

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

Interim financial statements
for the six-month period ended
30 September 2019
and
Independent Auditor's Report



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Independent Auditor's Report

To the Board of Directors of Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Opinion

I have audited the interim financial statements of Sumitomo Mitsui Trust Bank (Thai) Public Company Limited (the "Bank"), which comprise the statement of financial position as at 30 September 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Bank as at 30 September 2019, and its financial performance and cash flows for the six-month period 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 Interim 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 interim 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.

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

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

In preparing the interim 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 Interim Financial Statements

My objectives are to obtain reasonable assurance about whether the interim 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 interim 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 interim 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 interim 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 interim financial statements, including the disclosures, and whether the interim 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.

(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
25 November 2019

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of financial position

		30 September	31 March
	Note	2019	2019
<i>(in thousand Baht)</i>			
Assets			
Cash		25	28
Interbank and money market items, net	7, 20	16,313,481	16,467,491
Derivative assets	8	29,130	167,326
Investments, net	9	5,438,352	6,145,852
Loans to customers and accrued interest receivables, net	10		
Loans to customers		54,744,107	52,866,033
Accrued interest receivables		110,072	128,381
Total loans to customers and accrued interest receivables		54,854,179	52,994,414
Less deferred revenue		(34,395)	(33,051)
Less allowance for doubtful accounts	10.4, 11	(635,288)	(618,300)
Total loans to customers and accrued interest receivables, net		54,184,496	52,343,063
Leasehold building improvements and equipment, net	12	71,279	80,484
Intangible assets, net		32,489	41,671
Deferred tax assets, net	13	64,112	97,542
Other assets		324,422	132,061
Total assets		76,457,786	75,475,518
Liabilities and equity			
Liabilities			
Deposits	14	12,831,447	20,543,207
Interbank and money market items	15, 20	43,496,256	35,129,773
Derivative liabilities	8	357,742	90,347
Provision for post-employment benefits		11,018	8,446
Other liabilities	16, 20	171,491	191,080
Total liabilities		56,867,954	55,962,853
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	9.2, 18	2,442	(941)
Deficit		(412,610)	(486,394)
Total equity		19,589,832	19,512,665
Total liabilities and equity		76,457,786	75,475,518



(Signature)

(Mr. Manabu Inoue)
Chief Executive Officer

(Signature)

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

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statements of profit or loss and other comprehensive income

		Six-month periods ended	
		30 September	
	Note	2019	2018
(in thousand Baht)			
Interest income	23	804,143	544,479
Interest expenses	20, 24	588,707	333,157
Net interest income		215,436	211,322
Fee and service income		2,194	155
Fee and service expenses		2,625	327
Net fee and service expenses	25	(431)	(172)
Net gains on trading and foreign exchange transactions	26	127,312	89,175
Other operating income		1,959	403
Total operating income		344,276	300,728
Other operating expenses			
Employee expenses	20, 27	100,057	92,985
Directors' remuneration	20	1,459	1,443
Premises and equipment expenses		47,773	48,318
Taxes and duties		24,117	16,655
Others	20	33,026	34,733
Total other operating expenses		206,432	194,134
Bad debts, doubtful accounts and impairment loss	28	30,596	50,861
Profit from operations before income tax		107,248	55,733
Income tax expense (benefit)	29	32,760	(20,996)
Profit for the period		74,488	76,729
Other comprehensive income (loss)			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gains (losses) on remeasuring available-for-sale investments		4,229	(1,192)
Income tax relating to items that will be reclassified subsequently to profit or loss	29	(846)	238
		3,383	(954)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Losses on remeasurements of defined benefit obligations		(880)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	29	176	-
		(704)	-
Other comprehensive income (loss) for the period,			
net of income tax		2,679	(954)
Total comprehensive income for the period		77,167	75,775
Basic earnings per share (in Baht)	30	3.72	3.84

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited


Statement of changes in equity

	Issued and paid-up share capital	Other reserves Revaluation surplus (deficit) on available-for-sale investments, net (in thousand Baht)	Deficit	Total equity
Six-month period ended 30 September 2018				
Balance as at 1 April 2018	20,000,000	908	(556,366)	19,444,542
Comprehensive income (loss) for the period				
Profit for the period	-	-	76,729	76,729
Other comprehensive income (loss)	-	(954)	-	(954)
Total comprehensive income (loss) for the period	-	(954)	76,729	75,775
Balance as at 30 September 2018	20,000,000	(46)	(479,637)	19,520,317
Six-month period ended 30 September 2019				
Balance as at 1 April 2019	20,000,000	(941)	(486,394)	19,512,665
Comprehensive income (loss) for the period				
Profit for the period	-	-	74,488	74,488
Other comprehensive income (loss)	-	3,383	(704)	2,679
Total comprehensive income (loss) for the period	-	3,383	73,784	77,167
Balance as at 30 September 2019	20,000,000	2,442	(412,610)	19,589,832





