

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

Financial statements for the year ended
31 March 2018
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 2018, 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 2018, 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 that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

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

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

P. Gulsantithamrong

(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
29 June 2018

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of financial position

Assets	Note	31 March	
		2018	2017
		(in thousand Baht)	
Cash		20	13
Interbank and money market items, net	7, 20	2,015,268	5,444,992
Derivative assets	8	5,610	-
Investments, net	9	4,843,123	7,644,432
Loans to customers and accrued interest receivable, net	10		
Loans to customers		41,337,189	23,729,624
Accrued interest receivables		77,469	34,676
Total loans to customers and accrued interest receivables		41,414,658	23,764,300
Less deferred revenue		(29,586)	(19,808)
Less allowance for doubtful accounts	10.4, 11	(424,286)	(241,644)
Total loans to customers and accrued interest receivables, net		40,960,786	23,502,848
Leasehold building improvements and equipment, net	12	115,588	140,423
Intangible assets, net		41,244	43,248
Deferred tax assets, net	13	78,949	72,509
Other assets, net	20	78,954	12,398
Total assets		48,139,542	36,860,863

Liabilities and equity

Liabilities

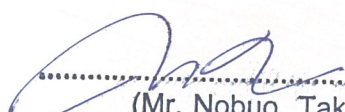
Deposits	14	10,812,323	12,152,975
Interbank and money market items	15, 20	17,634,007	5,067,602
Derivative liabilities	8	112,137	83,899
Employee benefit obligations		5,700	3,722
Other liabilities	16, 20	130,833	80,144
Total liabilities		28,695,000	17,388,342

Equity

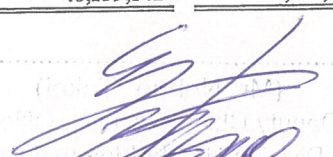
Share capital	17		
Authorised share capital		20,000,000	20,000,000
Issued and paid-up share capital		20,000,000	20,000,000
Other reserves	9.2, 18	908	(620)
Deficit		(556,366)	(526,859)
Total equity		19,444,542	19,472,521

Total liabilities and equity

48,139,542 36,860,863


 (Mr. Nobuo Takei)
 Deputy Chief Executive Officer
 and Division Head of Internal Control




 (Mr. Manabu Inoue)
 Chief Executive Officer

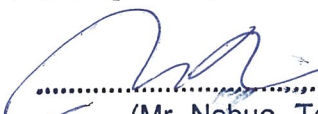
The accompanying notes form an integral part of these financial statements.

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


		For the year ended 31 March	
	Note	2018	2017
		(in thousand Baht)	
Interest income	20, 23	842,753	555,720
Interest expenses	20, 24	346,937	218,698
Net interest income		495,816	337,022
Fee and service income	20	292	324
Fee and service expenses	20	3,661	13,714
Net fee and service income (expense)	25	(3,369)	(13,390)
Net gain on trading and foreign exchange transactions	26	32,738	10,664
Other operating income	20	12,869	26,689
Total operating income		538,054	360,985
Other operating expenses			
Employee expenses	20, 27	173,113	158,813
Directors' remuneration	20	3,029	2,772
Premises and equipment expenses		95,221	95,098
Taxes and duties		22,757	20,376
Professional services expense		16,378	11,075
Others	20	81,077	87,292
Total other operating expenses		391,575	375,426
Bad debts, doubtful accounts and impairment loss	28	182,642	124,932
Loss from operations before income tax		(36,163)	(139,373)
Income tax benefit	29	(6,789)	(10,968)
Loss for the year		(29,374)	(128,405)
Other comprehensive income (loss)			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Gains (losses) on remeasuring available-for-sale investments		1,910	(731)
Income tax on other comprehensive income	13, 29	(382)	146
<i>Items that will not be reclassified to profit or loss</i>			
Defined benefit plan actuarial gains (losses)		(166)	2,926
Income tax on other comprehensive income	13, 29	33	(585)
Total other comprehensive income for the year,			
net of income tax		1,395	1,756
Total comprehensive income (loss) for the year		(27,979)	(126,649)

Basic loss per share (in Baht)

(1.47) (6.42)


 (Mr. Nobuo Takei)
 Deputy Chief Executive Officer
 and Division Head of Internal Control

