,201,969	13,849	1,691,835
Investments, net	-	-	8,206,094	-	8,206,094
Other assets	-	-	-	-	-
Total financial assets	476,017	-	9,408,063	13,878	9,897,958

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6 Fair value of financial assets and liabilities

Fair value hierarchy

Fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

6.1 Financial instruments measured at fair value

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

	Level 1	Fair value Level 2 (in thousand Baht)	Level 3	Total
31 December 2015				
<i>Financial assets</i>				
Debt securities available-for-sale	-	16,166,302	-	16,166,302

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 December 2015.

6.2 Financial instruments not measured at fair value

The carrying value of significant financial instruments not measured at fair value approximates the fair value.

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

Interbank and money market items (assets)

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

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.

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Deposits

The fair value of deposits which are payable on demand by the depositor is equal to the carrying value of such deposits. The carrying amounts of floating-rate, fixed-term money market accounts, certificates of deposit and fixed rate deposits repricing within 1 year approximate their market value at the reporting date. The fair value for other fixed interest deposits is estimated using a discounted cash flow calculation that applies interest rates currently being offered on deposits to a schedule of aggregate expected monthly maturities on time deposits.

7 Maintenance of capital fund

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E.2008 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 dated 8 November 2012 and 8 May 2015, the Bank is required to calculate its Capital Fund in accordance with Basel III.

As at 31 December 2015, the Bank's total capital funds and capital ratio can be categorised as follows:

	2015 (in thousand Baht)
Tier 1 capital	
Common Equity Tier 1 (CET1)	
Issued and paid-up share capital, share premium	20,000,000
Other comprehensive income	(769)
Less Capital deduction items on CET1	(207,612)
Total Tier 1 Capital Base	19,791,619
Total Risk-Weighted Assets	3,946,397
	The BoT's regulation minimum requirement
	(%)
Capital Adequacy Ratio	8.50
Tier-1 Capital ratio	6.00
Tier-1 Common Equity ratio	4.50
	2015
	501.51
	501.51
	501.51

According to Bank of Thailand notification number For Nor Sor (23) Wor 263/2556 dated 22 February 2013, the Bank is required to disclose regulatory capital after deducting capital add-on arising from Single Lending Limit, effective at the end of January 2015. As at 31 December 2015, the Bank has no add-on arising from Single Lending Limit.

In accordance with the Bank of Thailand Notification No. Sor Nor Sor 4/2556 dated 2 May 2013, Re: "Information Disclosure Regarding Capital Fund Maintenance for Commercial Banks", the Bank intends to disclose Capital Maintenance information as of 31 December 2015 within 4 months after the period end date, as indicated in the notification, through the Bank's website www.smtb.jp/smtbthai/

Capital management

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

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8 Interbank and money market items, net (assets)

	2015 (in thousand Baht)			2014 (in thousand Baht)		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand	37,373	-	37,373	-	-	-
Commercial banks	126,342	1,200,027	1,326,369	489,866	1,200,207	1,690,073
Total	163,715	1,200,027	1,363,742	489,866	1,200,207	1,690,073
Add accrued interest receivable	-	97	97	-	1,762	1,762
Less allowance for doubtful accounts	-	(12,001)	(12,001)	-	-	-
Total domestic, net	163,715	1,188,123	1,351,838	489,866	1,201,969	1,691,835
Foreign						
US Dollar	489	-	489	-	-	-
Japanese Yen	76	-	76	-	-	-
Total foreign, net	565	-	565	-	-	-
Total domestic and foreign, net	164,280	1,188,123	1,352,403	489,866	1,201,969	1,691,835

9 Investments, net

9.1 As at 31 December 2015 and 2014, the Bank classifies investment types, as follow:

	2015 (in thousand Baht)	2014
Available-for-sale investments		
Government bonds	12,668,159	5,432,277
Government treasury bills	3,498,143	2,773,817
Total investment, net	16,166,302	8,206,094

9.2 Fair value changes in available-for-sale investments consisted of:

	2015 (in thousand Baht)	2014
<i>Fair value changes in available-for-sale investments</i>		
Debt securities	1,559	(2,520)
Less deferred tax	(312)	504
Net	1,247	(2,016)

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10 Loans to customers and accrued interest receivables, net

