

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

Financial statements for the year ended
31 March 2019
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 2019, 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 2019, 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 will not express any form of assurance conclusion thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and 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 'P. Gulsantithamrong'.

(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
24 June 2019

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of financial position

Assets	Note	31 March	
		2019	2018
		<i>(in thousand Baht)</i>	
Cash		28	20
Interbank and money market items, net	7, 20	16,467,491	2,015,268
Derivative assets	8	167,326	5,610
Investments, net	9	6,145,852	4,843,123
Loans to customers and accrued interest receivable, net	10		
Loans to customers		52,866,033	41,337,189
Accrued interest receivables		128,381	77,469
Total loans to customers and accrued interest receivables		52,994,414	41,414,658
Less deferred revenue		(33,051)	(29,586)
Less allowance for doubtful accounts	10.4, 11	(618,300)	(424,286)
Total loans to customers and accrued interest receivables, net		52,343,063	40,960,786
Leasehold building improvements and equipment, net	12	80,484	115,588
Intangible assets, net		41,671	41,244
Deferred tax assets, net	13	97,542	78,949
Other assets		132,061	78,954
Total assets		75,475,518	48,139,542
Liabilities and equity			
Liabilities			
Deposits	14	20,543,207	10,812,323
Interbank and money market items	15, 20	35,129,773	17,634,007
Derivative liabilities	8	90,347	112,137
Provision for post-employment benefits		8,446	5,700
Other liabilities	16, 20	191,080	130,833
Total liabilities		55,962,853	28,695,000
Equity			
Share capital	17		
Authorised share capital			
20,000,000 ordinary shares of Baht 1,000 each		20,000,000	20,000,000
Issued and paid-up share capital			
20,000,000 ordinary shares of Baht 1,000 each		20,000,000	20,000,000
Other reserves		(941)	908
Deficit		(486,394)	(556,366)
Total equity		19,512,665	19,444,542
Total liabilities and equity		75,475,518	48,139,542


 Mr. Toshiyuki Saito
 Executive Vice President
 In Charge of Finance Department


 (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 years ended	
		31 March	
	Note	2019	2018
(in thousand Baht)			
Interest income	23	1,248,113	842,753
Interest expenses	20, 24	838,941	346,937
Net interest income		409,172	495,816
Fees and service income	20	419	292
Fees and service expenses	20	1,292	3,661
Net fees and service expenses	25	(873)	(3,369)
Net gains on trading and foreign exchange transactions	26	224,657	32,738
Other operating income	20	8,264	12,869
Total operating income		641,220	538,054
Other operating expenses			
Employee expenses	20, 27	189,629	173,113
Directors' remuneration	20	2,973	3,029
Premises and equipment expenses		95,955	95,221
Taxes and duties		36,235	22,757
Others	20	70,216	97,455
Total other operating expenses		395,008	391,575
Bad debts, doubtful accounts and impairment loss	28	194,014	182,642
Profit (loss) from operations before income tax		52,198	(36,163)
Income tax benefit	29	(18,059)	(6,789)
Profit (loss) for the year		70,257	(29,374)

Other comprehensive income (loss)

Items that will be reclassified subsequently to profit or loss

Losses (gains) on remeasuring available-for-sale investments		(2,311)	1,910
Income tax relating to items that will be reclassified subsequently to profit or loss	29	462	(382)
		(1,849)	1,528

Items that will not be reclassified subsequently to profit or loss

Losses on remeasurements of defined benefit obligations		(357)	(166)
Income tax relating to items that will not be reclassified subsequently to profit or loss	29	72	33
		(285)	(133)

Total other comprehensive income (loss) for the year

net of income tax		(2,134)	1,395
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Total comprehensive income (loss) for the year

		68,123	(27,979)
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Basic earnings (loss) per share (in Baht)

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Mr. Toshiyuki Saito

Executive Vice President

in charge of Finance Department

(Mr. Masahiro Saito)
Chief Financial Officer

3.51 (1.47)

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of changes in equity

	Issued and paid-up share capital	Other reserves Revaluation (deficit) surplus on available-for-sale investments, net (in thousand Baht)	Deficit	Total equity
For the 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)	-	1,528	(133)	1,395
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
For the year ended 31 March 2019				
Balance as at 1 April 2018	20,000,000	908	(556,366)	19,444,542
Comprehensive income (loss) for the year				
Profit for the year	-	-	70,257	70,257
Other comprehensive income (loss)	-	(1,849)	(285)	(2,134)
Total comprehensive income (loss) for the year	-	(1,849)	69,972	68,123
Balance as at 31 March 2019	20,000,000	(941)	(486,394)	19,512,665

