

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

Financial statements for the year ended
31 March 2017
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 2017, 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 2017, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

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

Other Information

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

My opinion on the financial statements does not cover the other information and I do 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. ✓



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

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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



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

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

(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
26 June 2017

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of financial position

Assets	Note	31 March	
		2017	2016
		(in thousand Baht)	
Cash		13	42
Interbank and money market items, net	7, 21	5,444,992	2,417,725
Investments, net	9	7,644,432	10,492,229
Loans to customers and accrued interest receivable, net	10		
Loans to customers		23,729,624	11,665,440
Accrued interest receivable		34,676	5,797
Total loans to customers and accrued interest receivable		23,764,300	11,671,237
Less deferred revenue		(19,808)	-
Less allowance for doubtful accounts	10.4, 11	(241,644)	(116,712)
Total loans to customers and accrued interest receivable, net		23,502,848	11,554,525
Leasehold building improvements and equipment, net	12	140,423	172,397
Intangible assets, net		43,248	51,313
Deferred tax assets	13	72,509	61,980
Other assets, net	21	12,398	37,874
Total assets		36,860,863	24,788,085

Liabilities and equity

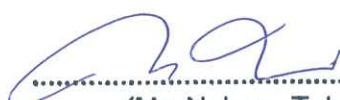
Liabilities

Deposits	14	12,152,975	5,114,439
Interbank and money market items	15, 21	5,067,602	-
Derivative liabilities	8	83,899	-
Employee benefit obligations		3,722	3,930
Other liabilities	16, 21	80,144	70,546
Total liabilities		17,388,342	5,188,915

Equity

Share capital	17		
Authorised share capital		20,000,000	20,000,000
Issued and paid-up share capital		20,000,000	20,000,000
Other reserves	9.2, 18	(620)	(35)
Deficit		(526,859)	(400,795)
Total equity		19,472,521	19,599,170

Total liabilities and equity		36,860,863	24,788,085
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 (Mr. Nobuo Takei)
 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.

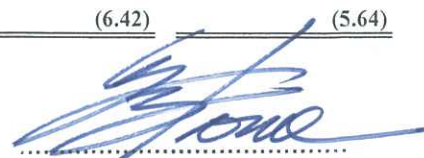
Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of profit or loss and other comprehensive income

		For the year ended 31 March 2017	For the period from 1 January 2016 to 31 March 2016
	Note	(in thousand Baht)	
Interest income	21, 24	555,720	87,381
Interest expenses	21, 25	218,698	22,256
Net interest income		337,022	65,125
Fee and service income	21	324	211
Fee and service expenses	21	13,714	6,312
Net fee and service income (expense)	26	(13,390)	(6,101)
Net gain (loss) on trading and foreign exchange transactions	27	10,664	(14,107)
Other operating income	21	26,689	204
Total operating income		360,985	45,121
Other operating expenses			
Employee expenses	21, 28	158,813	25,553
Directors' remuneration	21	2,772	741
Premises and equipment expenses		95,098	36,684
Taxes and duties		20,376	14,236
Professional services expense		11,075	7,360
Others	21	87,292	40,693
Total other operating expenses		375,426	125,267
Bad debts, doubtful accounts and impairment loss	29	124,932	69,898
Loss from operations before income tax		(139,373)	(150,044)
Income tax benefit	30	(10,968)	(37,250)
Loss for the year/period		(128,405)	(112,794)
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Gains (losses) on remeasuring available-for-sale investments		(731)	917
Income tax on other comprehensive income	13, 30	146	(183)
<i>Items that will not be reclassified to profit or loss</i>			
Defined benefit plan actuarial gains		2,926	-
Income tax on other comprehensive income	13, 30	(585)	-
Total other comprehensive income for the year/period,			
net of income tax		1,756	734
Total comprehensive income (loss) for the year/period		(126,649)	(112,060)
Basic loss per share (in Baht)		(6.42)	(5.64)



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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 Fair value change in available-for-sale investments (in thousand Baht)	Deficit	Total equity
For the period from 1 January 2016 to 31 March 2016					
Balance at 1 January 2016		20,000,000	(769)	(288,001)	19,711,230
Comprehensive income (loss) for the period		-	-	(112,794)	(112,794)
Loss for the period		-	-	-	-
Other comprehensive income	30	-	734	-	734
Gain on remeasuring available-for-sale investments, net of income tax		-	734	(112,794)	(112,060)
Total comprehensive income (loss) for the period		-	734	(112,794)	(112,060)
Balance at 31 March 2016		20,000,000	(35)	(400,795)	19,599,170
Year ended 31 March 2017					
Balance at 1 April 2016		20,000,000	(35)	(400,795)	19,599,170
Comprehensive income (loss) for the year		-	-	(128,405)	(128,405)
Loss for the year		-	-	-	-
Other comprehensive income	30	-	(585)	-	(585)
Loss on remeasuring available-for-sale investments, net of income tax		-	(585)	-	(585)
Actuarial gains on defined benefit plan, net of income tax		-	-	2,341	2,341
Total comprehensive income (loss) for the year		-	(585)	(126,064)	(126,649)
Balance at 31 March 2017		20,000,000	(620)	(526,859)	19,472,521



