



Striving stably forward
for sustainable growth of Thai SMEs

Annual Report
2016



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for sustainable growth of Thai SMEs**

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*In Remembrance of His Majesty King Bhumibol Adulyadej
with the deepest condolences*

—•—
Small and Medium Enterprise Development Bank of Thailand



Financial Services...

Respond to the needs of SMEs, leading businesses to steadily success

SME Development Bank, the specialized financial institution, ready to carry forward the SMEs support measures from government sector through special interest rate loan project that can be reach easily. Provision of working capital for small sized businesses or start up SMEs to expand or improve their businesses (Policy Loan 4%) or working capital for medium sized businesses to expand their production to meet growing international market (Soft Loan 4%). The Bank also promotes and encourages SMEs to register their businesses in legal entities with a single recorded account (SMEs Single Recorded Account Loan 5%) in order to maintain their businesses privileges which will connect to the financial, investment, marketing and competitive advantage.



สินเชื่อ SMEs มั่นคงได้งอก

ACTIVITY



Entrepreneur Development...

Promote sustainable growth

SME Development Bank, the Bank for development of SMEs with knowledge along with financial provision as well as creates opportunities to strengthen businesses in all areas and stimulates economic foundation through training, seminar and workshop that emphasize on development of management, marketing and production giving the opportunity to enter the global competitive market in the era of industrial 4.0 with the preservation of Thai tradition and custom lifestyles communities.



Corporate Social Responsibility... Elevate sustainable happiness to communities

SME Development Bank operates its business with the commitment to drive the organization success under good governance together with the quality development of society by determining the practices through 4 aspects: social and environmental development, educational development, religious supports and public benefits. The Bank participated in preparing food and beverage for the people who went to pay their respects to H.M. King Bhumibol Adulyadej at the Phra Meru Ground in Bangkok. The Bank also arranged the program to support scholarship, academic tools to students in community schools throughout the country as well as volunteer activities such as forest planting; and the program called "Returning Good Person to the Society" that offers loan without interest to ex-convicts to earn the honest living which helps create opportunities for equality and happy society.

2016



Venture Capital... Companion who walks along side of SMEs

SMEs Private Equity Trust Fund (small pile Division 1) as stated in the cabinet's resolution on December 16, 2014 under the supervision of the Ministry of Finance, was launched to support fund and become a business partner with SMEs to promote potential technology and innovation as well as increase opportunities to cooperate with the Bank's partner agencies. The Bank also provided the expert team to advise and attend to every need ensuring the confidence of SMEs that the Bank will be a trustful companion walking along side of SMEs.





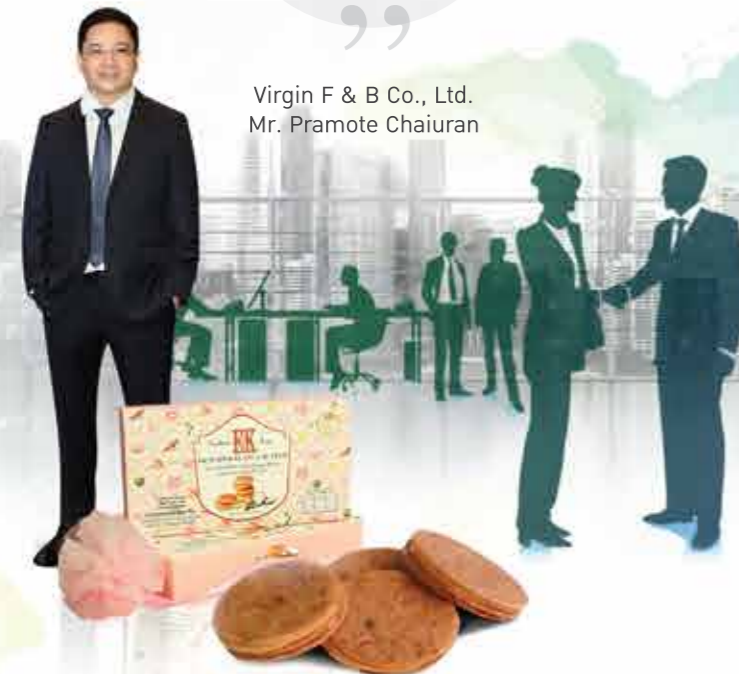
Striving stably forward

for sustainable growth of **Thai SMEs**



Being understandable of SMEs like us, providing financial services that suit with our business, supporting and matching our business with other relevant businesses to increase our marketing channels and create opportunity and possibility in business expansion.