Mr. Toshiyuki Saito

Executive Vice President

in charge of Finance Department

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



(Mr. Manabu Inoue)
Chief Executive Officer

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of cash flows

	For the years ended 31 March	
	2019	2018
	(in thousand Baht)	
Cash flows from operating activities		
Profit (loss) from operations before income tax benefit	52,198	(36,163)
Adjustment to reconcile profit (loss) from operations before income tax benefit to net cash provided by (used in) operating activities		
Depreciation and amortisation	47,233	45,205
Bad debts, doubtful accounts and impairment loss	194,014	182,642
Loss on write-off of equipment	24	-
Unrealised (gains) losses on revaluation of derivative contracts	(248,929)	12,042
Provision for post-employment benefits	2,389	1,812
Net interest income	(409,172)	(495,921)
Interest received	1,120,642	728,517
Interest paid	(713,929)	(292,196)
Profit from operations before changes in operating assets and liabilities	44,470	145,938
Decrease (increase) in operating assets		
Interbank and money market items	(14,451,219)	3,429,680
Loans to customers	(11,463,420)	(17,592,303)
Other assets	(53,107)	(66,505)
Increase (decrease) in operating liabilities		
Deposits	9,730,884	(1,340,652)
Interbank and money market items	17,495,766	12,566,405
Other liabilities	(64,765)	3,575
Net cash provided by (used in) operating activities	1,238,609	(2,853,862)
Cash flows from investing activities		
Purchase of available-for-sale investments	(13,897,021)	(8,109,450)
Proceeds from available-for-sale investments	12,671,000	10,981,000
Purchase of leasehold building improvements and equipment	(1,827)	(11,092)
Purchase of intangible assets	(10,753)	(6,589)
Net cash (used in) provided by investing activities	(1,238,601)	2,853,869
Net increase in cash	8	7
Cash at beginning of the year	20	13
Cash at end of the year	28	20

Supplementary disclosures of cash flow information

Non-cash transactions

Increase in payable for purchase of leasehold building improvements and equipment	243
Increase in payable for purchase of intangible assets	442

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Mr. Toshiyuki Saito
Executive Vice President
in charge of Finance Department



.....
(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 2019

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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2019

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 24 June 2019.

1 General information

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

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

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

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

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standard (“TFRSs”); guidelines promulgated by the Federation of Accounting Professions; and presented as prescribed by the Bank of Thailand (“BoT”) notification number 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”.

New and revised TFRSs effective for annual accounting periods beginning on or after 1 January 2018. The initial application of these new and revised TFRSs has resulted in changes in certain of the Bank’s accounting policies. These changes have no material effect on the financial statements.

In addition, a number of new and revised TFRSs are not yet effective for current periods. The Bank has not early adopted these standards in preparing these financial statements. Those new and revised TFRSs that are relevant to the Bank’s operations are disclosed in note 31.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items.

<i>Items</i>	<i>Measurement bases</i>
Derivatives	Fair value
Available-for-sale investments	Fair value
Loans with hedging instruments	Fair value

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2019

(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 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 carrying amounts of assets and liabilities within the next year 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.

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 TFRSs, including the level in the fair value hierarchy in which the valuations should be classified.

Fair value hierarchy

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

- *Level 1:* quoted prices (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).

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2019

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.

Further information about the assumptions made in measuring fair values is included in note 5 Fair value of financial assets and liabilities.

3 Significant accounting policies

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

(a) Foreign currencies

Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated 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 held for trading are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less allowance for impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities, other than those securities held for trading or intended to be held to maturity, 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 held-for-trading and available-for-sale is determined as the quoted price at the reporting date.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the financial statements
For the year ended 31 March 2019

Recognition

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

Disposal of investments

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

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

(d) *Loans to customers*

Loans to customers are 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's regulations, 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 regulations. 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 period expected to be able to dispose the collateral as stipulated in the BoT's regulations.

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 measured at cost less accumulated depreciation and allowance for 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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2019

Any 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 in profit or loss.

Subsequent costs

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

Depreciation

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

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

Leasehold improvement and system structure	10 years
Furniture and office equipment	5 years
Vehicles	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 allowance for 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	5 - 10 years
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Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the financial statements
For the year ended 31 March 2019

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

(h) Impairment

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

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

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

Calculation of recoverable amount

The recoverable amount of held-to-maturity investments carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

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 investments that are debt securities, the reversal is recognised in profit or loss.

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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the financial statements

For the year ended 31 March 2019

(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 remeasured 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 hedges the changes in fair value of a recognised asset, liability or unrecognised commitment, an identified portion of such asset, liability or commitment, any gain or loss on remeasuring 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.

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 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 recognized in profit or loss immediately.

(j) *Employee benefits*

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed 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 annually 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 year 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 during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

Other long-term employee benefits

The Bank's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the 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.

(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.

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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 previous years.

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

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

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

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

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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan for the Bank. 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) Earnings (loss) per share

The Bank presents basic earnings (loss) per share for its ordinary shares which is calculated by dividing the profit (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.

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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.

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.

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For the year ended 31 March 2019

(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 debtors and concentration in industry sectors, including the measurement of the credit risk.