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

Statement of cash flows

	For the year ended 31 March 2017	For the period from 1 January 2016 to 31 March 2016
	<i>(in thousand Baht)</i>	
Cash flows from operating activities		
Loss from operations before income tax benefit	(139,373)	(150,044)
Adjustment to reconcile loss from operations before income tax benefit to net cash provided by (used in) operating activities		
Depreciation and amortisation	42,236	21,776
Bad debts, doubtful accounts and impairment loss	124,932	69,898
Loss on equipment write-off	23	-
Loss on revaluation of derivative contracts	83,899	-
Provision for employee benefits	2,718	658
Net interest income	(337,022)	(65,125)
Interest received	432,748	47,420
Interest paid	(202,317)	(15,435)
Profit (loss) from operations before changes in operating assets and liabilities	7,844	(90,852)
Decrease (increase) in operating assets		
Interbank and money market items	(3,027,221)	(1,053,355)
Loans to customers	(12,043,981)	(8,184,440)
Other assets	25,476	(31,806)
Increase (decrease) in operating liabilities		
Deposits	7,038,536	3,795,286
Interbank and money market items	5,067,602	-
Other liabilities	(4,648)	(157,024)
Net cash used in operating activities	(2,936,392)	(5,722,191)
Cash flows from investing activities		
Purchase of available-for-sale investments	(52,051,281)	(23,856,692)
Proceeds from available-for-sale investments	54,992,000	29,580,000
Purchase of leasehold building improvements and equipment	(2,626)	(924)
Purchase of intangible assets	(1,730)	(161)
Net cash provided by investing activities	2,936,363	5,722,223
Net (decrease) increase in cash	(29)	32
Cash at beginning of the year/period	42	10
Cash at end of the year/period	13	42

Supplementary disclosures of cash flow information

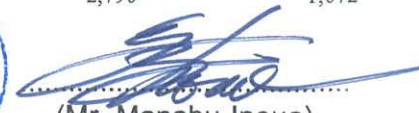
Non-cash transactions

Gains (losses) on remeasuring available-for-sale investments	(731)	917
Defined benefit plan actuarial gains	2,926	-
Payable for purchase of leasehold building improvements and equipment	654	13,089
Payable for purchase of intangible assets	2,790	1,072



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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2017

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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2017

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors of the Bank on 26 June 2017.

1 General information

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

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

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

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

2 Basis of preparation of the financial statements

(a) *Statement of compliance*

The financial statements are prepared in accordance with Thai Financial Reporting Standard (“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 the 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 2016. The initial application of these new and revised TFRS has resulted in changes in certain of the Bank’s account policies. These changes have no material effect on the financial statements.

In addition to the above new and revised 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 2017 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 32.

During prior period, to align the Bank’s accounting period with the ultimate parent company, the Board of Directors approved to change the Bank’s accounting period end date from 31 December to 31 March.

Due to the change of the accounting period end date of the Bank to 31 March in prior period, the Bank had prepared the financial statements for the first accounting period which was the financial statements for the period 1 January 2016 to 31 March 2016 and therefore the financial statements are not entirely comparable.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2017

(b) *Basis of measurement*

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

<i>Item</i>	<i>Measurement basis</i>
Derivative financial instruments (Trading)	Fair value
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 assumption and estimation uncertainty that have a significant risk of resulting in a material adjustments to the amounts recognised in the financial statements is included in the following notes:

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

Measurement of fair values

A number of the 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 5 Fair value of financial assets and liabilities.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2017

3 Significant accounting policies

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

(a) *Foreign currencies*

Foreign currency transactions

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 are generally recognised in profit or loss.

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

(b) *Cash*

Cash comprises cash on hand and cash on collection.

(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 decognised 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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2017

(d) *Loans to customers*

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

(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 accounts in profit or loss.

(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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2017

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 or installation.

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.

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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2017

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.

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) Financial instruments

Derivatives

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss unless the derivative is a designated hedge instrument in a cash flow hedge relationship. All derivatives are carried as assets when the fair value is positive as "Derivative assets" and as liabilities when the fair value is negative as "Derivative liabilities" in the statement of financial position.