Virgin F & B Co., Ltd.
Mr. Pramote Chairuan



Being a friend that can consult with, make us feel at ease because we don't have to think alone, SME Development Bank always be a friend that supports and promotes our business to grow steadily forward.

500 Rai Floating Resort
Mr. Atirat Danphattharaworawat



Besides being supportive in our business plan and having the same goals as ours, SME Development Bank also looks for opportunities to promote and build a business connection so that we can reach our goals faster.

Khaoyai Panorama Farm Co., Ltd.
Mr. Poramet Sitthiwong



Apparently that SME Development Bank has changed, coming to us asking if the Bank can be any help to our business. Understand our business, give advice on interest management, help increase our capital and always check for our feedback. To us, SME Development Bank is not just a bank but a friend and a companion.

Wawee Coffee Co.,Ltd.
Mr. Kraisit Foosuan



We commit and ready to do everything to fulfill the potential of SMEs in order for them to survive and progress toward the goal of competing steadily in a global market and create credibility of Thai SMEs because SMEs are the significant cornerstone that will strengthen Thailand economy.

Strengthening Financial Stability

Support entrepreneurs with updated information, knowledge and consulting service on investment to determine their business plan, increase their marketing channel and build a stable business which is the significant fundamental in creating sustainable financial strength.

Policies to Strengthen Financial Stability

- Plans to increase performing loan
- Plans to manage non-performing loan
- Plans to create financial stability

SMEs Development

Develop and enhance entrepreneurs' potential in all areas to create investment opportunities by encouraging standard certification (Standard), productivity improvement (Productivity), innovation based product (Innovation) and international market (International) for a better business performance.

SME Development Bank for SME Spring up

- Plans to develop entrepreneurs in order to increase their opportunities, potential, strength and venture capital

Being the Real Development Bank

Develop and improve working processes, services and personnel skills at all levels together with transparent operation ensuring SME Development Bank is the real development bank that leads SMEs' business to grow stably and consistently.

Corporate Development to Become the Bank for Development

- Plans to develop standardized operating system and process according to the Bank's mission
- Plans to develop human resources skill along with good governance
- Plans for risk management and internal control



Additional information: Entrepreneurs that SME Development Bank supports.



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Vision

To be the core stable and sustainable government financial institution for supporting and helping Thai SMEs

Missions

Provide financial services to small and medium enterprises, especially small enterprises that are unable to receive financial services from commercial banks to increase their capital resource accessing opportunity in terms of credit lending and venture capital

Provide proactive assistance and development for entrepreneurs in marketing, management and productivity in order to gear forward the economy by focusing on innovation, technology and creative thinking

Create satisfaction and relationship with customers, partners, shareholders and stakeholders under the efficient service system and working procedures with updated information technology system



Statement of Direction: SOD

1. SOD : Financial Institution

- Being governmental mechanisms in providing people opportunities to access the capital resources together with upgrading the quality of life under the sustainable management, having standard as well as cooperating to utilize resources effectively.

2. SOD : SME Development Bank

- Being a specialized government institution in financial service, the main institution for driving economy and social strategies of the country with the effective operation under the fundamental of good governance.

- Providing people opportunities to access the capital resources together with upgrading the quality of life under the sustainable management, having standard as well as cooperating to utilize resources effectively.

- SME Development Bank aims to strengthen small and medium enterprises by providing financial services together with knowledge building and also accelerate troubleshooting in management.

The Main Policies of the Ministry of Finance and the Ministry of Industry related to SME Development Bank

1. The Ministry of Finance's Main Policy

The Ministry of Finance had the memorandum no. Gor Kor 1006/ Wor. 246, on January 22, 2016, regarding the operation policy of specialized financial institution during five-year period (2016-2020) with strategic planning as follows:

Strategy 1: Implementation of the Reorganizational Plan

- Focusing on reducing non-performing loans.
- Providing loan services to small and medium enterprises (SMEs).