The Bank manages individual credits through processes such as internal credit ratings. Credit ratings indicate the credit status of debtor and the possibility of default on a scale, and provide the basis for credit screening of individual transactions and credit portfolio management. The Bank evaluates solvency and collectability of credits based on the analysis, for instance the customer’s financial condition, cash flow, and 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 bank-wide comprehensive risk management for assets and liabilities.

The Risk Management Department is responsible for planning and implementing market risk management. The role of the Risk Management Department includes measuring risk levels and profits or losses and monitoring the status of market risks managed under ALM plans and status of compliance with risk limits. The Risk Management Department reports its findings to the members of the ALM Committee on a daily basis, and to ALM Committee as well as the board of directors periodically.

(3) Market risk management approach

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

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For the year ended 31 March 2019

(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 2019 and 2018, significant financial assets and financial liabilities classified by types of interest rate are as follows:

	2019			
	Floating interest rate	Fixed interest rate (in thousand Baht)	Non-interest bearing	Total
Financial assets				
Cash	-	-	28	28
Interbank and money market items	-	10,400,000	6,067,491	16,467,491
Investments, net	-	6,145,852	-	6,145,852
Loans to customers net of deferred revenue**	26,325,791	26,431,181	-	52,756,972
Accrued interest receivables	-	-	128,381	128,381
Other assets	120,386	-	180	120,566
Total financial assets	26,446,177	42,977,033	6,196,080	75,619,290
Financial liabilities				
Deposits	-	20,523,748	19,459	20,543,207
Interbank and money market items	12,263,523	22,866,250	-	35,129,773
Other liabilities	-	-	125,025	125,025
Total financial liabilities	12,263,523	43,389,998	144,484	55,798,005
Effect of derivatives held for risk management*	17,098,060	(17,098,060)	-	-
	2018			
	Floating interest rate	Fixed interest rate (in thousand Baht)	Non-interest bearing	Total
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 to customers

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For the year ended 31 March 2019

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

	2019			2018		
	Average balance (in thousand Baht)	Interest	Average interest rate (% per annum)	Average balance (in thousand Baht)	Interest	Average interest rate (% per annum)
Financial assets						
Interbank and money market items	6,679,918	103,648	1.552	5,744,672	84,622	1.473
Investments	5,691,436	79,020	1.388	4,869,134	68,331	1.403
Loans to customers	46,992,087	1,065,445	2.267	31,651,432	689,800	2.179
Total	59,363,441	1,248,113		42,265,238	842,753	
Financial liabilities						
Deposits	17,371,070	280,821	1.617	12,541,045	195,179	1.556
Interbank and money market items	27,009,081	558,120	2.066	10,428,190	151,758	1.455
Total	44,380,151	838,941		22,969,235	346,937	

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For the year ended 31 March 2019

Significant financial assets and financial liabilities classified by earlier of maturity or interest repricing as at 31 March 2019 and 2018 are as follows:

	Repricing periods						2019	
	Immediate repricing	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years (in thousand Baht)	Over 5 years	Non-performing assets	Non-interest bearing	Total
Financial assets								
Cash	-	-	-	-	-	-	28	28
Interbank and money market items	-	10,400,000	-	-	-	-	6,067,491	16,467,491
Investments, net	-	996,038	5,149,814	-	-	-	-	6,145,852
Loans to customers net of deferred revenue**	16,207,500	9,800,791	3,387,000	22,673,621	598,060	90,000	-	52,756,972
Accrued interest receivables	-	-	-	-	-	-	128,381	128,381
Other assets	120,386	-	-	-	-	-	180	120,566
Total financial assets	16,327,886	21,196,829	8,536,814	22,673,621	598,060	90,000	6,196,080	75,619,290
Financial liabilities								
Deposits	387,444	18,660,200	1,476,074	30	-	-	19,459	20,543,207
Interbank and money market items	-	35,129,773	-	-	-	-	-	35,129,773
Other liabilities	-	-	-	-	-	-	125,025	125,025
Total financial liabilities	387,444	53,789,973	1,476,074	30	-	-	144,484	55,798,005
Effect of derivatives held for risk management*	17,098,060	-	-	(16,500,000)	(598,060)	-	-	-

* Risk management for loans to customers

** Exclude fair value adjustment in loans to customers

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2018

Repricing periods

	Immediate repricing	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years (in thousand Baht)	Over 5 years	Non-performing assets	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 to customers

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(b) Currency exchange rate risk

Currency exchange rate risk in the statements of financial position arises from the potential unfavourable fluctuation in currency exchange rates which causes a loss in the 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 2019 and 2018, the Bank has net open position assets (liabilities) denominated in the various currencies as follows:

	2019		2018	
	US Dollar	Japanese Yen (in thousand Baht)	US Dollar	Japanese Yen
Spot	(25,506,698)	(14,957)	(15,380,035)	459
Forward	25,512,983	-	15,334,814	-
Net position	6,285	(14,957)	(45,221)	459

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.