(j) Employee benefits

Defined contribution plans

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2017

Defined benefit plans

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

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

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. The Bank determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the year, taking into account any changes in the net defined benefit liability as the result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

Other long-term employee benefits

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

Short-term employee benefits

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

(k) 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.

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(l) *Income*

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

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

(m) *Expenses*

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

(n) *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 years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of 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 period that such a determination is made.

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

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

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Notes to the financial statements
For the year ended 31 March 2017

(o) 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 number of ordinary shares outstanding during the year.

(p) 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.

4 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.

4.1 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;
- Training and professional development; and
- Risk mitigation, including insurance where this is cost effective.

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

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4.2 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 earnings 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.

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 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.

(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.

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Notes to the financial statements

For the year ended 31 March 2017

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.

(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 March 2017 and 2016, significant financial assets and financial liabilities classified by types of interest rate are as follows:

	2017			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in thousand Baht)			
Financial assets				
Cash	-	-	13	13
Interbank and money market items	-	5,171,241	273,751	5,444,992
Investments, net	-	7,644,432	-	7,644,432
Loans to customers net of deferred revenue	11,630,790	12,079,026	-	23,709,816
Accrued interest receivable	-	-	34,676	34,676
Total financial assets	11,630,790	24,894,699	308,440	36,833,929
Financial liabilities				
Deposits	-	12,131,736	21,239	12,152,975
Interbank and money market items	-	5,067,602	-	5,067,602
Other liabilities	-	-	13,468	13,468
Total financial liabilities	-	17,199,338	34,707	17,234,045
	2016			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in thousand Baht)			
Financial assets				
Cash	-	-	42	42
Interbank and money market items	-	2,221,913	195,812	2,417,725
Investments, net	-	10,492,229	-	10,492,229
Loans to customers net of deferred revenue	5,235,600	6,429,840	-	11,665,440
Accrued interest receivables	-	-	5,797	5,797
Total financial assets	5,235,600	19,143,982	201,651	24,581,233
Financial liabilities				
Deposits	367,500	4,720,034	26,905	5,114,439
Other liabilities	-	-	4,741	4,741
Total financial liabilities	367,500	4,720,034	31,646	5,119,180

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For the year ended 31 March 2017

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

	2017			2016		
	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 market items	6,645,642	89,889	1.353	5,627,797	18,941	1.346
Investments	7,238,448	97,616	1.349	14,621,450	49,248	1.347
Loans to customers	18,492,511	368,215	1.991	4,766,912	19,192	1.610
Total	<u>32,376,601</u>	<u>555,720</u>		<u>25,016,159</u>	<u>87,381</u>	
Financial liabilities						
Deposits	11,379,965	153,868	1.352	4,889,696	16,857	1.379
Interbank and money market items	2,947,223	12,535	1.176	31,587	83	1.051
Total	<u>14,327,188</u>	<u>166,403</u>		<u>4,921,283</u>	<u>16,940</u>	

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For the year ended 31 March 2017

Significant financial assets and financial liabilities classified by earlier of maturity or interest repricing as at 31 March 2017 and 2016 are as follows:

	2017					
	Immediate repricing	Within 3 months	3 - 12 months (in thousand Baht)	1 - 5 years	Non-interest bearing	Total
Financial assets						
Cash	-	-	-	-	13	13
Interbank and money market items	-	5,171,241	-	-	273,751	5,444,992
Investments, net	-	1,497,432	6,147,000	-	-	7,644,432
Loans to customers net of deferred revenue	6,594,500	5,156,416	11,958,900	-	-	23,709,816
Accrued interest receivable	-	-	-	-	34,676	34,676
Total financial assets	6,594,500	11,825,089	18,105,900	-	308,440	36,833,929
Financial liabilities						
Deposits	351,253	10,935,211	805,242	40,030	21,239	12,152,975
Interbank and money market items	-	5,067,602	-	-	-	5,067,602
Other liabilities	-	-	-	-	13,468	13,468
Total financial liabilities	351,253	16,002,813	805,242	40,030	34,707	17,234,045
	2016					
	Immediate repricing	Within 3 months	3 - 12 months (in thousand Baht)	1 - 5 years	Non-interest bearing	Total
Financial assets						
Cash	-	-	-	-	42	42
Interbank and money market items	-	2,221,977	-	-	195,748	2,417,725
Investments, net	-	10,492,229	-	-	-	10,492,229
Loans to customers net of deferred revenue	5,235,600	649,840	5,780,000	-	-	11,665,440
Accrued interest receivable	-	-	-	-	5,797	5,797
Total financial assets	5,235,600	13,364,046	5,780,000	-	201,587	24,581,233
Financial liabilities						
Deposits	282,822	4,126,212	678,500	-	26,905	5,114,439
Other liabilities	-	-	-	-	4,741	4,741
Total financial liabilities	282,822	4,126,212	678,500	-	31,646	5,119,180