 (Mr. Manabu Inoue)
 Chief Executive Officer



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



Balance as at 30 September 2019

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Statement of cash flows

	Six-month periods ended	
	30 September	
	2019	2018
	(in thousand Baht)	
Cash flows from operating activities		
Profit from operations before income tax	107,248	55,733
Adjustment to reconcile profit from operations before income tax to net cash provided by (used in) operating activities		
Depreciation and amortisation	24,644	23,616
Bad debts, doubtful accounts and impairment loss	30,596	50,861
Loss on write-off of equipment	-	14
Unrealised losses on revaluation of derivative contract	215,697	190,206
Provision for post-employment benefits	1,692	1,191
Net interest income	(215,436)	(211,322)
Interest received	771,649	505,282
Interest paid	(557,268)	(283,432)
Profit from operations before changes in operating assets and liabilities	378,822	332,149
Decrease (increase) in operating assets		
Interbank and money market items	139,917	(11,175,879)
Loans to customers	(1,688,180)	(5,082,363)
Other assets	(192,361)	(111,309)
Increase (decrease) in operating liabilities		
Deposits	(7,711,760)	9,923,397
Interbank and money market items	8,366,483	6,570,405
Other liabilities	(53,494)	(39,493)
Net cash (used in) provided by operating activities	(760,573)	416,907
Cash flows from investing activities		
Purchase of available-for-sale investments	(6,006,639)	(5,276,626)
Proceeds from available-for-sale investments	6,771,000	4,861,000
Purchase of leasehold building improvements and equipment	(3,791)	(430)
Purchase of intangible assets	-	(842)
Net cash provided by (used in) investing activities	760,570	(416,898)
Net (decrease) increase in cash	(3)	9
Cash at beginning of the period	28	20
Cash at end of the period	25	29



(Mr. Manabu Inoue)
Chief Executive Officer



(Signature)

Supplementary disclosures of cash flow information

Non-cash transactions:

Increase in payable for purchase of leasehold building improvements and equipment

2,466

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

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

Note	Contents
1	General information
2	Basis of preparation of the interim financial statements
3	Significant accounting policies
4	Financial risk management
5	Fair value of financial assets and liabilities
6	Maintenance of capital fund
7	Interbank and money market items, net (assets)
8	Derivatives
9	Investments, net
10	Loans to customers and accrued interest receivables, net
11	Allowance for doubtful accounts
12	Leasehold building improvements and equipment, net
13	Deferred tax assets, net
14	Deposits
15	Interbank and money market items (liabilities)
16	Other liabilities
17	Share capital
18	Other reserves
19	Contingent liabilities
20	Related parties
21	Operating leases
22	Financial position and results of operations classified by domestic and foreign business
23	Interest income
24	Interest expenses
25	Net fees and service expenses
26	Net gains on trading and foreign exchange transactions
27	Employee expenses
28	Bad debts, doubtful accounts and impairment loss
29	Income tax expense (benefit)
30	Earnings per share
31	Thai Financial Reporting Standards (TFRSs) not yet adopted

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

These notes form an integral part of the interim financial statements.

The interim 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 25 November 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 period was Sumitomo Mitsui Trust Holding, Inc. and the immediate parent company during the period 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 interim financial statements

(a) Statement of compliance

The interim financial statements are prepared in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2018) *Interim Financial Reporting*; 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 4 December 2015, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are the parent company of group of companies offering financial services”.

New and revised TFRSs are effective for annual accounting periods beginning on or after 1 January 2019. The initial application of these new and revised TFRSs has resulted in changes in certain of the Bank’s accounting policies. There is no material impact on the Bank’s financial statements. The Bank has initial applied TFRS 15 *Revenue from Contracts with Customers* (“TFRS 15”) which replaces TAS 18 *Revenue* (“TAS 18”) and related interpretations. The details of accounting policies are disclosed in note 3(1).

The Bank has assessed the impact of initial adoption of TFRS 15 using the cumulative effect method, taking into account the effect of initially applying this standard only to contracts that were not completed before 1 April 2019. The impact on retained earnings as at 1 April 2019 was not material. Therefore, the Bank has not adjusted the retained earnings as at 1 April 2019 and not restated the information presented for 2018, as previously reported under TAS 18 and related interpretations. The disclosure requirements of TFRS 15 have not generally been applied to comparative information.

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

(b) Basis of measurement

The interim 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

(c) Functional and presentation currency

The interim 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 interim financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of the Bank's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties as at 30 September 2019 that have a significant risk of resulting in a material adjustments to the carrying amounts of assets and liabilities recognised in the interim 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.

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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

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).

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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

(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 bid price at the reporting date.

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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

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 period 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.

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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

(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 periods are as follows:

Software licenses	5 - 10 years
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(h) Impairment

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

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

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

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.

(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 recognised in profit or loss immediately.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

(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 period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

Other long-term employee benefits

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

Termination benefits

Termination benefits are expensed at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Short-term employee benefits

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

(k) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligations.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

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 and discounts on loans to customers 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.