In accordance with the BoT notification number Sor Nor Sor. 2/2561, dated 25 January 2018, Re: "Liquidity coverage ratio disclosure standards" the Bank intends to disclose Liquidity Coverage Ratio (LCR) as at 31 March 2019 within 4 months after the year end date, as indicated in the notification, through the Bank's website www.smtb.jp/smtbthai/

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The remaining period to maturity of significant financial assets and financial liabilities as at 31 March 2019 and 2018 based on contractual maturity is as follows:

	At call	Within 3 months	Over 3 months to 1 year	2019 Over 1 year to 5 years (in thousand Baht)	Over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	28	28
Interbank and money market items	6,066,422	10,401,069	-	-	-	-	16,467,491
Derivative assets	-	154,111	3,282	9,933	-	-	167,326
Investments, net	-	996,038	5,149,814	-	-	-	6,145,852
Loans to customers net of deferred revenue*	16,297,500	742,709	3,513,241	28,019,869	4,183,653	-	52,756,972
Accrued interest receivables	2,635	98,935	26,811	-	-	-	128,381
Other assets	120,566	-	-	-	-	-	120,566
Total financial assets	22,487,123	12,392,862	8,693,148	28,029,802	4,183,653	28	75,786,616
Financial liabilities							
Deposits	406,903	18,660,200	1,476,074	30	-	-	20,543,207
Interbank and money market items	-	22,866,250	-	12,263,523	-	-	35,129,773
Derivatives liabilities	-	1,122	-	78,287	10,938	-	90,347
Other liabilities	496	86,268	28,867	9,394	-	-	125,025
Total financial liabilities	407,399	41,613,840	1,504,941	12,351,234	10,938	-	55,888,352
Net liquidity gap	22,079,724	(29,220,978)	7,188,207	15,678,568	4,172,715	28	19,898,264

* Exclude fair value adjustment in loans to customers

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	At call	Within 3 months	Over 3 months to 1 year	2018 Over 1 year to 5 years (in thousand Baht)	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 to customers

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Derivatives

The remaining periods to maturity of the notional amount of derivatives as at 31 March 2019 and 2018 are as follows:

	Within 3 months	Over 3 months to 1 year	2019 Over 1 year to 5 years (in thousand Baht)	Over 5 years	Total
<i>Foreign currency related</i>					
Foreign exchange swap contracts	25,792,926	-	-	-	25,792,926
<i>Interest rate related</i>					
Interest rate swap contracts	-	1,100,000	15,400,000	598,060	17,098,060
Total	25,792,926	1,100,000	15,400,000	598,060	42,890,986
	Within 3 months	Over 3 months to 1 year	2018 Over 1 year to 5 years (in thousand Baht)	Over 5 years	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

5 Fair value of financial assets and liabilities

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.

	Fair value			
	Level 1	Level 2	Level 3	Total
		(in thousand Baht)		
31 March 2019				
<i>Financial assets</i>				
Investments				
- Available-for-sale investments	☹	6,145,852	☹	6,145,852
Derivatives				
- Foreign exchange swap contracts	☹	154,111	☹	154,111
- Interest rate swap contracts	☹	13,215	-	13,215
Loans to customers	☹	-	76,010	76,010
<i>Financial liabilities</i>				
Derivatives				
- Foreign exchange swap contracts	☹	1,122	☹	1,122
- Interest rate swap contracts	☹	89,225	☹	89,225

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	Fair value			
	Level 1	Level 2	Level 3	Total
		(in thousand Baht)		
31 March 2018				
<i>Financial assets</i>				
Investments				
- Available-for-sale investments	-	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

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 derivatives 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 assets 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 at 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 2019 and 2018.

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

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 of loans to customers.

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<i>For the years ended 31 March</i>	<i>Note</i>	2019 (in thousand Baht)	2018
Beginning balance		10,586	-
Gains recognised in profit or loss		65,424	10,586
Ending balance	8.2, 10.1	76,010	10,586

5.2 Financial assets and liabilities not measured at fair value

The following table shows financial asset not measured at fair value at the reporting date. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying value is reasonable approximation of fair value.

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
		(in thousand Baht)			
31 March 2019					
Financial assets					
Loans to customers	22,670,550	-	-	23,097,001	23,097,001
31 March 2018					
Financial assets					
Loans to customers	15,636,446	-	-	15,940,265	15,940,265

The following methods and assumptions were used by the Bank in estimating the fair value of financial assets and liabilities not measured at fair value 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 fair 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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For the year ended 31 March 2019

6 Maintenance of capital fund

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E.2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. As announced by the BoT notification 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 2019 and 2018, the Bank's total capital funds and capital ratio can be categorised as follows:

	2019 (in thousand Baht)	2018
<i>Tier 1 capital</i>		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	20,000,000	20,000,000
Net profits after appropriated	(479,638)	(526,859)
Other comprehensive income	(941)	908
Less capital deduction items on CET1	(145,930)	(150,512)
Total Tier 1 Capital Base	19,373,491	19,323,537
Total Risk-Weighted Assets	49,182,565	36,018,781

	The BoT's regulation minimum requirement*	2019 (%)	The BoT's regulation minimum requirement*	2018
Capital Adequacy Ratio	11.000	39.39	10.375	53.65
Tier-1 Capital ratio	8.500	39.39	7.875	53.65
Tier-1 Common Equity ratio	7.000	39.39	6.375	53.65

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

According to BoT notification number For Nor Sor (23) Wor 263/2556 dated 22 February 2013, the Bank is required to disclose CET1 after deducting capital add-on arising from Single Lending Limit, effective at the end of January 2015. As at 31 March 2019 and 2018, the Bank had no add-on arising from Single Lending Limit.