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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 March 2017 and 2016, the Bank has net open position assets (liabilities) denominated in the various currencies as follows:

	2017		2016	
	US Dollar	Japanese Yen	US Dollar	Japanese Yen
		(in thousand Baht)		
Spot	(3,918,046)	1,171,554	1,246	(2,260)
Forward	3,927,305	(1,169,228)	-	-
Net position	<u>9,259</u>	<u>2,326</u>	<u>1,246</u>	<u>(2,260)</u>

4.4 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 March 2017 and 2016 based on contractual maturity is as follows:

	At call	Within 3 months	3 - 12 months	2017 1-5 years (in thousand Baht)	Maturity Over 5 Years	No maturity	Total
<i>Financial assets</i>							
Cash	-	-	-	-	-	13	13
Interbank and money market items	273,641	5,171,351	-	-	-	-	5,444,992
Investments, net	-	1,497,432	6,147,000	-	-	-	7,644,432
Loans to customers net of deferred revenue	6,594,500	153,563	1,281,823	11,421,402	4,258,528	-	23,709,816
Accrued interest receivable	343	11,412	22,921	-	-	-	34,676
Total financial assets	6,868,484	6,833,758	7,451,744	11,421,402	4,258,528	13	36,833,929
<i>Financial liabilities</i>							
Deposits	372,492	10,935,211	805,242	40,030	-	-	12,152,975
Interbank and money market items	-	5,067,602	-	-	-	-	5,067,602
Derivatives liabilities	-	83,899	-	-	-	-	83,899
Other liabilities	381	11,262	1,705	120	-	-	13,468
Total financial liabilities	372,873	16,097,974	806,947	40,150	-	-	17,317,944
Net liquidity gap	6,495,611	(9,264,216)	6,644,797	11,381,252	4,258,528	13	19,515,985
				2016 1-5 years (in thousand Baht)			
<i>Financial assets</i>							
Cash	-	-	-	-	-	42	42
Interbank and money market items	195,748	2,221,977	-	-	-	-	2,417,725
Investments, net	-	10,492,229	-	-	-	-	10,492,229
Loans to customers net of deferred revenue	5,235,600	47,220	295,020	6,087,600	-	-	11,665,440
Accrued interest receivable	228	163	5,406	-	-	-	5,797
Total financial assets	5,431,576	12,761,589	300,426	6,087,600	-	42	24,581,233
<i>Financial liabilities</i>							
Deposits	309,727	4,126,212	678,500	-	-	-	5,114,439
Other liabilities	93	3,516	1,132	-	-	-	4,741
Total financial liabilities	309,820	4,129,728	679,632	-	-	-	5,119,180
Net liquidity gap	5,121,756	8,631,861	(379,206)	6,087,600	-	42	19,462,053

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Derivatives

The remaining periods to maturity of the notional amount of derivatives as at 31 March 2017 are as follows:

	Within 1 year	2017 Over 1 year (in thousand Baht)	Total
Foreign currency related			
Foreign exchange swap contracts	3,927,306	-	3,927,306
Total	3,927,306	-	3,927,306

5 Fair value of financial assets and liabilities

Fair value hierarchy

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

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

5.1 Financial assets and liabilities measured at fair value

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

	Level 1	Fair value Level 2 Level 3 (in thousand Baht)		Total
31 March 2017				
Financial assets				
Available-for-sale debt securities	-	7,644,432	-	7,644,432
Financial liabilities				
Derivatives				
- Foreign exchange swap contracts	-	83,899	-	83,899
31 March 2016				
Financial assets				
Available-for-sale debt securities	-	10,492,229	-	10,492,229

The Bank determines Level 2 fair values for debt securities using price quoted on the Thai Bond Market Association ("ThaiBMA")

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Level 2 fair values for simple over-the-counter derivative are based on inputs which are observable from independent and reliable market data sources. Those inputs are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values of derivative liabilities reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the counterparty when appropriate.

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 from 1 April 2016 to 31 March 2017.

5.2 Financial assets and liabilities not measured at fair value

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

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

Interbank and money market items (assets and liabilities)

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

Loans to customers

For floating-rate loans to customers that reprice frequently and have no significant change in credit risk, fair value approximates carrying value at the reporting date. The fair value of fixed rate loans to customers that reprice within 1 year of the reporting date approximates the carrying value at the reporting date. The fair value of other fixed interest loans to customers is estimated using discounted cash flow analysis and using interest rates currently being offered for loans to customers with similar credit quality.