Accounting policies for revenue recognition for the six-month period ended 30 September 2019

Fees and service income are recognised when a customer obtains control of the services in an amount that reflects the consideration to which the Bank expects to be entitled.

Fees and service income are recognised over time as the services are provided. The related costs are recognised in profit or loss when they are incurred.

Accounting policies for revenue recognition for the six-month period ended 30 September 2018

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

(m) *Expenses*

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

(n) *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(o) *Income tax*

Income tax expense for the period 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 period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

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

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 periods based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

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

(p) Earnings per share

The Bank presents basic earnings per share for its ordinary shares which is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the number of ordinary shares outstanding during the period.

(q) Related parties

Related parties are a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Bank; a person or entity that are under common control or under the same significant influence as the Bank; or the Bank has direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

(r) 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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 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 30 September 2019 and 31 March 2019, significant financial assets and financial liabilities classified by types of interest rate are as follows:

	30 September 2019			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in thousand Baht)			
Financial assets				
Cash	-	-	25	25
Interbank and money market items*	-	11,360,524	4,966,565	16,327,089
Investments, net	-	5,438,352	-	5,438,352
Loans to customers net of deferred revenue**	27,235,910	27,207,898	-	54,443,808
Accrued interest receivables	-	-	110,072	110,072
Other assets	308,244	-	353	308,597
Total financial assets	27,544,154	44,006,774	5,077,015	76,627,943
Financial liabilities				
Deposits	-	12,733,944	97,503	12,831,447
Interbank and money market items	16,829,694	26,666,562	-	43,496,256
Other liabilities	-	-	111,525	111,525
Total financial liabilities	16,829,694	39,400,506	209,028	56,439,228
Effect of derivatives held for risk management***	17,075,127	(17,075,127)	-	-

* Before deducting allowance for doubtful accounts

** Exclude fair value adjustment in loans to customers

*** Risk management for loans to customers

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

	31 March 2019			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in thousand Baht)			
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)	-	-

* Exclude fair value adjustment in loans to customers

** Risk management for loans to customers

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

	30 September 2019			31 March 2019		
	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	9,984,489	77,871	1.560	6,679,918	103,648	1.552
Investments	6,249,818	52,632	1.684	5,691,436	79,020	1.388
Loans to customers	54,557,752	673,640	2.469	46,992,087	1,065,445	2.267
Total	70,792,059	804,143		59,363,441	1,248,113	
Financial liabilities						
Deposits	17,386,497	163,738	1.884	17,371,070	280,821	1.617
Interbank and money market items	38,741,281	424,969	2.194	27,009,081	558,120	2.066
Total	56,127,778	588,707		44,380,151	838,941	

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

Significant financial assets and financial liabilities classified by earlier of maturity or interest repricing as at 30 September 2019 and 31 March 2019 are as follows:

	30 September 2019							
	Repricing periods							
	Immediate repricing	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-performing assets	Non-interest bearing	Total
			(in thousand Baht)					
Financial assets								
Cash	-	-	-	-	-	-	25	25
Interbank and money market items*	-	11,360,524	-	-	-	-	4,966,565	16,327,089
Investments, net	-	998,055	4,440,297	-	-	-	-	5,438,352
Loans to customers net of deferred revenue**	16,963,700	8,353,210	6,891,300	21,570,471	575,127	90,000	-	54,443,808
Accrued interest receivables	-	-	-	-	-	-	110,072	110,072
Other assets	308,244	-	-	-	-	-	353	308,597
Total financial assets	17,271,944	20,711,789	11,331,597	21,570,471	575,127	90,000	5,077,015	76,627,943
Financial liabilities								
Deposits	283,673	10,901,500	1,548,771	-	-	-	97,503	12,831,447
Interbank and money market items	-	43,496,256	-	-	-	-	-	43,496,256
Other liabilities	-	-	-	-	-	-	111,525	111,525
Total financial liabilities	283,673	54,397,756	1,548,771	-	-	-	209,028	56,439,228
Effect of derivatives held for risk management***	17,075,127	-	-	(16,500,000)	(575,127)	-	-	-

* Before deducting allowance for doubtful accounts

** Exclude fair value adjustment in loans to customers

*** Risk management for loans to customers

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

31 March 2019

	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	Total
Financial assets						
Cash	-	-	-	-	-	28
Interbank and money market items	-	10,400,000	-	-	-	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	52,756,972
Accrued interest receivables	-	-	-	-	-	128,381
Other assets	120,386	-	-	-	-	120,566
Total financial assets	16,327,886	21,196,829	8,536,814	22,673,621	598,060	75,619,290
Financial liabilities						
Deposits	387,444	18,660,200	1,476,074	30	-	20,543,207
Interbank and money market items	-	35,129,773	-	-	-	35,129,773
Other liabilities	-	-	-	-	-	125,025
Total financial liabilities	387,444	53,789,973	1,476,074	30	-	55,798,005
Effect of derivatives held for risk management**	17,098,060	-	-	(16,500,000)	(598,060)	-