In accordance with the BoT notification number 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 2019 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 in order to maintain investor and creditor confidence and to sustain future development of the business. The Management monitors the return on capital, which the Bank defines as result from operating activities divided by total equity, and the level of dividends to ordinary shareholders.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
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For the year ended 31 March 2019

7 Interbank and money market items, net (assets)

	At call	2019 Term	Total (in thousand Baht)	At call	2018 Term	Total
Domestic						
Bank of Thailand	414,730	10,400,000	10,814,730	323,135	1,200,000	1,523,135
Commercial banks	38,290	-	38,290	19,848	-	19,848
Total	453,020	10,400,000	10,853,020	342,983	1,200,000	1,542,983
Add accrued interest receivables	-	1,069	1,069	-	65	65
Total domestic	453,020	10,401,069	10,854,089	342,983	1,200,065	1,543,048
Foreign						
US Dollar	21,723	-	21,723	30,854	-	30,854
Japanese Yen	5,591,679	-	5,591,679	441,366	-	441,366
Total foreign	5,613,402	-	5,613,402	472,220	-	472,220
Total domestic and foreign	6,066,422	10,401,069	16,467,491	815,203	1,200,065	2,015,268

8 Derivatives

8.1 Derivatives held for trading

As at 31 March 2019 and 2018, the fair value and notional amount of derivatives classified by type of risks were as follows:

Type of risks	2019		Notional amount (in thousand Baht)	2018		Notional amount
	Fair value Assets	Liabilities		Fair value Assets	Liabilities	
Foreign currency related	154,111	1,122	25,792,926	4,496	100,437	15,765,813
Total	154,111	1,122	25,792,926	4,496	100,437	15,765,813

As at 31 March 2019 and 2018, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

Counterparties	2019	2018
	(%)	(%)
Financial institutions	99	99
Third party	1	1
Total	100	100

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8.2 Derivatives held for hedging

Fair value hedges

Type of risks	2019			2018		
	Fair value Assets	Liabilities	Notional amount (in thousand Baht)	Fair value Assets	Liabilities	Notional amount
Interest rate related	13,215	89,225	17,098,060	1,114	11,700	6,800,000
Total	13,215	89,225	17,098,060	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 years ended 31 March 2019 and 2018, the Bank had no gain or loss on fair value hedges in profit or loss.

9 Investments, net

9.1 Classification of investment

As at 31 March 2019 and 2018, the Bank classified investment types, as follow:

	2019 (in thousand Baht)	2018
<i>Available-for-sale investments - Fair value</i>		
Government securities	6,145,852	4,843,123
Total investment	6,145,852	4,843,123

As at 31 March 2019 and 2018, the Bank had no investments in securities pledged as collateral or under restriction.

As at 31 March 2019 and 2018, the Bank did not have investment in any entity in which the Bank held 10% or more of the paid up share capital of the investee company.

9.2 Revaluation (deficit) surplus on available-for-sale investments

As at 31 March 2019 and 2018, revaluation (deficit) surplus on investments is summarised as follows:

	2019 (in thousand Baht)	2018
<i>Debt securities</i>		
Revaluation surplus on investments	-	1,485
Revaluation deficit on investments	(1,176)	(350)
Net revaluation (deficit) surplus on investments	(1,176)	1,135
Add/(less) deferred tax	235	(227)
Net	(941)	908

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9.3 Classified by the remaining period to maturity of the debt securities

	2019 Remaining period Within 1 year (in thousand Baht)	2018 Remaining period Within 1 year (in thousand Baht)
<i>Available-for-sale investments</i>		
Government securities	6,147,028	4,841,988
(Less)/add allowance for revaluation	(1,176)	1,135
Total	6,145,852	4,843,123

10 Loans to customers and accrued interest receivables, net

10.1 Classified by type of loans

	2019 (in thousand Baht)	2018 (in thousand Baht)
Loans	52,790,023	41,326,603
Less deferred revenue	(33,051)	(29,586)
Loan to customers net of deferred revenue	52,756,972	41,297,017
Add fair value adjustment in loans to customers	76,010	10,586
Add accrued interest receivables	128,381	77,469
Total loans to customers net of deferred revenue and accrued interest receivables	52,961,363	41,385,072
Less allowance for doubtful accounts		
- BoT's minimum requirement - Individual approach	(617,000)	(423,456)
- Allowance in excess	(1,300)	(830)
Total loans to customers and accrued interest receivables, net	52,343,063	40,960,786