10.1 Classified by type of loans

	2015 (in thousand Baht)
Loans	3,481,000
Add accrued interest receivables	301
Total loans and accrued interest receivables	3,481,301
Less allowance for doubtful accounts	
- BoT's minimum requirement - Individual approach	(34,810)
- Allowance in excess	(3)
Total loans to customers and accrued interest receivables, net	<u>3,446,488</u>

10.2 Classified by currencies and residence of debtors

	2015 (in thousand Baht)	
	Domestic	Total
Thai Baht	3,481,000	3,481,000
Total	<u>3,481,000</u>	<u>3,481,000</u>

10.3 Classified by industry and loan classification

	2015 (in thousand Baht)	
	Pass	Total
Manufacturing and commerce	3,300,000	3,300,000
Leasing business	181,000	181,000
Total	<u>3,481,000</u>	<u>3,481,000</u>

10.4 Classified by loan classification

	2015			
	Loans to customers and accrued interest receivables (in thousand Baht)	Net amount used to set the allowance for doubtful account*	Rate used for setting the allowance for doubtful accounts (%)	Allowance for doubtful accounts (in thousand Baht)
Minimum allowance as per BoT's regulations				
- Pass	3,481,301	3,481,000	1	34,810
Total	<u>3,481,301</u>	<u>3,481,000</u>		<u>34,810</u>
Excess allowance				3
Total				<u>34,813</u>

*Net amount for allowance for doubtful accounts means the outstanding debt after deducting the present value of future cash flows expected to be received or the expected proceeds from the disposal of collateral.

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11 Allowance for doubtful accounts

Movements in allowance for doubtful accounts for loans to customers during the years ended 31 December 2015 consisted of:

	Pass	2015 Excess allowance	Total
Beginning balance	-	-	-
Allowance for doubtful accounts	34,810	3	34,813
Ending balance	34,810	3	34,813

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12 Leasehold building improvements and equipment, net

As at 31 December 2015 and 2014, changes in improvements and equipment are as follows:

	2015					2014				
	Cost		Accumulated depreciation			Cost		Accumulated depreciation		
	Net book value as of 1 January 2015	Beginning balance	Purchases and transfers in	Disposals and transfers out	Ending balance (in thousand Baht)	Beginning balance	Depreciation	Ending balance	Net book value as of 31 December 2015	
Leasehold improvement and system structure	20,337	20,424	179,469	-	199,893	87	19,498	19,585	180,308	
Office furniture and equipment	271	272	12,780	-	13,052	1	2,164	2,165	10,887	
Vehicles	-	-	980	-	980	-	5	5	975	
Construction in progress	53,943	53,943	-	(53,943)	-	-	-	-	-	
Total	74,551	74,639	193,229	(53,943)	213,925	88	21,667	21,755	192,170	

	2014					2013				
	Cost		Accumulated depreciation			Cost		Accumulated depreciation		
	Net book value as of 7 July 2014	Beginning balance	Purchases and transfers in	Disposals and transfers out	Ending balance (in thousand Baht)	Beginning balance	Depreciation	Ending balance	Net book value as of 31 December 2014	
Leasehold improvement and system structure	-	-	20,424	-	20,424	-	87	87	20,337	
Office furniture and equipment	-	-	272	-	272	-	1	1	271	
Vehicles	-	-	-	-	-	-	-	-	-	
Construction in progress	-	-	53,943	-	53,943	-	-	-	53,943	
Total	-	-	74,639	-	74,639	-	88	88	74,551	

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13 Deferred tax

Deferred tax assets as at 31 December 2015 and 2014 were as follows:

	2015 (in thousand Baht)	2014
Deferred tax assets	<u>24,913</u>	<u>524</u>

Movements in deferred tax assets during the year/period were as follows:

	At 1 January 2015	(Charge)/Credited to : Profit or Loss (Note 26) (in thousand Baht)		Other comprehensive income	At 31 December 2015
Deferred tax assets					
Investments	504	(4,704)		(312)	(4,512)
Leasehold building improvement and equipment	20	(20)		-	-
Employee benefit obligation	-	654		-	654
Loss carry forward	-	28,771		-	28,771
Total	<u>524</u>	<u>24,701</u>		<u>(312)</u>	<u>24,913</u>
	At 7 July 2014	Credited to : Profit or Loss (Note 26) (in thousand Baht)		Other comprehensive income	At 31 December 2014
Deferred tax assets					
Investments	-	-		504	504
Leasehold building improvement and equipment	-	20		-	20
Total	<u>-</u>	<u>20</u>		<u>504</u>	<u>524</u>