* Exclude fair value adjustment in loans to customers

** Risk management for loans to customers

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

(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 30 September 2019 and 31 March 2019, the Bank has net open position assets (liabilities) denominated in the various currencies as follows:

	30 September 2019		31 March 2019	
	US Dollar	Japanese Yen (in thousand Baht)	US Dollar	Japanese Yen
Spot	(33,069,745)	(5,618)	(25,506,698)	(14,957)
Forward	33,039,198	-	25,512,983	-
Net position	(30,547)	(5,618)	6,285	(14,957)

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 30 September 2019 within 4 months after the period end date, as indicated in the notification, through the Bank's website www.smtb.jp/smtbthai/

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements For the six-month period ended 30 September 2019

The remaining period to maturity of significant financial assets and financial liabilities as at 30 September 2019 and 31 March 2019 based on contractual maturity is as follows:

	At call	Within 3 months	Over 3 months to 1 year	30 September 2019 Over 1 year to 5 years (in thousand Baht)	Over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	25	25
Interbank and money market items*	4,965,981	11,361,108	-	-	-	-	16,327,089
Derivative assets	-	29,130	-	-	-	-	29,130
Investments, net	-	998,055	4,440,297	-	-	-	5,438,352
Loans to customers net of deferred revenue**	16,963,700	835,000	5,863,817	25,717,346	5,063,945	-	54,443,808
Accrued interest receivables	1,019	76,446	32,607	-	-	-	110,072
Other assets	308,597	-	-	-	-	-	308,597
Total financial assets	22,239,297	13,299,739	10,336,721	25,717,346	5,063,945	25	76,657,073
Financial liabilities							
Deposits	381,176	10,901,500	1,548,771	-	-	-	12,831,447
Interbank and money market items	-	26,666,562	283,443	16,546,251	-	-	43,496,256
Derivatives liabilities	-	91,838	5,216	227,122	33,566	-	357,742
Other liabilities	598	74,083	25,194	11,650	-	-	111,525
Total financial liabilities	381,774	37,733,983	1,862,624	16,785,023	33,566	-	56,796,970
Net liquidity gap	21,857,523	(24,434,244)	8,474,097	8,932,323	5,030,379	25	19,860,103

* Before deducting allowance for doubtful accounts

** Exclude fair value adjustment in loans to customers

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

	At call	Within 3 months	Over 3 months to 1 year	31 March 2019 Over 1 year to 5 years (in thousand Baht)	Over 5 years	No maturity	Total
<i>Financial assets</i>							
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
<i>Financial liabilities</i>							
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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

Derivatives

The remaining periods to maturity of the notional amount of derivatives as at 30 September 2019 and 31 March 2019 are as follows:

	Within 3 months	Over 3 months to 1 year	30 September 2019 Over 1 year to 5 years (in thousand Baht)	Over 5 years	Total
<i>Foreign currency related</i>					
Foreign exchange swap contracts	33,277,814	-	-	-	33,277,814
<i>Interest rate related</i>					
Interest rate swap contracts	-	3,100,000	13,400,000	575,127	17,075,127
Total	33,277,814	3,100,000	13,400,000	575,127	50,352,941

	Within 3 months	Over 3 months to 1 year	31 March 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

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)			
30 September 2019				
Financial assets				
Investments				
- Available-for-sale investments	-	5,438,352	-	5,438,352
Derivatives				
- Foreign exchange swap contracts	-	29,130	-	29,130
Loans to customers	-	-	265,904	265,904
Financial liabilities				
Derivatives				
- Foreign exchange swap contracts	-	91,838	-	91,838
- Interest rate swap contracts	-	265,904	-	265,904

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

	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

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 six-month period ended 30 September 2019 and the year ended 31 March 2019.

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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

	<i>Note</i>	Six-month period ended 30 September 2019 <i>(in thousand Baht)</i>	Year ended 31 March 2019
Beginning balance		76,010	10,586
Gains recognised in profit or loss		189,894	65,424
Ending balance	8.2, 10.1	265,904	76,010

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			Total
		Level 1	Level 2	Level 3	
		<i>(in thousand Baht)</i>			
30 September 2019					
Financial assets					
Loans to customers	21,566,285	-	-	22,237,112	22,237,112
31 March 2019					
Financial assets					
Loans to customers	22,670,550	-	-	23,097,001	23,097,001

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.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 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 30 September 2019 and 31 March 2019, the Bank's total capital funds and capital ratio can be categorised as follows:

	30 September 2019 (in thousand Baht)	31 March 2019
Tier 1 capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	20,000,000	20,000,000
Net profits after appropriated	(486,394)	(479,638)
Other comprehensive income	2,442	(941)
Less capital deduction items on CET1	(97,516)	(145,930)
Total Tier 1 Capital Base	19,418,532	19,373,491
Total Risk-Weighted Assets	53,282,228	49,182,565