10.2 Classified by currencies and residence of debtors

	2019			2018		
	Foreign	Domestic	Total	Foreign	Domestic	Total
			(in thousand Baht)			
Thai Baht	-	48,641,160	48,641,160	-	39,389,325	39,389,325
US Dollar	703,478	3,412,334	4,115,812	265,523	1,642,169	1,907,692
Total*	703,478	52,053,494	52,756,972	265,523	41,031,494	41,297,017

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

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10.3 Classified by industry and loan classification

	2019			Total
	Pass	Special mention (in thousand Baht)	Doubtful	
Manufacturing and commerce	9,913,031	-	90,000	10,003,031
Infrastructure and services	6,001,047	-	-	6,001,047
Financial service activities	29,947,250	-	-	29,947,250
Others	6,805,644	-	-	6,805,644
Total *	52,666,972	-	90,000	52,756,972

	2018			Total
	Pass	Special mention (in thousand Baht)	Doubtful	
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

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

10.4 Classified by loan classification

	2019			Allowance for doubtful accounts (in thousand Baht)
	Loans to customers and accrued interest receivables (in thousand Baht)	Net amount used to set the allowance for doubtful accounts	Rates used for setting the allowance for doubtful accounts (%)	
Minimum allowance as per BoT's regulations				
- Pass	52,795,336	52,700,023	1	527,000
- Doubtful	90,017	90,000	100	90,000
Total *	52,885,353	52,790,023		617,000
Excess allowance				1,300
Total				618,300

	2018			Allowance for doubtful accounts (in thousand Baht)
	Loans to customers and accrued interest receivables (in thousand Baht)	Net amount used to set the allowance for doubtful accounts	Rates used for setting the allowance for doubtful accounts (%)	
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

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

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For the year ended 31 March 2019

11 Allowance for doubtful accounts

Movements in allowance for doubtful accounts for loans to customers during the years ended 31 March 2019 and 2018 consisted of:

	2019				
	Minimum allowance as per BoT's regulations				
	Pass	Special mention	Doubtful	Excess allowance	Total
	(in thousand Baht)				
Beginning balance	403,076	20,380	-	830	424,286
Allowance for doubtful accounts (reversal)	123,924	(20,380)	90,000	470	194,014
Ending balance	527,000	-	90,000	1,300	618,300

	2018				
	Minimum allowance as per BoT's regulations				
	Pass	Special mention	Doubtful	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

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12 Leasehold building improvements and equipment, net

As at 31 March 2019 and 2018, changes in leasehold building improvements and equipment were as follows:

	2019					
	Cost			Accumulated depreciation		Net book value as of 31 March 2019
	Beginning balance	Purchases and transfers in	Disposals/write-off	Ending balance	Disposals/write-off	Ending Balance
				(in thousand Baht)		
Leasehold improvement and system structure	66,251	41	-	117,629	15,956	67,293
Furniture and office equipment	48,802	2,845	(384)	109,499	21,655	79,690
Vehicles	535	-	-	980	196	641
Total	115,588	2,886	(384)	228,108	37,807	147,624
				110,018	(201)	80,484

	2018				
	Cost		Accumulated depreciation		Net book value as of
	Beginning balance	Purchases and transfers in	Disposals/ write-off	Ending balance	31 March 2018
Leasehold improvement and system structure	81,139	1,021	-	15,909	66,251
Furniture and office equipment	58,553	10,314	-	20,065	48,802
Vehicles	731	-	-	196	535
Total	140,423	11,335	-	36,170	115,588

The Bank has no fully depreciated leasehold improvements and equipment that were still used as at 31 March 2019 and 2018.

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13 Deferred tax assets, net

Deferred tax assets and liabilities as at 31 March 2019 and 2018 were as follows:

	2019 (in thousand Baht)	2018
Deferred tax assets	100,605	81,156
Deferred tax liabilities	(3,063)	(2,207)
Net	97,542	78,949

Movements in deferred tax assets and liabilities during the years ended 31 March 2019 were as follows:

	At 1 April 2018	(Charge)/Credited to : Profit or loss Other comprehensive income (Note 29) (in thousand Baht)		At 31 March 2019
Deferred tax assets				
Allowance for doubtful account	166	94	-	260
Provision for post-employment benefits	1,140	477	72	1,689
Deferred revenue	8,107	(161)	-	7,946
Loss carry forward	71,743	18,967	-	90,710
Total	81,156	19,377	72	100,605
Deferred tax liabilities				
Investments	(2,207)	(1,318)	462	(3,063)
Total	(2,207)	(1,318)	462	(3,063)
Net	78,949	18,059	534	97,542
	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
Provision for post-employment benefits	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

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As at 31 March 2019, the Bank had the benefit from tax losses of Baht 97.4 million (2018: Baht 104.5 million). Management estimated the future taxable profits and recognised the deferred tax assets of Baht 90.7 million (2018: Baht 71.7 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 utilised. Accordingly, the Bank had unrecognised deferred tax asset of Baht 6.7 million (2018: Baht 32.8 million) for loss carry forward in the financial statements as at 31 March 2019.