Deposits

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

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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.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 March 2017 and 2016, the Bank's total capital funds and capital ratio can be categorised as follows:

	2017 (in thousand Baht)		2016 (in thousand Baht)	
Tier 1 capital				
Common Equity Tier 1 (CET1)				
Issued and paid-up share capital, share premium		20,000,000		20,000,000
Other comprehensive income		(620)		(35)
Less capital deduction items on CET1		(501,586)		(370,718)
Total Tier 1 Capital Base		19,497,794		19,629,247
Total Risk-Weighted Assets		23,296,423		10,813,142
	The BoT's regulation minimum requirement*			
	2017	2016	2017	2016
			(%)	
Capital Adequacy Ratio	9.75	9.125	83.69	181.53
Tier-1 Capital ratio	7.25	6.625	83.69	181.53
Tier-1 Common Equity ratio	5.75	5.125	83.69	181.53

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

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 March 2017, 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 March 2017 within 4 months after the year 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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7 Interbank and money market items, net (assets)

	At call	2017 Term (in thousand Baht)	Total	At call	2016 Term (in thousand Baht)	Total
Domestic						
Bank of Thailand	187,129	4,000,000	4,187,129	70,216	1,940,000	2,010,216
Commercial banks	41,481	-	41,481	124,052	-	124,052
Total	228,610	4,000,000	4,228,610	194,268	1,940,000	2,134,268
Add accrued interest receivable	-	110	110	-	53	53
Total domestic, net	228,610	4,000,110	4,228,720	194,268	1,940,053	2,134,321
Foreign						
US Dollar	40,897	-	40,897	1,466	281,913	283,379
Japanese Yen	4,134	1,171,241	1,175,375	14	-	14
Total	45,031	1,171,241	1,216,272	1,480	281,913	283,393
Add accrued interest receivable	-	-	-	-	11	11
Total foreign, net	45,031	1,171,241	1,216,272	1,480	281,924	283,404
Total domestic and foreign, net	273,641	5,171,351	5,444,992	195,748	2,221,977	2,417,725

8 Derivatives

8.1 Derivatives held for trading

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

Type of risks	2017		Notional amount (in thousand Baht)	2016		Notional amount
	Fair value Assets	Fair value Liabilities		Fair value Assets	Fair value Liabilities	
Foreign currency related						
- Trading	-	83,899	3,927,306	-	-	-
Total	-	83,899	3,927,306	-	-	-

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

Counterparties	2017	2016
	(%)	(%)
Financial institutions	100	-
Total	100	-

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9 Investments, net

9.1 Classification of investment in securities

As at 31 March 2017 and 2016, the Bank classifies investment types, as follow:

	2017	2016
	<i>(in thousand Baht)</i>	
Available-for-sale investments		
Government bonds	7,644,432	10,492,229
Total investment, net	7,644,432	10,492,229

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

	2017	2016
	<i>(in thousand Baht)</i>	
Fair value changes in debt securities	(775)	(44)
Less deferred tax	155	9
Net	(620)	(35)

10 Loans to customers and accrued interest receivable, net

10.1 Classified by type of loans

	2017	2016
	<i>(in thousand Baht)</i>	
Loans	23,729,624	11,665,440
Add accrued interest receivable	34,676	5,797
Total loans and accrued interest receivable	23,764,300	11,671,237
Less deferred revenue	(19,808)	-
Less allowance for doubtful accounts		
- BoT's minimum requirement - Individual approach	(241,296)	(116,654)
- Allowance in excess	(348)	(58)
Total loans to customers and accrued interest receivable, net	23,502,848	11,554,525

10.2 Classified by currencies and residence of debtors

	2017		2016	
	Domestic	Total	Domestic	Total
	<i>(in thousand Baht)</i>			
Thai Baht	22,485,449	22,485,449	11,665,440	11,665,440
US Dollar	1,244,175	1,244,175	-	-
Total	23,729,624	23,729,624	11,665,440	11,665,440

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Notes to the financial statements

For the year ended 31 March 2017

10.3 Classified by industry and loan classification

2017			
	Pass	Special mention (in thousand Baht)	Total
Manufacturing and commerce	3,190,400	-	3,190,400
Infrastructure and services	5,206,098	-	5,206,098
Leasing business	11,663,126	-	11,663,126
Others	3,270,000	400,000	3,670,000
Total	23,329,624	400,000	23,729,624