Strategy 2: Promote Funding Resources Access for Small and Medium Enterprises

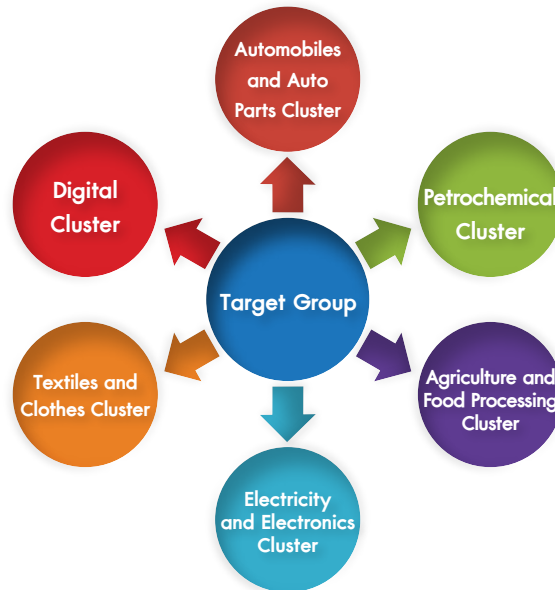
- Focusing on loan provisions limit up to 15 million baht and product development or new financial services such as Venture Capital.

- Supporting services to SMEs as set out by state policy such as:
 - 1) The new SMEs who have just started up their own business (Start Up)
 - 2) SMEs that create innovation or value-added (Value Added)
 - 3) SMEs under the value chain or within the same investment groups (Cluster/Supply Chain)
 - 4) SMEs that invest in special economic development zones
- Increasing roles in the potential development of small entrepreneurs.

2. The Ministry of Industry's Strategic Plan 2017-2021

Strategy 1: Support the Potential Growth and Strength of the Industrial Sectors

To promote and develop industry in related to fundamental potential of the country and industries that are beneficial to future economic development by focusing on research, research extension and development, the applications in using science, technology and innovation to increase productivity and standard development in industrial sectors throughout the value chain in order to have the ability to compete at a higher level.



Objectives and Goals

According to the purpose of the establishment of the Bank as provided in the Small and Medium Enterprise Development Bank of Thailand Act 2002, stipulating that “small and medium enterprises are vital to national economic development as they can create jobs, incomes, and production base for a sustainable economic growth. It is, therefore, expedient to set up the Small and Medium Enterprise Development Bank of Thailand” with the objective provided in the Article 11 of the Act that “the Bank’s objective is to carry out businesses aimed at developing, promoting, supporting, and facilitating the establishment, operation, expansion or the improvement of small and medium enterprises through credit offering, guarantee, venture capital, consultancy, advices, and other necessary services.”



Background

Small and Medium Enterprise Development Bank of Thailand (SME Development Bank) has transitioned through 3 phases of its organizational changes as follows:

1. Small Industry Finance Office (SIFO) (1964-1991)

In 1963, the Council of Ministers passed its resolution to approve the loan project for promoting small industries, as a part of the 1st National Economic Development Plan. The project was then established as the Loan Processing Office for Small Industries in March 1964 under supervision of the Department of Industrial Promotion, Ministry of Industry, to provide financial supports to small industrial businesses, which was then renamed as Small Industry Finance Office (SIFO). However, as a government agency, SIFO had some limitations on sources of capital, which depended solely on the state budget allocations while the credit management must be in compliance with the same regulations as those of general government agencies which resulted in the lack of flexibility in its operation.

2. Small Industry Finance Corporation (SIFC) (1991-2002)

Due to its status as a government agency, SIFO had some limitations on fund raising and provision of financial services. Therefore, the Ministry of Industry and the Ministry of Finance agreed to upgrade SIFO to “Small Industry Finance Corporation (SIFC)” as a juristic person under the Civil and Commercial Code, with its initial registered capital of 300 million baht; and in 2000, the Ministry of Finance increased the capital of SIFC for another 2,500 million baht.

- In 1991, SIFO was upgraded to SIFC, with the registered capital of 300 million baht.
- In 2000, the Ministry of Finance increased its capital for SIFC for another 2,500 million baht, as a result, the share capital of SIFC was increased to 2,800 million baht.

Due to the financial crisis in 1997 which had severe impacts on business sectors, particularly on small and medium enterprises that had encountered with the problems of lack of financial liquidity and partly became NPLs. The Ministry of Industry proposed and discussed with the Ministry of Finance on the idea of upgrading SIFC to be the main financial institution for SMEs development.