14 Deposits

14.1 Classified by type of deposits

	2019	2018
	<i>(in thousand Baht)</i>	
Current	19,459	22,921
Savings	387,444	884,021
Term	20,136,304	9,905,381
Total	20,543,207	10,812,323

14.2 Classified by currencies and residence of depositors

	2019	2018
	Domestic	Domestic
	<i>(in thousand Baht)</i>	
Thai Baht	20,480,440	10,720,224
US Dollar	62,767	92,099
Total	20,543,207	10,812,323

15 Interbank and money market items (liabilities)

	2019	2018
	Term	Term
	<i>(in thousand Baht)</i>	
Foreign		
US Dollar	29,514,896	17,193,106
Japanese Yen	5,614,877	440,901
Total foreign	35,129,773	17,634,007

16 Other liabilities

	Note	2019	2018
		<i>(in thousand Baht)</i>	
Payable to related party	20	79,463	32,206
Other payables		7,225	64
Accrued expenses		38,962	40,140
Accrued interest payables		28,271	30,867
Deferred revenue		6,457	7,051
Payable to Deposit Protection Agency		21,933	15,230
Others		8,769	5,275
Total		191,080	130,833

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For the year ended 31 March 2019

17 Share capital

	Par value per share (in Baht)	2019 Number (thousand shares / in thousand Baht)	2018 Number (thousand shares / in thousand Baht)	2018 Amount
Authorised				
Beginning balance - ordinary shares	1,000	20,000	20,000,000	20,000,000
Ending balance - ordinary shares	1,000	<u>20,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
Issued and paid-up				
Beginning balance - ordinary shares	1,000	20,000	20,000,000	20,000,000
Ending balance - ordinary shares	1,000	<u>20,000</u>	<u>20,000,000</u>	<u>20,000,000</u>

18 Other reserves

Other component of equity

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

	2019 (in thousand Baht)	2018
Other contingencies		
- Committed line	2,097,306	1,029,468
- Other letters of guarantee	54,427	-
Total	<u>2,151,733</u>	<u>1,029,468</u>

Litigation

As at 31 March 2019 and 2018, there was 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.

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

Name of entity/Personnel Key management personnel	Country of incorporation/ nationality Japanese / Thai	Nature of relationship 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 of immediate parent Company

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

Transactions	Pricing policies
Interest expenses	Contractually agreed 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 related parties transactions for the years ended 31 March 2019 and 2018 were as follows:

	2019 (in thousand Baht)	2018
<i>Interest expenses</i>		
Immediate parent Company	554,479	139,816
<i>Fee and service income</i>		
Immediate parent Company	-	68
<i>Fee and service expenses</i>		
Immediate parent Company	570	6
<i>Other operating income</i>		
Immediate parent Company	6,584	12,764
<i>Other expenses</i>		
Immediate parent Company	9,884	7,161
<i>Key management personnel</i>		
Short-term employee benefits	38,725	38,169
Long-term employee benefits	-	2
Total key management personnel compensation	38,725	38,171

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

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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.

Balances as at 31 March 2019 and 2018 with related parties were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
<i>Interbank and money market items (assets)</i>		
Immediate parent Company	5,591,679	441,366
<i>Interbank and money market items (liabilities)</i>		
Immediate parent Company	34,698,964	17,193,106
<i>Other liabilities</i>		
Immediate parent Company	79,463	32,206

Significant agreements with related parties

- (a) In 2014, the Bank entered into a The Usage of Symbols or Trademark agreement with the ultimate parent Company by receiving permission to use the Bank name logo, and other mark in connection with its business in Thailand. The usage fee is charged in accordance with the term in the agreement.
- (b) In 2014, the Bank entered into 2 memorandum agreements with the immediate parent Company relating to the provision of control and management and internal audit services. The service fee is charged in accordance with the terms in the agreement.
- (c) In 2015, the Bank entered into service agreements with the immediate parent Company relating to the provision of certain advisory 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 Operating leases

As at 31 March 2019, the Bank entered into a number of operating lease agreements covering office and service agreement, office equipment and service agreement, vehicles and residences for the Bank's executives with individuals and non-related companies for periods of 1 to 5 years commencing from October 2014 and ending in September 2023 (2018: periods of 1 to 5 years commencing from October 2014 and ending in January 2022).