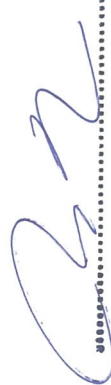



 (Mr. Manabu Inoue)
 Chief Executive Officer

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

	Note	Issued and paid-up share capital	Other reserves		
			Fair value change in available-for-sale investments	Deficit	Total equity
			(in thousand Baht)		
Year ended 31 March 2017					
Balance as at 1 April 2016		20,000,000	(35)	(400,795)	19,599,170
Comprehensive income (loss) for the year					
Loss for the year		-	-	(128,405)	(128,405)
Other comprehensive income (loss)	29				
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 as at 31 March 2017		20,000,000	(620)	(526,859)	19,472,521
Year ended 31 March 2018					
Balance as at 1 April 2017		20,000,000	(620)	(526,859)	19,472,521
Comprehensive income (loss) for the year					
Loss for the year		-	-	(29,374)	(29,374)
Other comprehensive income (loss)	29				
Gain on remeasuring available-for-sale investments, net of income tax		-	1,528	-	1,528
Actuarial losses on defined benefit plan, net of income tax		-	-	(133)	(133)
Total comprehensive income (loss) for the year			1,528	(29,507)	(27,979)
Balance as at 31 March 2018		20,000,000	908	(556,366)	19,444,542


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 and Division Head of Internal Control




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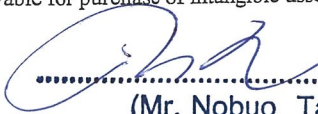
Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

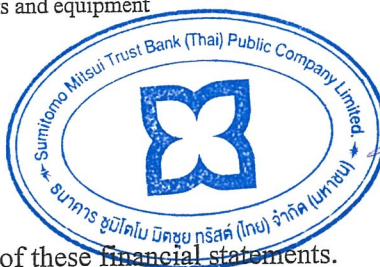
Statement of cash flows

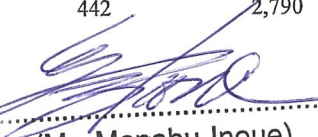
	For the year ended 31 March	
	2018	2017
	(in thousand Baht)	
Cash flows from operating activities		
Loss from operations before income tax benefit	(36,163)	(139,373)
Adjustment to reconcile loss from operations before income tax benefit to net cash provided by (used in) operating activities		
Depreciation and amortisation	45,205	42,236
Bad debts, doubtful accounts and impairment loss	182,642	124,932
Loss on equipment write-off	-	23
Unrealized losses on remeasuring of derivative contract	12,042	83,899
Provision for employee benefits	1,812	2,718
Net interest income	(495,921)	(337,022)
Interest received	728,517	432,748
Interest paid	(292,196)	(202,317)
Profit from operations before changes in operating assets and liabilities	145,938	7,844
Decrease (increase) in operating assets		
Interbank and money market items	3,429,680	(3,027,221)
Loans to customers	(17,592,303)	(12,043,981)
Other assets	(66,505)	25,476
Increase (decrease) in operating liabilities		
Deposits	(1,340,652)	7,038,536
Interbank and money market items	12,566,405	5,067,602
Other liabilities	3,575	(4,648)
Net cash used in operating activities	(2,853,862)	(2,936,392)
Cash flows from investing activities		
Purchase of available-for-sale investments	(8,109,450)	(52,051,281)
Proceeds from available-for-sale investments	10,981,000	54,992,000
Purchase of leasehold building improvements and equipment	(11,092)	(2,626)
Purchase of intangible assets	(6,589)	(1,730)
Net cash provided by investing activities	2,853,869	2,936,363
Net increase (decrease) in cash	7	(29)
Cash at beginning of the year	13	42
Cash at end of the year	20	13

Supplementary disclosures of cash flow information

Non-cash transactions		
Gains (losses) on remeasuring available-for-sale investments	1,910	(731)
Deferred revenue	(8,313)	(15,364)
Defined benefit plan actuarial gains (losses)	(166)	2,926
Payable for purchase of leasehold building improvements and equipment	243	654
Payable for purchase of intangible assets	442	2,790


 (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

Notes to the financial statements

For the year ended 31 March 2018

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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the financial statements
For the year ended 31 March 2018

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 29 June 2018.

1 General information

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

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

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

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

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standard (“TFRSs”); guidelines promulgated by the Federation of Accounting Professions (“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 periods beginning on or after 1 January 2017. The initial application of these new and revised TFRSs 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 TFRSs which are effective for annual financial period beginning on or after 1 January 2018 and TFRS 15 Revenue from Contracts with Customers which is effective for annual periods beginning on or after 1 January 2019. The Bank has not adopted these standards in preparing these financial statements.