	The BoT's regulation minimum requirement*	30 September 2019 (%)	The BoT's regulation minimum requirement*	31 March 2019
Capital Adequacy Ratio	11.000	36.44	11.000	39.39
Tier-1 Capital ratio	8.500	36.44	8.500	39.39
Tier-1 Common Equity ratio	7.000	36.44	7.000	39.39

* 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 30 September 2019 and 31 March 2019, 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 30 September 2019 within 4 months after the period end date, as indicated in the notification, through the Bank's website www.smtb.jp/smtbthai/

Capital management

The Management's policy is to maintain a strong capital base 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
Notes to the interim financial statements
For the six-month period ended 30 September 2019

7 Interbank and money market items, net (assets)

	30 September 2019			31 March 2019		
	At call	Term	Total	At call	Term	Total
	(in thousand Baht)					
Domestic						
Bank of Thailand	774,199	10,000,000	10,774,199	414,730	10,400,000	10,814,730
Commercial banks	40,481	-	40,481	38,290	-	38,290
Specialised financial institution	-	1,360,524	1,360,524	-	-	-
Total	814,680	11,360,524	12,175,204	453,020	10,400,000	10,853,020
Add accrued interest receivables	-	584	584	-	1,069	1,069
Less allowance for doubtful accounts	-	(13,608)	(13,608)	-	-	-
Total domestic	814,680	11,347,500	12,162,180	453,020	10,401,069	10,854,089
Foreign						
US Dollar	22,664	-	22,664	21,723	-	21,723
Japanese Yen	4,128,637	-	4,128,637	5,591,679	-	5,591,679
Total foreign	4,151,301	-	4,151,301	5,613,402	-	5,613,402
Total domestic and foreign	4,965,981	11,347,500	16,313,481	6,066,422	10,401,069	16,467,491

8 Derivatives

8.1 Derivatives held for trading

As at 30 September 2019 and 31 March 2019, the fair value and notional amount of derivatives classified by type of risks were as follows:

	30 September 2019			31 March 2019		
Type of risks	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
	(in thousand Baht)					
Foreign currency related	29,130	91,838	33,277,814	154,111	1,122	25,792,926
Total	29,130	91,838	33,277,814	154,111	1,122	25,792,926

As at 30 September 2019 and 31 March 2019, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

	30 September 2019	31 March 2019
	(%)	
Counterparties		
Financial institutions	99	99
Third party	1	1
Total	100	100

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

8.2 Derivatives held for hedging

Fair value hedges

Type of risks	30 September 2019			31 March 2019		
	Fair value Assets	Liabilities	Notional amount	Fair value Assets	Liabilities	Notional amount
			(in thousand Baht)			
Interest rate related	-	265,904	17,075,127	13,215	89,225	17,098,060
Total	-	265,904	17,075,127	13,215	89,225	17,098,060

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 six-month periods ended 30 September 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 30 September 2019 and 31 March 2019, the Bank classified investment types, as follow:

	30 September 2019	31 March 2019
	(in thousand Baht)	
<i>Available-for-sale investments - Fair value</i>		
Government securities	5,438,352	6,145,852
Total investment	5,438,352	6,145,852

As at 30 September 2019 and 31 March 2019, the Bank had no investments in securities pledged as collateral or under restriction.

As at 30 September 2019 and 31 March 2019, 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 surplus (deficit) on available-for-sale investments

As at 30 September 2019 and 31 March 2019, revaluation surplus (deficit) on investments is summarised as follows:

	30 September 2019	31 March 2019
	(in thousand Baht)	
<i>Debt securities</i>		
Revaluation surplus on investments	3,207	-
Revaluation deficit on investments	(155)	(1,176)
Net revaluation surplus (deficit) on investments	3,052	(1,176)
(Less)/add deferred tax	(610)	235
Net	2,442	(941)

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

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

	30 September 2019 Remaining period Within 1 year (in thousand Baht)	31 March 2019 Remaining period Within 1 year
Available-for-sale investments		
Government securities	5,435,300	6,147,028
Add/(less) allowance for revaluation	3,052	(1,176)
Total	5,438,352	6,145,852

10 Loans to customers and accrued interest receivables, net

10.1 Classified by type of loans

	30 September 2019 (in thousand Baht)	31 March 2019
Loans	54,478,203	52,790,023
Less deferred revenue	(34,395)	(33,051)
Loan to customers net of deferred revenue	54,443,808	52,756,972
Add fair value adjustment in loans to customers	265,904	76,010
Add accrued interest receivables	110,072	128,381
Total loans to customers net of deferred revenue and accrued interest receivables	54,819,784	52,961,363
Less allowance for doubtful accounts		
- BoT's minimum requirement - Individual approach	(634,155)	(617,000)
- Allowance in excess	(1,133)	(1,300)
Total loans to customers and accrued interest receivables, net	54,184,496	52,343,063