3. Small and Medium Enterprise Development Bank of Thailand (SME Development Bank) (2002-present)

In 2001, the government agreed to expand SIFC’s roles and scope of operation by promoting it to the “Small and Medium

Enterprise Development Bank of Thailand (SME Development Bank)” whereas, the Ministry of Industry and the Ministry of Finance jointly drafted the Act of Small and Medium Enterprise Development Bank of Thailand 2002 which was effective on December 20, 2002, the date regarded as the establishment date of SME Development Bank. The Ministry of Finance increased its capital from time to time for another 11,955 million baht, during 2004 - 2016. As a result, at the present, SME Development Bank has its total share capital of 20,006.63 million baht, with discount on common share at 5,251.63 million baht.

- In 2004, the Ministry of Finance increased the capital of SME Development Bank by another 2,000 million baht resulting in the total share capital of 4,800 million baht.
- In 2005, the Ministry of Finance increased the capital of SME Development Bank by another 2,500 million baht resulting in the total share capital of 7,300 million baht.
- In 2007, the Ministry of Finance increased the capital of SME Development Bank by another 1,200 million baht resulting in the total share capital of 8,500 million baht.
- In 2008, the Ministry of Finance increased the capital of SME Development Bank by another 600 million baht resulting in the total share capital of 9,100 million baht.
- In 2009, the Ministry of Finance increased the capital of SME Development Bank by another 2,500 million baht resulting in the total share capital of 11,600 million baht.
- In 2012, the Ministry of Finance increased the capital of SME Development Bank by another 600 million baht resulting in the total share capital of 12,200 million baht.
- In 2013, the Ministry of Finance increased the capital of SME Development Bank by another 555 million baht resulting in the total share capital of 12,755 million baht.
- In 2015, the Ministry of Finance increased the capital of SME Development Bank by another 1,000 million baht, resulting in the total share capital of 16,380.82 million baht, with discount on common share at 2,625.82 million baht.
- In 2016, the Ministry of Finance increased the capital of SME Development Bank by another 1,000 million baht, resulting in the total share capital of 20,006.63 million baht, with discount on common share at 5,251.63 million baht.



Report by the Board of Directors

Since mid-2014 SME Development Bank has entered into reorganization and operated its business under rehabilitation plan. The Bank has improved its operation in various sections such as improvement of credit analytical and approval processes with check and balance for more efficiency, improvement of debt monitoring and collection processes to maintain debt quality and management of non-performing loans (NPLs) as well as more efficient expenditure control and cost of fund management, etc. therefore, the Bank's operating result and financial position have been developing continuously as revealed in 2016, the Bank has been able to achieve its goals with a net profit of 1,658.93 million baht increased from a net profit of 1,235.26 million baht in 2015 and a net profit of 176.53 million baht in 2014 resulting in stronger financial position and higher BIS ratio compared to the criteria mentioned in the regulation of the supervision agency. In addition, the Bank has focused on instilling ethics and good governance to executives and staff as well as determining an intensive monitoring system to ensure that people in organization work with transparency. As a result, SME Development Bank has elevated its integrity and transparency assessment (ITA) of the Office of the Anti-Corruption Center (NACC) and earned higher score from the year 2015 ranked in 73th with a total score of 79.44 to 13th with a total score of 89.55 in 2016.

The aforementioned operations resulted in the Bank's ability to revive its business to normal operation and the Bank's readiness to be a government mechanism in promoting, supporting and developing the entrepreneurs in accordance with government policies. In 2015, SME Development Bank has increased its role in entrepreneurship development in order to elevate its position as a real development bank which is truly the objective of the Bank's establishment such as promoting and creating ecosystem for SMEs Startup by providing Co-Working Space at the Bank's head office, being a joint agency of the Ministry of Industry in implementing the project of SMEs Rescue Center, proceeding on the project of promoting small entrepreneurs to register their business as a juristic person according to the Ministry of Finance's policy and the project of tourism development at Chiew Lan Dam in Suratthani, the community economic development under Pracharath model. In 2017, SME Development Bank will apply the national strategy 20 year period plans (2017-2037), the 12th National Economic and Social Development Plan (2017-2021) and the government policies such as Thailand 4.0, Pracharath and Local Economy Development together with the purpose of the Bank's establishment taking into consideration the stability and sustainability of the Bank as the factors to set SME Development Bank's operating framework and direction. There are 3 main strategies as follows:


Strategy 1 : Strengthening Financial Stability

Strategy 2 : SME Development Bank for SME Spring up

Strategy 3 : Organization development to become the Bank for Development

SME Development Bank is confident that implementation of these strategies will lead the Bank to become stability and sustainability in order to be a major government mechanism for promoting and supporting the SMEs development, the foundation of Thai economy.