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue should be recognised when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled. It replaces existing revenue recognition standards as follows:

- TAS 11 (revised 2017) Construction Contracts,
- TAS 18 (revised 2017) Revenue,
- TSIC 31 (revised 2017) Revenue-Barter Transactions Involving Advertising Services,
- TFRIC 13 (revised 2017) Customer Loyalty Programmes,
- TFRIC 15 (revised 2017) Agreements for the Construction of Real Estate, and
- TFRIC 18 (revised 2017) Transfers of Assets from Customers.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the financial statements
For the year ended 31 March 2018

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

(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	Fair value
Available-for-sale financial assets	Fair value
Loans with hedging instruments	Fair value

(c) Functional and presentation currency

The financial statements are prepared and 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 TFRSs 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 2018

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 2018

(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 2018

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 2018

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

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

Hedging

Fair value hedge

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

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Discontinuing hedge accounting

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

(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.

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.

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(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.

(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

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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.

(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;

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- 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.

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.

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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 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 2018 and 2017, significant financial assets and financial liabilities classified by types of interest rate are as follows:

	2018			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in thousand Baht)			
Financial assets				
Cash	-	-	20	20
Interbank and money market items	-	1,200,000	815,268	2,015,268
Investments, net	-	4,843,123	-	4,843,123
Loans to customers net of deferred revenue**	19,783,968	21,513,049	-	41,297,017
Accrued interest receivables	-	-	77,469	77,469
Other assets	68,200	-	51	68,251
Total financial assets	19,852,168	27,556,172	892,808	48,301,148
Financial liabilities				
Deposits	-	10,789,402	22,921	10,812,323
Interbank and money market items	440,901	17,193,106	-	17,634,007
Other liabilities	-	-	74,189	74,189
Total financial liabilities	440,901	27,982,508	97,110	28,520,519
Effect of derivatives held for risk management*	6,800,000	(6,800,000)	-	-

* Risk management for loans to customers

** Exclude fair value adjustment in loans

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	2017			
	Floating interest rate	Fixed interest rate (in thousand Baht)	Non-interest bearing	Total
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 receivables	-	-	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	-	-	26,438	26,438
Total financial liabilities	-	17,199,338	47,677	17,247,015

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

	2018			2017		
	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	5,744,672	84,622	1.473	6,645,642	89,889	1.353
Investments	4,869,134	68,331	1.403	7,238,448	97,616	1.349
Loans to customers	31,651,432	689,800	2.179	18,492,511	368,215	1.991
Total	42,265,238	842,753		32,376,601	555,720	
Financial liabilities						
Deposits	12,541,045	195,179	1.556	11,379,965	206,163	1.812
Interbank and money market items	10,428,190	151,758	1.455	2,947,223	12,535	1.176
Total	22,969,235	346,937		14,327,188	218,698	

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Significant financial assets and financial liabilities classified by earlier of maturity or interest repricing as at 31 March 2018 and 2017 are as follows:

	2018					
	Immediate repricing	Within 3 months	3 - 12 months (in thousand Baht)	1 - 5 years	Non-interest bearing	Total
Financial assets						
Cash	-	-	-	-	20	20
Interbank and money market items	-	1,200,000	-	-	815,268	2,015,268
Investments, net	-	1,498,737	3,344,386	-	-	4,843,123
Loans to customers net of deferred revenue**	13,217,400	7,466,568	4,971,060	15,641,989	-	41,297,017
Accrued interest receivables	-	-	-	-	77,469	77,469
Other assets	68,200	-	-	-	51	68,251
Total financial assets	13,285,600	10,165,305	8,315,446	15,641,989	892,808	48,301,148
Financial liabilities						
Deposits	884,021	6,994,624	2,910,757	-	22,921	10,812,323
Interbank and money market items	-	17,193,106	-	440,901	-	17,634,007
Other liabilities	-	-	-	-	74,189	74,189
Total financial liabilities	884,021	24,187,730	2,910,757	440,901	97,110	28,520,519
Effect of derivatives held for risk management*	6,800,000	-	-	(6,800,000)	-	-