2016			
	Pass	Special mention (in thousand Baht)	Total
Manufacturing and commerce	4,917,600	-	4,917,600
Infrastructure and services	-	-	-
Leasing business	6,517,840	-	6,517,840
Others	230,000	-	230,000
Total	11,665,440	-	11,665,440

10.4 Classified by loan classification

2017				
	Loans to customers and accrued interest receivable (in thousand Baht)	Net amount used to set the allowance for doubtful accounts	Rate used for setting the allowance for doubtful accounts (%)	Allowance for doubtful accounts (in thousand Baht)
Minimum allowance as per BoT's regulations				
- Pass	23,364,245	23,329,624	1	233,296
- Special mention	400,055	400,000	2	8,000
Total	23,764,300	23,729,624		241,296
Excess allowance				348
Total				241,644

2016				
	Loans to customers and accrued interest receivable (in thousand Baht)	Net amount used to set the allowance for doubtful accounts	Rate used for setting the allowance for doubtful accounts (%)	Allowance for doubtful accounts (in thousand Baht)
Minimum allowance as per BoT's regulations				
- Pass	11,671,237	11,665,440	1	116,654
Total	11,671,237	11,665,440		116,654
Excess allowance				58
Total				116,712

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For the year ended 31 March 2017

11 Allowance for doubtful accounts

Movements in allowance for doubtful accounts for loans to customers during the year ended 31 March 2017 and for the period from 1 January 2016 to 31 March 2016 consisted of:

For the year ended 31 March 2017

	Pass	Special mention <i>(in thousand Baht)</i>	Excess allowance	Total
Beginning balance	116,654	-	58	116,712
Allowance for doubtful accounts	116,642	8,000	290	124,932
Ending balance	<u>233,296</u>	<u>8,000</u>	<u>348</u>	<u>241,644</u>

For the period from 1 January 2016 to 31 March 2016

	Pass	Special mention <i>(in thousand Baht)</i>	Excess allowance	Total
Beginning balance	34,810	-	3	34,813
Allowance for doubtful accounts	81,844	-	55	81,899
Ending balance	<u>116,654</u>	<u>-</u>	<u>58</u>	<u>116,712</u>

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For the year ended 31 March 2017

12 Leasehold building improvements and equipment, net

As at 31 March 2017 and 2016, changes in leasehold building improvements and equipment are as follows:

[illegible]

		2016			2015		
		Cost			Accumulated depreciation		
	Net book value as of 1 January 2016	Beginning balance	Purchases and transfers in	Disposals and transfers out	Ending balance	Beginning balance	Net book Value as of 31 March 2016
					(in thousand Baht)		
Leasehold improvement and system structure	180,308	199,893	-	(80,814)	119,079	19,585	99,347
Furniture and office equipment	10,887	13,052	79,435	(1,525)	90,962	2,165	72,123
Vehicles	975	980	-	-	980	5	927
Total	192,170	213,925	79,435	(82,339)	211,021	21,755	172,397

The Bank has no fully depreciated leasehold building improvements and equipment that was still use as at 31 March 2017 and 2016.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

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For the year ended 31 March 2017

13 Deferred tax assets

Deferred tax assets as at 31 March 2017 and 2016 were as follows:

	2017 (in thousand Baht)	2016 (in thousand Baht)
Deferred tax assets	<u>72,509</u>	<u>61,980</u>

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

	At 1 April 2016	(Charge)/Credited to : Profit or loss Other comprehensive income (Note 30) (in thousand Baht)		At 31 March 2017
Deferred tax assets				
Investments	(4,382)	1,200	146	(3,036)
Employee benefit obligation	786	543	(585)	744
Deferred revenue	-	7,066	-	7,066
Loss carry forward	65,576	2,159	-	67,735
Total	<u>61,980</u>	<u>10,968</u>	<u>(439)</u>	<u>72,509</u>

	At 1 January 2016	(Charge)/Credited to : Profit or loss Other comprehensive income (Note 30) (in thousand Baht)		At 31 March 2016
Deferred tax assets				
Investments	(4,512)	313	(183)	(4,382)
Employee benefit obligation	654	132	-	786
Loss carry forward	28,771	36,805	-	65,576
Total	<u>24,913</u>	<u>37,250</u>	<u>(183)</u>	<u>61,980</u>

14 Deposits

14.1 Classified by type of deposits

	2017 (in thousand Baht)	2016 (in thousand Baht)
Current	21,239	26,905
Savings	351,253	282,821
Term - less than 6 months	11,780,483	4,804,713
Total	<u>12,152,975</u>	<u>5,114,439</u>

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For the year ended 31 March 2017