10.2 Classified by currencies and residence of debtors

	30 September 2019			31 March 2019		
	Foreign	Domestic	Total	Foreign	Domestic	Total
	(in thousand Baht)					
Thai Baht	-	50,446,472	50,446,472	-	48,641,160	48,641,160
US Dollar	739,113	3,258,223	3,997,336	703,478	3,412,334	4,115,812
Total*	739,113	53,704,695	54,443,808	703,478	52,053,494	52,756,972

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

10.3 Classified by industry and loan classification

	30 September 2019			
	Pass	Special mention (in thousand Baht)	Doubtful	Total
Manufacturing and commerce	12,857,637	51,000	90,000	12,998,637
Infrastructure and services	4,722,274	-	-	4,722,274
Financial service activities	29,029,943	-	-	29,029,943
Others	7,692,954	-	-	7,692,954
Total *	54,302,808	51,000	90,000	54,443,808

	31 March 2019			
	Pass	Special mention (in thousand Baht)	Doubtful	Total
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

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

10.4 Classified by loan classification

	30 September 2019			
	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 (%)	Allowance for doubtful accounts (in thousand Baht)
Minimum allowance as per BoT's regulations				
- Pass	54,412,845	54,313,516	1	543,135
- Special mention	51,003	51,000	2	1,020
- Doubtful	90,032	90,000	100	90,000
Total *	54,553,880	54,454,516		634,155
Excess allowance				1,133
Total				635,288

	31 March 2019			
	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 (%)	Allowance for doubtful accounts (in thousand Baht)
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

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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

11 Allowance for doubtful accounts

Movements in allowance for doubtful accounts for loans to customers during the six-month period ended 30 September 2019 and during the year ended 31 March 2019 consisted of:

	30 September 2019				
	Minimum allowance as per BoT's regulations				
	Pass	Special mention	Doubtful	Excess allowance	Total
	(in thousand Baht)				
Beginning balance	527,000	-	90,000	1,300	618,300
Allowance for doubtful accounts (reversal)	16,135	1,020	-	(167)	16,988
Ending balance	543,135	1,020	90,000	1,133	635,288

	31 March 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

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 September 2019

12 Leasehold building improvements and equipment, net

As at 30 September 2019 and 31 March 2019, changes in leasehold building improvements and equipment were as follows:

	30 September 2019								
	Cost			Accumulated depreciation			Net book value as of 30 September 2019		
	Beginning balance	Purchases and transfers in	Disposals/ write-off	Ending balance <i>(in thousand Baht)</i>	Beginning balance	Depreciation	Disposals/ write-off	Ending Balance	
Leasehold improvement and system structure	50,336	-	-	117,629	67,293	8,000	-	75,293	42,336
Furniture and office equipment	29,809	6,025	-	115,524	79,690	11,476	-	91,166	24,358
Vehicles	339	-	-	980	641	98	-	739	241
Construction in progress	-	4,344	-	4,344	-	-	-	-	4,344
Total	80,484	10,369	-	238,477	147,624	19,574	-	167,198	71,279
	31 March 2019								
	Cost			Accumulated depreciation			Net book value as of 31 March 2019		
	Beginning balance	Purchases and transfers in	Disposals/ write-off	Ending balance <i>(in thousand Baht)</i>	Beginning balance	Depreciation	Disposals/ write-off	Ending Balance	
Leasehold improvement and system structure	66,251	41	-	117,629	51,337	15,956	-	67,293	50,336
Furniture and office equipment	48,802	2,845	(384)	109,499	58,236	21,655	(201)	79,690	29,809
Vehicles	535	-	-	980	445	196	-	641	339
Total	115,588	2,886	(384)	228,108	110,018	37,807	(201)	147,624	80,484

The Bank has no fully depreciated leasehold building improvements and equipment that were still used as at 30 September 2019 and 31 March 2019.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

13 Deferred tax assets, net

Deferred tax assets and liabilities as at 30 September 2019 and 31 March 2019 were as follows:

	30 September 2019	31 March 2019
	<i>(in thousand Baht)</i>	
Deferred tax assets	68,072	100,605
Deferred tax liabilities	(3,960)	(3,063)
Net	64,112	97,542

Movements in deferred tax assets and liabilities during the six-month periods ended 30 September 2019 and 2018 were as follows:

	At 1 April 2019	<u>(Charge)/Credited to :</u>		At 30 September 2019
		Profit or loss	Other comprehensive income	
		<i>(Note 29)</i>		
		<i>(in thousand Baht)</i>		
Deferred tax assets				
Allowance for doubtful account	260	(33)	-	227
Provision for post-employment benefits	1,689	339	176	2,204
Deferred revenue	7,946	(544)	-	7,402
Loss carry forward	90,710	(32,471)	-	58,239
Total	100,605	(32,709)	176	68,072
Deferred tax liabilities				
Investments	(3,063)	(51)	(846)	(3,960)
Total	(3,063)	(51)	(846)	(3,960)
Net	97,542	(32,760)	(670)	64,112
	At 1 April 2018	<u>(Charge)/Credited to :</u>		At 30 September 2018
		Profit or loss	Other comprehensive income	
		<i>(Note 29)</i>		
		<i>(in thousand Baht)</i>		
Deferred tax assets				
Allowance for doubtful account	166	7	-	173
Provision for post-employment benefits	1,140	238	-	1,378
Deferred revenue	8,107	(582)	-	7,525
Loss carry forward	71,743	22,443	-	94,186
Total	81,156	22,106	-	103,262
Deferred tax liabilities				
Investments	(2,207)	(1,110)	238	(3,079)
Total	(2,207)	(1,110)	238	(3,079)
Net	78,949	20,996	238	100,183