* Risk management for loans to customers

** Exclude fair value adjustment in loans

	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	2,991,790	2,644,500	11,479,026	-	23,709,816
Accrued interest receivables	-	-	-	-	34,676	34,676
Total financial assets	6,594,500	9,660,463	8,791,500	11,479,026	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	-	-	-	-	26,438	26,438
Total financial liabilities	351,253	16,002,813	805,242	40,030	47,677	17,247,015

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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 2018 and 2017, the Bank has net open position assets (liabilities) denominated in the various currencies as follows:

	2018		2017	
	US Dollar	Japanese Yen (in thousand Baht)	US Dollar	Japanese Yen
Spot	(15,380,035)	459	(3,918,046)	1,171,554
Forward	15,334,814	-	3,927,305	(1,169,228)
Net position	(45,221)	459	9,259	2,326

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 ALM plan approved by the board of directors.

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

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The remaining period to maturity of significant financial assets and financial liabilities as at 31 March 2018 and 2017 based on contractual maturity is as follows:

	At call	Within 3 months	3 - 12 months	2018 1-5 years (in thousand Baht)	Maturity Over 5 Years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	20	20
Interbank and money market items	815,203	1,200,065	-	-	-	-	2,015,268
Derivative assets	-	4,496	-	1,114	-	-	5,610
Investments, net	-	1,498,737	3,344,386	-	-	-	4,843,123
Loans to customers net of deferred revenue*	13,217,400	946,115	5,070,818	17,622,990	4,439,694	-	41,297,017
Accrued interest receivables	1,191	51,830	24,448	-	-	-	77,469
Other assets	68,251	-	-	-	-	-	68,251
Total financial assets	14,102,045	3,701,243	8,439,652	17,624,104	4,439,694	20	48,306,758
Financial liabilities							
Deposits	906,942	6,994,625	2,910,756	-	-	-	10,812,323
Interbank and money market items	-	17,193,106	-	440,901	-	-	17,634,007
Derivatives liabilities	-	100,437	-	11,700	-	-	112,137
Other liabilities	391	47,564	26,227	7	-	-	74,189
Total financial liabilities	907,333	24,335,732	2,936,983	452,608	-	-	28,632,656
Net liquidity gap	13,194,712	(20,634,489)	5,502,669	17,171,496	4,439,694	20	19,674,102
* Exclude fair value adjustment in loans							
				2017 1-5 years (in thousand Baht)	Maturity Over 5 Years	No maturity	Total
Financial assets							
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 receivables	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
Financial liabilities							
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	14,675	120	-	-	26,438
Total financial liabilities	372,873	16,097,974	819,917	40,150	-	-	17,330,914
Net liquidity gap	6,495,611	(9,264,216)	6,631,827	11,381,252	4,258,528	13	19,503,015

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Derivatives

The remaining periods to maturity of the notional amount of derivatives as at 31 March 2018 and 2017 are as follows:

	Within 1 year	2018 Over 1 year (in thousand Baht)	Total
<i>Foreign currency related</i>			
Foreign exchange swap contracts	15,765,813	-	15,765,813
<i>Interest rate related</i>			
Interest rate swap contracts	-	6,800,000	6,800,000
Total	15,765,813	6,800,000	22,565,813

	Within 1 year	2017 Over 1 year (in thousand Baht)	Total
<i>Foreign currency related</i>			
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 (in thousand Baht)		Total
		Level 2	Level 3	
31 March 2018				
<i>Financial assets</i>				
Available-for-sale debt securities	-	4,843,123	-	4,843,123
Derivatives				
- Foreign exchange swap contracts	-	4,496	-	4,496
- Interest rate swap contracts	-	1,114	-	1,114
Loans to customers	-	-	10,586	10,586
<i>Financial liabilities</i>				
Derivatives				
- Foreign exchange swap contracts	-	100,437	-	100,437
- Interest rate swap contracts	-	11,700	-	11,700

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

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

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 years ended 31 March 2018 and 2017.