14.2 Classified by currency and residence of depositors

	2017		2016	
	Domestic	Total	Domestic	Total
	<i>(in thousand Baht)</i>			
Thai Baht	12,052,228	12,052,228	5,114,439	5,114,439
US Dollar	100,747	100,747	-	-
Total	12,152,975	12,152,975	5,114,439	5,114,439

15 Interbank and money market items (liabilities)

	2017			2016		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
US Dollar	-	5,067,602	5,067,602	-	-	-
Total Foreign	-	5,067,602	5,067,602	-	-	-

16 Other liabilities

	Note	2017	2016
		<i>(in thousand Baht)</i>	
Payable to related party	21	5,156	2,274
Other payables		1,428	34,584
Accrued expense		27,860	20,190
Accrued interest payable		11,558	4,741
Deferred revenue		15,364	-
Payable to Deposit Protection Agency		12,970	5,316
Others		5,808	3,441
Total		80,144	70,546

17 Share capital

	Par value per share <i>(in Baht)</i>	2017		2016	
		Number	Amount	Number	Amount
		<i>(thousand shares / thousand Baht)</i>			
Authorised					
At beginning year/period					
- ordinary shares	1,000	20,000	20,000,000	20,000	20,000,000
At ending year/period					
- ordinary shares	1,000	20,000	20,000,000	20,000	20,000,000
Issued and paid-up					
At beginning year/period					
- ordinary shares	1,000	20,000	20,000,000	20,000	20,000,000
At ending year/period					
- ordinary shares	1,000	20,000	20,000,000	20,000	20,000,000

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For the year ended 31 March 2017

18 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.

19 Assets pledged as collateral

Assets pledged as collateral as at 31 March 2017 and 2016 consisted of:

	2017 (in thousand Baht)	2016 (in thousand Baht)
Government bonds	7,681,000	10,500,000
Total	7,681,000	10,500,000

Pledged as liquidity management with The Bank of Thailand

20 Contingent liabilities

	2017 (in thousand Baht)	2016 (in thousand Baht)
Other contingencies		
- Committed line	1,026,083	-
Total	1,026,083	-

Litigation

As at 31 March 2017 and 2016, there is no litigation case outstanding against the Bank.

21 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.

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

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For the year ended 31 March 2017

Name of entity/Personnel	Country of incorporation/ nationality	Nature of relationship 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

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

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

Significant transactions with key management and other related parties were as follows:

	For the year ended 31 March 2017	For the period from 1 January 2016 to 31 March 2016
	<i>(in thousand Baht)</i>	
Interest income	396	127
Interest expenses	12,256	-
Fee and service income	16	190
Fee and service expenses	8	6
Other operating income	26,164	-
Other expenses	17,080	5,731
Key management personnel		
Short-term employee benefits	35,123	9,122
Long-term employee benefits	-	67
Total key management personnel compensation	35,123	9,189

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For the year ended 31 March 2017

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

	2017	2016
	<i>(in thousand Baht)</i>	
<i>Interbank and money market items (assets)</i>		
Sumitomo Mitsui Trust Bank, Limited	1,175,374	281,928
<i>Other assets</i>		
Sumitomo Mitsui Trust Bank, Limited and other branches	174	26,536
<i>Interbank and money market items (liabilities)</i>		
Sumitomo Mitsui Trust Bank, Limited	5,067,602	-
<i>Other liabilities</i>		
Sumitomo Mitsui Trust Bank, Limited	5,156	2,274

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.

22 Non-cancellable operating lease agreements

	2017	2016
	<i>(in thousand Baht)</i>	
Within one year	51,839	25,618
After one year but within five years	18,243	21,607
Total	70,082	47,225

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 0.9 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 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.

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Notes to the financial statements

For the year ended 31 March 2017

- (b) 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.
- (c) On 1 February 2016, 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 0.6 million (excluding VAT) per month.

23 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.

24 Interest income

	For the year ended 31 March 2017	For the period from 1 January 2016 to 31 March 2016
	<i>(in thousand Baht)</i>	
Interbank and money market items	89,889	18,941
Investments in debt securities	97,616	49,248
Loans to customers	368,215	19,192
Total	555,720	87,381

25 Interest expenses

	For the year ended 31 March 2017	For the period from 1 January 2016 to 31 March 2016
	<i>(in thousand Baht)</i>	
Deposits	153,868	16,857
Interbank and money market items	12,535	83
Contribution to Deposit Protection Agency	52,295	5,316
Total	218,698	22,256