14 Deposits

14.1 Classified by type of deposits

	2015 (in thousand Baht)
Current	10,550
Savings	11,103
Term - less than 6 months	1,297,500
Total	<u>1,319,153</u>

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14.2 Classified by currency and residence of depositors

	2015	
	Domestic	Total
	<i>(in thousand Baht)</i>	
Thai Baht	1,319,153	1,319,153
Total	1,319,153	1,319,153

15 Other liabilities

	Note	2015	2014
		<i>(in thousand Baht)</i>	
Payable to related party	19	171,884	-
Account payable		12,544	-
Accrued expense		12,559	115,558
Others		9,601	3,392
Total		206,588	118,950

16 Share capital

	Par value per share <i>(in Baht)</i>	2015 Number	2015 Amount <i>(shares / thousand Baht)</i>	2014 Number	2014 Amount
Authorised					
At 1 January/7 July					
- ordinary shares	1,000	20,000,000	20,000,000	300	300
Increase of new shares	1,000	-	-	19,999,700	19,999,700
At 31 December					
- ordinary shares	1,000	20,000,000	20,000,000	20,000,000	20,000,000
Issued and paid-up					
At 1 January /7 July					
- ordinary shares	1,000	10,000,000	10,000,000	300	300
Increase of new shares	1,000	10,000,000	10,000,000	9,999,700	9,999,700
At 31 December					
- ordinary shares	1,000	20,000,000	20,000,000	10,000,000	10,000,000

Issue of ordinary shares

- (a) At the Bank's Establishment Meeting on 2 July 2014, the Bank approved the issuance of the Bank's authorised share capital amounting Baht 0.3 million by issuing 300 ordinary shares of Baht 1,000 per par value. The Bank's authorised share capital was issued and fully paid-up which was registered with the Ministry of Commerce on 7 July 2014.

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- (b) At the Board of Directors' Meeting on 14 July 2014 and at the Extraordinary Shareholders' Meeting on 23 July 2014, the shareholders approved.
- (1) To increase the Bank's authorised share capital amounting Baht 19,999.7 million of Baht 1,000 per par value, making the Bank's authorised share capital amounting to Baht 20,000 million.
 - (2) Allocation of ordinary shares of 19,999,700 shares of Baht 1,000 per par value is for a Private Placement Basis offering to Sumitomo Mitsui Trust Bank, Limited (SMTB) on one or several times. The shareholders approved the allocation of ordinary shares of 234,700 shares of Baht 1,000 per par value amounting Baht 234.7 million for SMTB on 25 July 2014. The Bank received full payments and has registered with the Ministry of Commerce on 25 July 2014.
- (c) At the Board of Directors' Meeting on 4 December 2014, the resolution to approve of the allocation of ordinary shares of 9,765,000 shares of Baht 1,000 per par value amounting Baht 9,765 million offering to SMTB on 8 December 2014. The Bank received full payment and has registered with the Ministry of Commerce on 8 December 2014.
- (d) At the Board of Directors' Meeting on 3 February 2015, the resolution to approve of the allocation of ordinary shares of 10,000,000 shares of Baht 1,000 per par value amounting Baht 10,000 million offering to SMTB on 9 February 2015. The Bank received full payment and has registered with the Ministry of Commerce on 9 February 2015.

17 Other Reserves

Other reserves

Fair value changes in available-for-sale investments

The fair value changes in available-for-sale investments account within equity comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

18 Assets pledged as collateral

Assets pledged as collateral as at 31 December 2015 consisted of:

	2015 (in thousand Baht)
Government bonds	16,800,000
Total	16,800,000

Pledged as liquidity management with BoT

19 Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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Relationships with key management and other related parties were as follows:

Name of entity/Personnel	Country of incorporation/ nationality	Nature of relationship
Key management personnel	Japan / Thai	Persons having authority and responsibility for planning, directly and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank
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 parent Company, 0.00000005% shareholding
Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.	Japan	Subsidiary of parent Company, 0.00000005% shareholding
Sumitomo Mitsui Trust Investment Co., Ltd.	Japan	Subsidiary of parent Company, 0.00000005% shareholding
Sumitomo Mitsui Trust Asset Management Co., Ltd.	Japan	Subsidiary of parent Company, 0.00000005% shareholding
Sumitomo Mitsui Trust Bank, Limited, New York Branch	U.S.A	Branch of parent Company
Sumitomo Mitsui Trust Bank, Limited, London Branch	United Kingdom	Branch of parent Company
Sumitomo Mitsui Trust Bank, Limited, Singapore Branch	Singapore	Branch of parent Company
Sumitomo Mitsui Trust Bank, Limited, Shanghai Branch	Republic of China	Branch of parent Company
Sumitomo Mitsui Trust Bank, Limited, Hong Kong Branch	Hong Kong	Branch of parent Company