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

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

Measurement of fair values

Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Loan to customers	Discounted Cash Flow	• Risk-adjusted discount rate

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Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	<i>Note</i>	<i>Loan to customers (in thousand Baht)</i>
Balance at 1 April 2017		-
Gains recognised in profit or loss		10,586
Balance at 31 March 2018	8.2, 10.1	10,586

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 2018 and 2017, the Bank's total capital funds and capital ratio can be categorised as follows:

	2018 (in thousand Baht)	2017
<i>Tier 1 capital</i>		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital, share premium	20,000,000	20,000,000
Other comprehensive income	908	(620)
Less capital deduction items on CET1	(677,371)	(501,586)
Total Tier 1 Capital Base	19,323,537	19,497,794
Total Risk-Weighted Assets	36,018,781	23,331,641
	The BoT's regulation minimum requirement*	
	2018	2017
		(%)
Capital Adequacy Ratio	10.375	9.75
Tier-1 Capital ratio	7.875	7.25
Tier-1 Common Equity ratio	6.375	5.75
	53.65	53.65
	83.57	83.57

*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 2018, 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 2018 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	2018 Term (in thousand Baht)	Total	At call	2017 Term (in thousand Baht)	Total
Domestic						
Bank of Thailand	323,135	1,200,000	1,523,135	187,129	4,000,000	4,187,129
Commercial banks	19,848	-	19,848	41,481	-	41,481
Total	342,983	1,200,000	1,542,983	228,610	4,000,000	4,228,610
Add accrued interest receivables	-	65	65	-	110	110
Total domestic, net	342,983	1,200,065	1,543,048	228,610	4,000,110	4,228,720
Foreign						
US Dollar	30,854	-	30,854	40,897	-	40,897
Japanese Yen	441,366	-	441,366	4,134	1,171,241	1,175,375
Total foreign	472,220	-	472,220	45,031	1,171,241	1,216,272
Total domestic and foreign, net	815,203	1,200,065	2,015,268	273,641	5,171,351	5,444,992

8 Derivatives

8.1 Derivatives held for trading

As at 31 March 2018 and 2017, the fair value and notional amount of derivatives classified by type of risks were as follows:

	2018			2017		
Type of risks	Fair value Assets	Liabilities	Notional amount (in thousand Baht)	Fair value Assets	Liabilities	Notional amount
Foreign currency related	4,496	100,437	15,765,813	-	83,899	3,927,306
Total	4,496	100,437	15,765,813	-	83,899	3,927,306

8.2 Derivatives held for hedging

8.2.1 Fair value hedges

	2018			2017		
Type of risks	Fair value Assets	Liabilities	Notional amount (in thousand Baht)	Fair value Assets	Liabilities	Notional amount
Interest rate related	1,114	11,700	6,800,000	-	-	-
Total	1,114	11,700	6,800,000	-	-	-

The swaps exchange fixed rates on assets to match the floating rates paid on funding. For qualifying hedges, the fair value changes of the derivative are substantially matched by corresponding fair value changes of the hedged items, both of which are recognised in profit or loss. For the year ended 31 March 2018, the Bank has no gain or loss on fair value hedges in profit or loss.

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As at 31 March 2018 and 2017, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

	2018	2017
	(%)	
Counterparties		
Financial institutions	99	100
Third parties	1	-
Total	100	100

9 Investments, net

9.1 Classification of investment in securities

As at 31 March 2018 and 2017, the Bank classifies investment types, as follow:

	2018	2017
	(in thousand Baht)	
Available-for-sale investments		
Government bonds	4,843,123	7,644,432
Total investment, net	4,843,123	7,644,432

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

	2018	2017
	(in thousand Baht)	
Fair value changes in debt securities	1,135	(775)
Less deferred tax	(227)	155
Net	908	(620)

10 Loans to customers and accrued interest receivable, net

10.1 Classified by type of loans

	2018	2017
	(in thousand Baht)	
Loans	41,326,603	23,729,624
Less deferred revenue	(29,586)	(19,808)
Loan to customers net of deferred revenue	41,297,017	23,709,816
Add fair value adjustment in loans	10,586	-
Add accrued interest receivables	77,469	34,676
Total loans to customers net of deferred revenue and accrued interest receivables	41,385,072	23,744,492
Less allowance for doubtful accounts		
- BoT's minimum requirement - Individual approach	(423,456)	(241,296)
- Allowance in excess	(830)	(348)
Total loans to customers and accrued interest receivables, net	40,960,786	23,502,848

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10.2 Classified by currencies and residence of debtors

	2018			2017	
	Foreign	Domestic	Total (in thousand Baht)	Domestic	Total
Thai Baht	-	39,389,325	39,389,325	22,483,651	22,483,651
US Dollar	265,523	1,642,169	1,907,692	1,226,165	1,226,165
Total	265,523	41,031,494	41,297,017	23,709,816	23,709,816

* Loans to customers net of deferred revenue and exclude fair value adjustment in loans