26 Net fee and service income (expense)

	For the year ended 31 March 2017	For the period from 1 January 2016 to 31 March 2016
	<i>(in thousand Baht)</i>	
Fees and service income		
- Acceptance, avals and guarantees	-	-
- Others	324	211
	324	211
Fees and service expenses		
- Others	13,714	6,312
	13,714	6,312
Net	(13,390)	(6,101)

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27 Net gain (loss) on trading and foreign exchange transactions

	For the year ended 31 March 2017	For the period from 1 January 2016 to 31 March 2016
	<i>(in thousand Baht)</i>	
Gain (loss) on trading and foreign exchange transactions		
- Foreign currencies and foreign currency related derivatives	10,664	(14,107)
Total	10,664	(14,107)

28 Employee expenses

	Note	For the year ended 31 March 2017	For the period from 1 January 2016 to 31 March 2016
		<i>(in thousand Baht)</i>	
Key management			
Wages, salaries and bonus		7,497	3,537
Post-employment benefits - defined benefit plans		-	67
Others		27,626	5,585
	21	<u>35,123</u>	<u>9,189</u>
Other employees			
Wages, salaries and bonus		92,831	9,415
Post-employment benefits - defined benefit plans		2,718	612
Others		28,141	6,337
		<u>123,690</u>	<u>16,364</u>
Total		158,813	25,553

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.

29 Bad debts, doubtful accounts and impairment loss

	Note	For the year ended 31 March 2017	For the period from 1 January 2016 to 31 March 2016
		<i>(in thousand Baht)</i>	
Interbank and money market items (reversal)		-	(12,001)
Loans to customers	11	<u>124,932</u>	<u>81,899</u>
Total		124,932	69,898

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30 Income tax benefit

	Note	For the year ended 31 March 2017 (in thousand Baht)	For the period from 1 January 2016 to 31 March 2016
Current tax expense			
Current year/period		-	-
Deferred tax expense			
Movement in temporary difference	13	(10,968)	(37,250)
Total income tax benefit		(10,968)	(37,250)

Income tax recognised in other comprehensive income

	For the year ended 31 March 2017			For the period from 1 January 2016 to 31 March 2016		
	Before tax	Tax (expense) benefit	Net of Tax	Before tax	Tax (expense) benefit	Net of Tax
	(in thousand Baht)					
Available-for-sale investments	(731)	146	(585)	917	(183)	734
Defined benefit plan, actuarial gains	2,926	(585)	2,341	-	-	-
Total	2,195	(439)	1,756	917	(183)	734

Reconciliation of effective tax rate

	For the year ended 31 March 2017		For the period from 1 January 2016 to 31 March 2016	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Loss before income tax expense	20	(139,373)	20	(150,044)
Income tax using the Thai corporation tax rate		(27,875)		(30,009)
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable loss, net		3,535		3,749
Recognition of previously unrecognised tax losses		(25,815)		(37,446)
Reversal of estimate unused tax loss carry forward		21,431		-
Current year/period losses for which no deferred tax asset was recognised		15,531		25,815
Under provided in prior period		2,225		641
Total	8	(10,968)	25	(37,250)

Income tax reduction

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

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For the year ended 31 March 2017

31 Basic loss per share

The calculations of basic losses per share for the year ended/period were based on the loss for the year/period attributable to ordinary shareholders of the Bank and the number of ordinary shares outstanding during the year/period as follows:

	For the year ended 31 March 2017 <i>(in thousand Baht/thousand shares)</i>	For the period from 1 January 2016 to 31 March 2016
Loss for the year/period attributable to ordinary shareholders of the Bank (basic)	<u>(128,405)</u>	<u>(112,794)</u>
The number of ordinary shares outstanding	<u>20,000</u>	<u>20,000</u>
Loss per share (Basic) (Baht)	<u>(6.42)</u>	<u>(5.64)</u>

32 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new and revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. These new and revised TFRS that may be relevant to the Bank's operations, which become effective for annual financial periods beginning on or after 1 January 2017, are set out below. The Bank does not plan to adopt these TFRS early.

TFRS	Topic
TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events after the Reporting Period
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 33 (revised 2016)	Earnings per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 104 (revised 2016)	Troubled Debt Restructuring
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments: Disclosure and Presentation
TFRS 5 (revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 13 (revised 2016)	Fair Value Measurement
TSIC 15 (revised 2016)	Operating Leases - Incentives
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease

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TFRS	Topic
TSIC 32 (revised 2016)	Intangible Assets—Web Site Costs
TFRIC 4 (revised 2016)	Determining Whether an Arrangement Contains a Lease
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
FAP Announcement No. 5/2559	Accounting Guidance on Derecognition of Financial Assets and Financial Liabilities

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