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

As at 30 September 2019, the Bank had the benefit from tax losses of Baht 58.2 million (*31 March 2019: Baht 97.4 million*). Management estimated the future taxable profits and recognised the deferred tax assets of Baht 58.2 million (*31 March 2019: Baht 90.7 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 no unrecognised deferred tax asset (*31 March 2019: Baht 6.7 million*) for loss carry forward in the financial statements as at 30 September 2019.

14 Deposits

14.1 Classified by type of deposits

	30 September 2019	31 March 2019
	<i>(in thousand Baht)</i>	
Current	97,503	19,459
Savings	283,673	387,444
Term	12,450,271	20,136,304
Total	12,831,447	20,543,207

14.2 Classified by currencies and residence of depositors

	30 September 2019	31 March 2019
	Domestic	Domestic
	<i>(in thousand Baht)</i>	
Thai Baht	12,770,513	20,480,440
US Dollar	60,934	62,767
Total	12,831,447	20,543,207

15 Interbank and money market items (liabilities)

	30 September 2019	31 March 2019
	Term	Term
	<i>(in thousand Baht)</i>	
Domestic		
Specialised financial institution	1,000,000	-
Total domestic	1,000,000	-
Foreign		
US Dollar	36,954,955	29,514,896
Japanese Yen	5,541,301	5,614,877
Total foreign	42,496,256	35,129,773
Total domestic and foreign	43,496,256	35,129,773

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

16 Other liabilities

	Note	30 September 2019	31 March 2019
		<i>(in thousand Baht)</i>	
Payable to related party	20	85,740	79,463
Other payables		3,368	7,225
Accrued expenses		34,398	38,962
Accrued interest payables		12,829	28,271
Deferred revenue		5,824	6,457
Payable to Deposit Protection Agency		18,346	21,933
Others		10,986	8,769
Total		171,491	191,080

17 Share capital

	Par value per share <i>(in Baht)</i>	30 September 2019		31 March 2019	
		Number	Amount	Number	Amount
		<i>(thousand shares / in thousand Baht)</i>			
Authorised					
Beginning balance - ordinary shares	1,000	20,000	20,000,000	20,000	20,000,000
Ending balance - ordinary shares	1,000	20,000	20,000,000	20,000	20,000,000
Issued and paid-up					
Beginning balance - ordinary shares	1,000	20,000	20,000,000	20,000	20,000,000
Ending balance - ordinary shares	1,000	20,000	20,000,000	20,000	20,000,000

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

	30 September 2019	31 March 2019
	<i>(in thousand Baht)</i>	
Other contingencies		
- Committed line	2,554,845	2,097,306
- Other letters of guarantee	98,148	54,427
Total	2,652,993	2,151,733

Litigation

As at 30 September 2019 and 31 March 2019, there was no litigation case outstanding against the Bank.

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

20 Related parties

Related parties that the Bank had significant transactions with during the period were as follows:

Name of entity/Personnel	Country of incorporation/ nationality	Nature of relationship
Key management personnel	Japanese / Thai	Persons having authority and responsibility for planning, 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 six-month periods ended 30 September 2019 and 2018 were as follows:

<i>Six-month periods ended 30 September</i>	2019	2018
	<i>(in thousand Baht)</i>	
<i>Interest expenses</i>		
Immediate parent company	420,729	211,547
<i>Other expenses</i>		
Immediate parent company	7,115	6,479
<i>Key management personnel compensation</i>		
Short-term and other employee benefits	22,477	20,460

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

Significant balances as at 30 September 2019 and 31 March 2019 with related parties were as follows:

	30 September 2019	31 March 2019
	<i>(in thousand Baht)</i>	
<i>Interbank and money market items (assets)</i>		
Immediate parent company	4,128,637	5,591,679
<i>Interbank and money market items (liabilities)</i>		
Immediate parent company	42,071,092	34,698,964
<i>Other liabilities</i>		
Immediate parent company	85,740	79,463

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 30 September 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 2015 and ending in September 2023 (31 March 2019: periods of 1 to 5 years commencing from October 2014 and ending in September 2023).