10.3 Classified by industry and loan classification

	Pass	2018 Special mention (in thousand Baht)	Total
Manufacturing and commerce	6,336,723	19,000	6,355,723
Infrastructure and services	5,361,588	-	5,361,588
Financial service activities	25,135,206	1,000,000	26,135,206
Others	3,444,500	-	3,444,500
Total *	40,278,017	1,019,000	41,297,017

	Pass	2017 Special mention (in thousand Baht)	Total
Manufacturing and commerce	3,190,400	-	3,190,400
Infrastructure and services	5,188,088	-	5,188,088
Financial service activities	11,663,126	400,000	12,063,126
Others	3,268,202	-	3,668,202
Total *	23,309,816	400,000	23,709,816

* Loans to customers net of deferred revenue and exclude fair value adjustment in loans

10.4 Classified by loan classification

	2018			
	Loans to customers and accrued interest receivables (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	40,350,004	40,307,603	1	403,076
- Special mention	1,024,482	1,019,000	2	20,380
Total *	41,374,486	41,326,603		423,456
Excess allowance				830
Total				424,286

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	2017			
	Loans to customers and accrued interest receivables (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	23,344,437	23,329,624	1	233,296
- Special mention	400,055	400,000	2	8,000
Total *	23,744,492	23,729,624		241,296
Excess allowance				348
Total				241,644

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

11 Allowance for doubtful accounts

Movements in allowance for doubtful accounts for loans to customers during the year ended 31 March 2018 and 2017 consisted of:

	2018			
	Pass	Special mention	Excess allowance	Total
	(in thousand Baht)			
Beginning balance	233,296	8,000	348	241,644
Allowance for doubtful accounts	169,780	12,380	482	182,642
Ending balance	403,076	20,380	830	424,286

	2017			
	Pass	Special mention	Excess allowance	Total
	(in thousand Baht)			
Beginning balance	116,654	-	58	116,712
Allowance for doubtful accounts	116,642	8,000	290	124,932
Ending balance	233,296	8,000	348	241,644

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12 Leasehold building improvements and equipment, net

As at 31 March 2018 and 2017, changes in leasehold building improvements and equipment are as follows:

	2018						Net book Value as of 31 March 2018		
	Cost			Accumulated depreciation					
	Beginning balance	Purchases and transfers in	Disposals and transfers out	Ending balance (in thousand Baht)	Beginning balance	Depreciation Disposals			
Leasehold improvement and system structure	81,139	1,021	-	117,588	35,428	15,909	-	51,337	66,251
Furniture and office equipment	58,553	10,314	-	107,038	38,171	20,065	-	58,236	48,802
Vehicles	731	-	-	980	249	196	-	445	535
Total	140,423	11,335	-	225,606	73,848	36,170	-	110,018	115,588
	2017						Net book Value as of 31 March 2017		
	Cost			Accumulated depreciation					
	Beginning balance	Purchases and transfers in	Disposals and transfers out	Ending balance (in thousand Baht)	Beginning balance	Depreciation Disposals			
Leasehold improvement and system structure	99,347	305	(2,817)	116,567	19,732	15,696	-	35,428	81,139
Furniture and office equipment	72,123	5,792	(30)	96,724	18,839	19,339	(7)	38,171	58,553
Vehicles	927	-	-	980	53	196	-	249	731
Total	172,397	6,097	(2,847)	214,271	38,624	35,231	(7)	73,848	140,423

The Bank has no fully depreciated leasehold building improvements and equipment that was still use as at 31 March 2018 and 2017.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
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13 Deferred tax assets, net

Deferred tax assets and liabilities as at 31 March 2018 and 2017 were as follows:

	2018 (in thousand Baht)	2017
Deferred tax assets	81,156	75,545
Deferred tax liabilities	(2,207)	(3,036)
Net	78,949	72,509

Movements in deferred tax assets and liabilities during the years were as follows:

	At 1 April 2017	(Charge)/Credited to : Profit or loss Other comprehensive income (Note 29) (in thousand Baht)		At 31 March 2018
Deferred tax assets				
Allowance for doubtful account	-	166	-	166
Employee benefit obligation	744	363	33	1,140
Deferred revenue	7,066	1,041	-	8,107
Loss carry forward	67,735	4,008	-	71,743
Total	75,545	5,578	33	81,156
Deferred tax liabilities				
Investments	(3,036)	1,211	(382)	(2,207)
Total	(3,036)	1,211	(382)	(2,207)
Net	72,509	6,789	(349)	78,949