On behalf of the board of directors, the executives and staff of SME Development Bank, I would like to express my deep gratitude to the National Council for Peace and Order (NCPO), the government, the State Enterprise Policy Office, Ministry of Finance and Ministry of Industry for their kind support. I would also like to convey my gratitude to our customers, business partners and alliances for their continuous support extended both in the past and in the years to come.



(Mr. Somchai Harnhirun)
Chairperson

Report by the Audit Committee

The Audit Committee of the SME Development Bank, appointed by the board of directors of SME Development Bank on November 9, 2015, comprised of the following members:

1. Mr. Atsadang Chiewthada	Chairperson
2. Mrs. Saowanee Kamolbutr	Director
3. Seree Nonthasoot, Ph.D.	Director
4. Senior Vice President / Vice President of Internal Audit Department	Secretary

As Mr. Atsadang Chiewthada has completed his term of the committee of SME Development Bank and has been appointed as the specialist of the Audit Committee, therefore, he has attended meeting with the Audit Committee since January 2016 onwards. During Independent Committee has remained absent, the Audit Committee has held the meeting and joined the mission as the Audit Committee, throughout this period, Mrs. Saowanee Kamolbutr has served as chairperson of the Audit Committee until the Board of Directors has assigned the Extra Independent Committee in the Audit Committee, official orders no. 13/2560 on 1 February 2017, the members are listed as follows:

1. Mr. Pornlert Lattanan	Chairperson
2. Seree Nonthasoot, Ph.D.	Director
3. Mrs. Poonsuk Musiklad	Director
4. Senior Vice President / Vice President of Internal Audit Department	Secretary

The Audit Committee has taken its action under the scope of responsibilities set by the Audit Committee Charter. The Audit Committee performs its tasks with knowledge, skills, carefulness, and freedom to ensure all stakeholders would be treated fairly. In 2016, the Audit Committee held 13 meetings to share its operations within scope of responsibilities appointed by the committee of SME Development Bank and follow the Audit Committee's practice guidelines of the State Enterprise Policy Office (SEPO). With abiding, the operation processes in SME Development Bank must be done in honest, accurate procedure, standardized manner and require quarterly and annual reports to the Board of Directors. The followings are the roles and responsibilities of the Audit Committee;

1. Review accuracy and reliability of financial report in annual and quarterly statements, the meeting with auditors and the Bank executives to consider the financial reports disclosure of financial statements including observation of financial statements from the auditor, comments and recommendations on the issue of importance changes in financial report, to ensure that the preparation of the financial report has been prepared properly in accordance with the principles accounting policies, legal requirements, and Accounting Standards in general accepted accounting principles.

2. Review good governance procedures to ensure that the Bank's operations are continuously adhering to the principle of good governance and criteria assigned by regulatory agencies.

3. Review risk management process by considering the results of audit and credit review related to internal control and compliance regulation in order to assess risk management procedures covering the major risk factors. Having effective plans and guidelines on risk management, the ability to control or alleviate possible impacts on the Bank's achievement at an acceptable level, as well as review the effectiveness and appropriateness of risk management on a regular basis by taking the results of risk assessment from risk management department and giving recommendations to the responsible department for further improvement.

4. Review efficiency and effectiveness of the internal control process by considering the audit result of the internal audit department and reviewing the credit quality of the credit review department by monitoring the Bank's operation to make sure that planning, developing and improving in internal controls system as well as the self-control assessment and the assessment of management controls were adequate, complete and effective and in accordance with the standards of Office of the Auditor General of Thailand.

5. Review the Bank's operation in compliance with the law by auditing the compliance of regulations practices, procedures, cabinet resolutions, announcements or orders related to the Bank's operations and state enterprises and reporting to management team to improve and monitor to assure the regularly practices and then reporting to the board of directors.