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

Future minimum lease payments

	30 September 2019	31 March 2019
	<i>(in thousand Baht)</i>	
Within 1 year	49,994	71,259
Over 1 year but within 5 years	39,085	32,322
Total	89,079	103,581

Amount recognised in profit or loss

<i>Six-month periods ended 30 September</i>	2019	2018
	<i>(in thousand Baht)</i>	
Lease expense	12,811	12,357

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

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

<i>Six-month periods ended 30 September</i>	2019	2018
	<i>(in thousand Baht)</i>	
Interbank and money market items	77,871	41,146
Investments in debt securities	52,632	36,042
Loans to customers	673,640	467,291
Total	804,143	544,479

24 Interest expenses

<i>Six-month periods ended 30 September</i>	2019	2018
	<i>(in thousand Baht)</i>	
Deposits	122,392	84,901
Interbank and money market items	424,969	212,133
Contribution to Deposit Protection Agency	41,346	36,123
Total	588,707	333,157

25 Net fee and service expenses

<i>Six-month periods ended 30 September</i>	2019	2018
	<i>(in thousand Baht)</i>	
Fees and service income		
- Fund transfer services fees	80	57
- Loan guarantee	160	-
- Prepayment fee	1,926	-
- Others	28	98
Total	2,194	155
Fees and service expenses		
- Fund transfer between financial institution fees	363	294
- Loan registration fee	1,442	-
- Legal service fee	387	-
- Others	433	33
Total	2,625	327
Net	(431)	(172)

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

26 Net gains on trading and foreign exchange transactions

<i>Six-month periods ended 30 September</i>	2019 (in thousand Baht)	2018
Gains on trading and foreign exchange transactions		
- Foreign currencies and foreign currency related derivatives	127,312	89,175
Total	127,312	89,175

27 Employee expenses

<i>Six-month periods ended 30 September</i>	Note	2019 (in thousand Baht)	2018
Key management			
Wages, salaries and bonus		6,181	6,188
Non-monetary benefits		14,212	14,135
Others		2,084	137
	20	22,477	20,460
Other employees			
Wages, salaries and bonus		62,038	57,340
Non-monetary benefits		11,333	11,522
Post-employment benefits - defined benefit plans		1,594	1,190
Others		2,615	2,473
		77,580	72,525
Total		100,057	92,985

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>Six-month periods ended 30 September</i>	Note	2019 (in thousand Baht)	2018
Interbank and money market items	7	13,608	-
Loans to customers	11	16,988	50,861
Total		30,596	50,861

29 Income tax expense (benefit)

<i>Six-month periods ended 30 September</i>	Note	2019 (in thousand Baht)	2018
Current tax expense			
Current period		-	-
Deferred tax expense			
Movement in temporary difference	13	32,760	(20,996)
Total income tax expense (benefit)		32,760	(20,996)

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

Income tax recognised in other comprehensive income

<i>Six-month periods ended 30 September</i>	2019			2018		
	Before tax	Tax (expense) benefit	Net of Tax (in thousand Baht)	Before tax	Tax benefit	Net of Tax
Available-for-sale investments	4,229	(846)	3,383	(1,192)	238	(954)
Defined benefit plan actuarial losses	(880)	176	(704)	-	-	-
Total	3,349	(670)	2,679	(1,192)	238	(954)

Reconciliation of effective tax rate

<i>Six-month periods ended 30 September</i>	2019		2018	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax		107,248		55,733
Income tax using the Thai corporation tax rate	20	21,450	20	11,147
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable income, net		2,758		(2,113)
Recognition of previously unrecognised tax losses		-		(22,443)
Utilisation of previously unrecognised tax losses		-		(7,304)
Over provided in prior periods		-		(283)
Others		8,552		-
Total	31	32,760	38	(20,996)

30 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the six-month periods ended 30 September 2019 and 2018 were based on the profit for the period attributable to ordinary shareholders of the Bank and the number of ordinary shares outstanding during the period as follows:

<i>Six-month periods ended 30 September</i>	2019 (in thousand Baht / thousand shares)	2018
Profit attributable to ordinary shareholders of the Bank (basic)	74,488	76,729
Number of ordinary shares outstanding	20,000	20,000
Earnings per share (basic) (in Baht)	3.72	3.84

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 September 2019

31 Thai Financial Reporting Standards (TFRSs) not yet adopted

New TFRSs, which are relevant to the Bank's operations, are expected to have material impact on the Bank's financial statements when initially adopted, and will become effective for the financial statements in annual reporting periods beginning on or after 1 January 2020 as follows:

TFRS	Topic
TFRS 7*	Financial Instruments: Disclosures
TFRS 9*	Financial Instruments
TFRS 16	Leases
TAS 32*	Financial Instruments: Presentation
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments

* TFRS - Financial instruments standards

(a) TFRS - Financial instruments standards

These TFRSs - Financial instruments standards establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. When these TFRSs are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

(b) TFRS 16 Leases

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognises a right-of-use asset and a lease liability, with recognition exemptions for short-term leases and leases of low-value items. As a result, the Bank will recognise new assets and liabilities for its operating leases. Lease accounting for lessor remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases. When this TFRS is effective, some accounting standards and interpretations which are currently effective will be cancelled.

Management is currently considering the potential impact from these TFRSs on the financial statements in the initial period adopted.