	At 1 April 2016	(Charge)/Credited to : Profit or loss Other comprehensive income (Note 29) (in thousand Baht)		At 31 March 2017
Deferred tax assets				
Employee benefit obligation	786	543	(585)	744
Deferred revenue	-	7,066	-	7,066
Loss carry forward	65,576	2,159	-	67,735
Total	66,362	9,768	(585)	75,545
Deferred tax liabilities				
Investments	(4,382)	1,200	146	(3,036)
Total	(4,382)	1,200	146	(3,036)
Net	61,980	10,968	(439)	72,509

As at 31 March 2018, the Bank has the benefit from tax losses of Baht 104.5 million (2017: Baht 89.1 million). Management estimated of the future taxable profits and recognized the deferred tax assets of Baht 71.7 million (2017: Baht 67.7 million) on the loss carry forward because management considered it is probable that future taxable profits would be available against which such loss can be utilized. Accordingly, the Bank has unrecognized deferred tax asset of Baht 32.8 million for loss carry forward in the financial statement as at 31 March 2018 (2017: Baht 21.4 million).

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For the year ended 31 March 2018

14 Deposits

14.1 Classified by type of deposits

	2018	2017
	<i>(in thousand Baht)</i>	
Current	22,921	21,239
Savings	884,021	351,253
Term	9,905,381	11,780,483
Total	10,812,323	12,152,975

14.2 Classified by currency and residence of depositors

	2018		2017	
	Domestic	Total	Domestic	Total
	<i>(in thousand Baht)</i>			
Thai Baht	10,720,224	10,720,224	12,052,228	12,052,228
US Dollar	92,099	92,099	100,747	100,747
Total	10,812,323	10,812,323	12,152,975	12,152,975

15 Interbank and money market items (liabilities)

	2018		2017	
	Term	Total	Term	Total
	<i>(in thousand Baht)</i>			
Foreign				
US Dollar	17,193,106	17,193,106	5,067,602	5,067,602
Japanese Yen	440,901	440,901	-	-
Total Foreign	17,634,007	17,634,007	5,067,602	5,067,602

16 Other liabilities

	Note	2018	2017
		<i>(in thousand Baht)</i>	
Payable to related party	20	32,206	5,156
Other payables		64	1,428
Accrued expense		40,140	27,860
Accrued interest payables		30,867	11,558
Deferred revenue		7,051	15,364
Payable to Deposit Protection Agency		15,230	12,970
Others		5,275	5,808
Total		130,833	80,144

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17 Share capital

	Par value per share (in Baht)	2018 Number	2018 Amount (thousand shares / thousand Baht)	2017 Number	2017 Amount
<i>Authorised</i>					
At 1 April - ordinary shares	1,000	20,000	20,000,000	20,000	20,000,000
At 31 March - ordinary shares	1,000	<u>20,000</u>	<u>20,000,000</u>	<u>20,000</u>	<u>20,000,000</u>
<i>Issued and paid-up</i>					
At 1 April - ordinary shares	1,000	20,000	20,000,000	20,000	20,000,000
At 31 March - ordinary shares	1,000	<u>20,000</u>	<u>20,000,000</u>	<u>20,000</u>	<u>20,000,000</u>

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 Contingent liabilities

	2018 (in thousand Baht)	2017
Other contingencies		
- Committed line	1,029,468	1,026,083
Total	<u>1,029,468</u>	<u>1,026,083</u>

Litigation

As at 31 March 2018 and 2017, there is no litigation case outstanding against the Bank.

20 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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

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For the year ended 31 March 2018

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 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 operating income	Contractually agreed price
Other expenses	Contractually agreed price

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

	2018	2017
	<i>(in thousand Baht)</i>	
Interest income	-	396
Interest expenses	139,816	12,256
Fee and service income	68	16
Fee and service expenses	6	8
Other operating income	12,764	26,164
Other expenses	7,161	17,080
Key management personnel		
Short-term employee benefits	38,169	35,123
Long-term employee benefits	2	-
Total key management personnel compensation	38,171	35,123

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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

	2018	2017
	<i>(in thousand Baht)</i>	
<i>Interbank and money market items (assets)</i>		
Sumitomo Mitsui Trust Bank, Limited	441,366	1,175,374
<i>Other assets</i>		
Sumitomo Mitsui Trust Bank, Limited and other branches	-	174
<i>Interbank and money market items (liabilities)</i>		
Sumitomo Mitsui Trust Bank, Limited	17,193,106	5,067,602
<i>Other liabilities</i>		
Sumitomo Mitsui Trust Bank, Limited	32,206	5,156