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

Transactions	Pricing policies
Fee and service expenses	Fee as announced
Premise and equipment expenses	Contractually agreed price
Other expenses	Contractually agreed price

Significant transactions for the year ended 31 December 2015 with key management and other related parties were as follows:

	For the year ended 31 December 2015	For the period 7 July 2014 to 31 December 2014 (in thousand Baht)
Fee and service expenses	13	-
Premises and equipment expenses	16,396	-
Other expenses	21,365	48,433

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	For the year ended 31 December 2015	For the period 7 July 2014 to 31 December 2014
	<i>(in thousand Baht)</i>	
Key management personnel		
Short-term employee benefits	32,111	5,550
Long-term employee benefits	313	-
Total key management personnel compensation	32,424	5,550

Directors' and executives' benefits

The Bank has not paid any benefits to its directors and executives other than those in the normal course of business such as salary, executives' bonuses and directors' remuneration approved at a Shareholders' Meeting.

Significant balances and business transactions with related parties

	2015	2014
	<i>(in thousand Baht)</i>	
Interbank and money market items, net (assets)		
Sumitomo Mitsui Trust Bank, Limited	76	-
Other liabilities		
Sumitomo Mitsui Trust Bank, Limited *	171,884	-
Issue of ordinary shares		
Sumitomo Mitsui Trust Bank, Limited	10,000,000	9,999,700
Others	-	300
Total	10,000,000	10,000,000

* The Bank accrued Baht 171.9 million for a part of IT related cost borne by Sumitomo Mitsui Trust Bank, Limited.

Significant agreements with related parties

- (a) In 2014, the Bank entered into a The Usage of Symbols or Trademark agreement with Sumitomo Mitsui Trust Holdings, Inc. 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 Sumitomo Mitsui Trust Bank, Limited relating to the provision of control and management and internal audit services. The service fee is charged in accordance with the terms in the agreement.

20 Non-cancellable operating lease agreements

	2015	2014
	<i>(in thousand Baht)</i>	
Within one year	26,397	21,752
After one year but within five years	27,431	31,627
Total	53,828	53,379

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Office lease and service agreements

- (a) On 1 October 2014, the Bank entered into the office lease and service agreements. The duration of these agreements was 3 year term from 1 October 2014 to 30 September 2017. Under the terms of agreements, there are office rental and service fees of Baht 0.15 million per month and Baht 0.9 million per month (excluding VAT). The Bank paid deposits on these agreements with the amount of Baht 0.4 million.

Equipment lease agreements

- (a) On 29 September 2014, the Bank entered into an equipment and service rental agreement for a period of 2 years. Under the terms of agreement, the Bank has agreed to a fixed rental fee of Baht 0.2 million (excluding VAT) per month.
- (b) On 1 October 2014, the Bank entered into an IT rental agreement for a period of 3 years. Under the terms of agreement, the Bank has agreed to a fixed rental fee of Baht 0.4 million (excluding VAT) per month.
- (c) On 2 March 2015, the Bank entered into an equipment and service rental agreement for a period of 3 years. Under the terms of agreement, the Bank has agreed to a fixed rental fee of Baht 0.2 million (excluding VAT) per month.

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

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

22 Interest income

	For the year ended 31 December 2015	For the period 7 July 2014 to 31 December 2014
	<i>(in thousand Baht)</i>	
Interbank and money market items	25,146	4,083
Investments in debt securities	284,211	8,330
Loans to customers	500	-
Total	309,857	12,413

23 Interest expense

	For the year ended 31 December 2015	For the period 7 July 2014 to 31 December 2014
	<i>(in thousand Baht)</i>	
Deposits	4,232	-
Interbank and money market items	4	-
Contribution to Deposit Protection Agency	1,387	-
Total	5,623	-

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24 Employee expenses

	For the year ended 31 December 2015	For the period 7 July 2014 to 31 December 2014
	<i>(in thousand Baht)</i>	
Key management		
Wages, salaries and bonus	13,200	4,179
Post-employment benefits - defined benefit plans	313	-
Others	18,911	1,371
	<u>32,424</u>	<u>5,550</u>
Other employees		
Wages, salaries and bonus	53,723	4,792
Post-employment benefits - defined benefit plans	2,959	-
Others	8,723	5,971
	<u>65,405</u>	<u>10,763</u>
Total	<u>97,829</u>	<u>16,313</u>

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 3% to 10% of their basic salaries and by the Bank at 3% 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.