The future minimum lease payments from the dates on the statement of financial position were summarised as follows:

Future minimum lease payments

	2019	2018
	<i>(in thousand Baht)</i>	
Within 1 year	71,259	66,749
Over 1 year but within 5 years	32,322	63,067
Total	103,581	129,816

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Amounted recognised in profit or loss

	2019	2018
	(in thousand Baht)	
Lease expense	27,377	27,273

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

For the years ended 31 March

	2019	2018
	(in thousand Baht)	
Interbank and money market items	103,648	84,622
Investments in debt securities	79,020	68,331
Loans to customers	1,065,445	689,800
Total	1,248,113	842,753

24 Interest expenses

For the years ended 31 March

	2019	2018
	(in thousand Baht)	
Deposits	199,942	138,093
Interbank and money market items	558,120	151,758
Contribution to Deposit Protection Agency	80,879	57,086
Total	838,941	346,937

25 Net fee and service expenses

For the years ended 31 March

	2019	2018
	(in thousand Baht)	
Fees and service income		
- Funds transfer services fees	161	134
- Loan guarantee	199	-
- Others	59	158
Total	419	292
Fees and service expenses		
- Funds transfer between financial institutions fees	(575)	(2,546)
- Loan registration fee	-	(424)
- Loan guarantee	(570)	-
- Others	(147)	(691)
Total	(1,292)	(3,661)
Net	(873)	(3,369)

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26 Net gains on trading and foreign exchange transactions

<i>For the years ended 31 March</i>	2019	2018
	<i>(in thousand Baht)</i>	
Gain on trading and foreign exchange transactions		
- Foreign currencies and foreign currency related derivatives	224,657	32,738
Total	224,657	32,738

27 Employee expenses

<i>For the years ended 31 March</i>	Note	2019	2018
		<i>(in thousand Baht)</i>	
Key management			
Wages, salaries and bonus		10,351	10,651
Post-employment benefits - defined benefit plans		-	2
Others		28,374	27,518
	20	38,725	38,171
Other employees			
Wages, salaries and bonus		119,163	106,571
Post-employment benefits - defined benefit plans		2,389	1,810
Others		29,352	26,561
		150,904	134,942
Total		189,629	173,113

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

<i>For the years ended 31 March</i>	Note	2019	2018
		<i>(in thousand Baht)</i>	
Loans to customers	11	194,014	182,642
Total		194,014	182,642

29 Income tax benefit

<i>For the years ended 31 March</i>	Note	2019	2018
		<i>(in thousand Baht)</i>	
Current tax expense			
Current year		-	-
Deferred tax income			
Movement in temporary difference	13	(18,059)	(6,789)
Total income tax benefit		(18,059)	(6,789)

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Income tax recognised in other comprehensive income

	2019			2018		
	Before tax	Tax benefit	Net of Tax (in thousand Baht)	Before tax	Tax (expense) benefit	Net of Tax
Available-for-sale investments	(2,311)	462	(1,849)	1,910	(382)	1,528
Defined benefit plan actuarial losses	(357)	72	(285)	(166)	33	(133)
Total	(2,668)	534	(2,134)	1,744	(349)	1,395

Reconciliation of effective tax rate

	2019		2018	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit (loss) before income tax		52,198		(36,163)
Income tax using the Thai corporation tax rate	20	10,440	20	(7,233)
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable loss, net		791		1,611
Recognition of previously unrecognised tax losses		(18,967)		(15,429)
Reversal of estimate unused tax loss carry forward		-		11,421
Current year loss for which no deferred tax asset was recognised		-		2,841
Prior years losses utilised during the year		(10,323)		-
Total	35	(18,059)	19	(6,789)

30 Earnings (loss) per share

Basic earnings (loss) per share

The calculations of basic earnings (loss) per share for the years ended 31 March 2019 and 2018 were based on the profit (loss) for the year attributable to ordinary shareholders of the Bank and the number of ordinary shares outstanding during the year as follows:

	2019	2018
For the years ended 31 March		
Profit (loss) attributable to ordinary shareholders of the Bank (basic) (in thousand Baht)	70,257	(29,374)
Number of ordinary shares outstanding (thousand shares)	20,000	20,000
Earnings (loss) per share (basic) (in Baht)	3.51	(1.47)

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Notes to the financial statements
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31 Thai Financial Reporting Standards (TFRSs) not yet adopted

A number of new and revised TFRSs which relevant to the Bank's operations are expected to have significant impact on the financial statements on the date of initial application. Those TFRSs become effective for annual financial reporting periods beginning on or after 1 January of the following years.

TFRS	Topic	Effective
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 15	Revenue from Contracts with Customers	2019
TFRS 16	Leases	2020
TAS 32*	Financial Instruments: Presentation	2020
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	2020

* TFRS - Financial instruments standards

(a) TFRS 15 Revenue from Contracts with Customers

Rendering of services

Under TFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Bank sells the services in separate transactions.

The Bank has completed assessment of the potential initial impact on the financial statements of TFRS 15 and expects that there will be no material impact on the financial statements in the period of initial application.

(b) TFRS - Financial instruments standards

These TFRSs establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

Management is presently considering the potential impact of adopting and initially applying TFRS - Financial instruments standards on the financial statements.

(c) TFRS 16 Leases

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. These are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases.

Management is presently considering the potential impact of adopting and initially applying TFRS 16 on the financial statements.