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

21 Non-cancellable operating lease agreements

	2018	2017
	<i>(in thousand Baht)</i>	
Within one year	66,749	51,839
After one year but within five years	63,067	18,243
Total	129,816	70,082

Office lease and service agreements

- (a) On 1 October 2017, the Bank entered into the office lease and service agreements. The duration of these agreements was 3 year term from 1 October 2017 to 30 September 2020. Under the terms of agreements, there are office rental and service fees of Baht 1 million per month (excluding VAT). The Bank paid deposits on these agreements with the amount of Baht 2.9 million.

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Equipment lease agreements

- (a) On 18 December 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.
- (b) 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 0.7 million (excluding VAT) per month.
- (c) On 26 March 2018, 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.

22 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.

23 Interest income

	2018	2017
	<i>(in thousand Baht)</i>	
Interbank and money market items	84,622	89,889
Investments in debt securities	68,331	97,616
Loans to customers	689,800	368,215
Total	842,753	555,720

24 Interest expenses

	2018	2017
	<i>(in thousand Baht)</i>	
Deposits	138,093	153,868
Interbank and money market items	151,758	12,535
Contribution to Deposit Protection Agency	57,086	52,295
Total	346,937	218,698

25 Net fee and service income (expense)

	2018	2017
	<i>(in thousand Baht)</i>	
Fees and service income		
- Funds transfer services fees	134	108
- Others	158	216
	292	324
Fees and service expenses		
- Funds transfer between financial institutions fees	2,546	1,198
- Others	1,115	12,516
	3,661	13,714
Net	(3,369)	(13,390)

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26 Net gain on trading and foreign exchange transactions

	2018 (in thousand Baht)	2017
Gain on trading and foreign exchange transactions		
- Foreign currencies and foreign currency related derivatives	32,738	10,664
- Interest rate related derivatives	-	-
Total	32,738	10,664
Gain (loss) on hedging transactions	-	-
Total	32,738	10,664

27 Employee expenses

	Note	2018 (in thousand Baht)	2017
Key management			
Wages, salaries and bonus		10,651	7,497
Post-employment benefits - defined benefit plans		2	-
Others		27,518	27,626
	20	38,171	35,123
Other employees			
Wages, salaries and bonus		106,571	92,831
Post-employment benefits - defined benefit plans		1,810	2,718
Others		26,561	28,141
		134,942	123,690
Total		173,113	158,813

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.

28 Bad debts, doubtful accounts and impairment loss

	Note	2018 (in thousand Baht)	2017
Loans to customers	11	182,642	124,932
Total		182,642	124,932

29 Income tax benefit

	Note	2018 (in thousand Baht)	2017
Current tax expense			
Current year		-	-
Deferred tax expense			
Movement in temporary difference	13	(6,789)	(10,968)
Total income tax benefit		(6,789)	(10,968)

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Income tax recognised in other comprehensive income

	Before tax	2018 Tax (expense) benefit	Net of Tax (in thousand Baht)	Before tax	2017 Tax (expense) benefit	Net of Tax
Available-for-sale investments	1,910	(382)	1,528	(731)	146	(585)
Defined benefit plan actuarial gains (losses)	(166)	33	(133)	2,926	(585)	2,341
Total	1,744	(349)	1,395	2,195	(439)	1,756

Reconciliation of effective tax rate

	Rate (%)	2018 (in thousand Baht)	Rate (%)	2017 (in thousand Baht)
Loss before income tax expense	20	(36,163)	20	(139,373)
Income tax using the Thai corporation tax rate		(7,233)		(27,875)
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable loss, net		1,611		3,535
Recognition of previously unrecognised tax losses		(15,429)		(23,590)
Reversal of estimate unused tax loss carry forward		11,421		21,431
Current year losses for which no deferred tax asset was recognised		2,841		15,531
Total	19	(6,789)	8	(10,968)

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.

30 Basic loss per share

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

	2018	2017
Loss for the years attributable to ordinary shareholders of the Bank (basic) (thousand Baht)	(29,374)	(128,405)
The number of ordinary shares outstanding (thousand shares)	20,000	20,000
Basic loss per share (Baht)	(1.47)	(6.42)