25 Impairment loss of loans

	For the year ended 31 December 2015
	<i>(in thousand Baht)</i>
Interbank and money market items	12,001
Loans to customers	34,813
Total	<u>46,814</u>

26 Income tax benefit

	Note	For the year ended 31 December 2015	For the period 7 July 2014 to 31 December 2014
		<i>(in thousand Baht)</i>	
Current tax expense			
Current year/period		-	-
Deferred tax expense			
Movement in temporary difference	13	(24,701)	(20)
Total income tax benefit		<u>(24,701)</u>	<u>(20)</u>

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Income tax recognised in other comprehensive income

	For the year ended 31 December 2015			For the period 7 July 2014 to 31 December 2014		
	Before tax	Tax (expense) benefit	Net of Tax	Before tax	Tax (expense) benefit	Net of Tax
	<i>(in thousand Baht)</i>			<i>(in thousand Baht)</i>		
Available-for-sale investments	1,559	(312)	1,247	(2,520)	504	(2,016)
Total	1,559	(312)	1,247	(2,520)	504	(2,016)

Reconciliation of effective tax rate

	For the year ended 31 December 2015		For the period 7 July 2014 to 31 December 2014	
	Rate (%)	<i>(in thousand Baht)</i>	Rate (%)	<i>(in thousand Baht)</i>
Loss before income tax expense		(176,839)		(135,883)
Income tax	20	(35,368)	20	(27,177)
Expense not deductible for tax purpose		326		-
Recognition of previously unrecognised tax losses		(27,157)		-
Current year losses which no deferred tax asset was recognised		37,446		27,157
Under provided in prior period		52		-
Total	14	(24,701)	0.01	(20)

Income tax reduction

Royal Decree No. 577 B.E. 2557 dated 10 November 2014 grants the reduction to 20% of net taxable profit for the accounting period 2015 which begins on or after 1 January 2015.

On 22 January 2016, The National Legislative Assembly has approved a reduction of the corporate income tax rate from 30% to 20% of net taxable profit for the accounting period begins on or after 1 January 2016.

The Bank has applied the tax rate of 20% in measuring deferred tax assets and liabilities as at 31 December 2015 and 2014 in accordance with the clarification issued by the FAP in 2012.

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27 Basic loss per share

The calculations of basic losses per share for the year ended 31 December 2015 and for the period 7 July 2014 to 31 December 2014 were based on the loss for the year/period attributable to ordinary shareholders of the Bank and the weighted average number of ordinary shares outstanding during the year/period as follows:

	For the year ended 31 December 2015 <i>(in thousand Baht/thousand shares)</i>	For the period 7 July 2014 to 31 December 2014
Loss for the year/period attributable to ordinary shareholders of the Bank (basic)	(152,138)	(135,863)
Weighted average number of ordinary shares outstanding	18,932	1,528
Loss per share (Basic) (Baht)	(8.04)	(88.92)

28 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. Those revised TFRS that may be relevant to the Bank's operations, which become effective for annual financial periods beginning on or after 1 January 2016, are set out below. The Bank does not plan to adopt these TFRS early.

TFRS	Topic
TAS 1 (revised 2015)	Presentation of Financial Statements
TAS 7 (revised 2015)	Statement of Cash Flows
TAS 8 (revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2015)	Events After the Reporting Period
TAS 12 (revised 2015)	Income Taxes
TAS 16 (revised 2015)	Property, Plant and Equipment
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 19 (revised 2015)	Employee Benefits
TAS 21 (revised 2015)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2015)	Related Party Disclosures
TAS 33 (revised 2015)	Earnings Per Share
TAS 34 (revised 2015)	Interim Financial Reporting
TAS 36 (revised 2015)	Impairment of Assets
TAS 37 (revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2015)	Intangible Assets
TFRS 13 (revised 2016)	Fair Value Measurement
TFRIC 10 (revised 2015)	Interim Financial Reporting and Impairment

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