6. Review internal audit and credit review with independent and fairness in operations and report the mutual benefits to the Bank.

7. Consider the transactions or possible conflicts of interest among operations which lead to corruption that may adversely affect the Bank's operations.

8. Meeting with auditors, regulators and administrators such as Office of Auditor General of Thailand, Bank of Thailand and department executives to understand the management and audit based on the principle of accuracy, transparency and verifiability.

9. Improving and reviewing of the Audit Committee Charter and the Charter of Internal Audit with revision and improvement that shall cover duties, responsibility and compliance to the practice guidelines by the Audit Committee of the State Enterprise Policy Office (SEPO) and the Bank of Thailand.

The Audit Committee has operated its duties according to regulator guidelines with carefulness, prudence, independent and fairness to ensure the Bank has good corporate governance, effective risk management and internal control that appropriate enough to achieve the Bank's objectives. The Internal Audit Department and Credit Review Department are important tools in operation of the Audit Committee.



(Mr. Pornlert Lattanan)
Chairperson of the Audit Committee

Board of Directors



01 Somchai Harnhirun, Ph.D.
Chairperson

02 Mrs. Salinee Wangtal
Chairperson
(30 Jul 2014 - 22 Aug 2016)

03 Mrs. Saowanee Kamolbutr
Director

04 Mrs. Pankanitta Boonkrong
Director
(30 Jul 2014 - 2 Jan 2017)

05 Mr. Lavaron Sangsnit
Director

06 Mr. Anusorn Muttaraid
Director

07 Seree Nonthasoot, Ph.D.
Independent Director



08 Mr. Praphaisith Tankeyura
Director

10 Mrs. Poonsuk Musiklad
Independent Director

12 Mr. Pornlert Lattanan
Independent Director

09 Mr. Taveesak Foongkiatcharoen
Director

11 Mr. Chanvit Nakhburee
Director

13 Mr. Mongkon Leelatham
Director and Secretary

Qualifications of Board of Directors



Somchai Harnhirun, Ph.D.

Chairperson

Age 59

Education

- Ph.D. (Economics), Concordia University, Canada
- Master of Art (Economics), Queen's University, Canada
- Master of Development Economics, NIDA
- BA (Economics), Thammasat University

Training

- Energy Science Program Executive (Thailand Energy Academy)
- Top Executive Program in Commerce and Trade: TEPCoT, Ministry of Commerce
- Certificate, National Defense College (Class 52), National Defense College

Other Positions

- The Board of Investment of Thailand
- Committee of the Energy Conservation Center of Thailand
- Chairman of General Environmental Conservation Public Company Limited

Experience

- Permanent Secretary, Ministry of Industry, Thailand (June 2016 - Present)
- Director - General, Department of Industrial Promotion, Ministry of Industry, Thailand (October 2014 - June 2016)
- Director - General, Office of Industrial Economics, Thailand (May 2013 - October 2014)



Mrs. Salinee Wangtal

Chairperson

(30 Jul 2014 - 22 Aug 2016)

Age 62

Education

- M.B.A. Finance & International Business, Columbia University, U.S.A
- BA, Accounting (Hon.), Chulalongkorn University
- Advance Management Program, Harvard University, U.S.A.

Training

- Capital Market Academy Leadership Program, (Class 14), Capital Market Academy
- BOT Supervisory College 2014
- FSI-EMEAP Regional Seminar on the Management and Supervision of Credit Risk 2013
- SEACEN Conference of Directors of Supervision of Economies 2009

Other Positions

- Director General, Office of Small and Medium Enterprises Promotion
- Director, Public Warehouse Organization
- Independent Director, Siam City Life Assurance Public Company Limited

Experience

- Assistant Governor, Supervision Group, Bank of Thailand
- Committee of Deposit Protection Agency (DPA)
- Secretary of Committee for the Protection of Credit Information
- Secretary of the Financial Reform Advisory Committee, Ministry of Finance



Mrs. Saowanee Kamolbutr

Director

Age 64

Education

- Master of Political Science (Public Administration), Thammasat University
- Bachelor of Political Science (Public Administration), Thammasat University

Training

- Diploma, National Defence College, the National Defence Course Class 2005
- Senior Executive Program, Kellogg Sasin Graduate Institute
- Director Certification Program (DCP 69), Financial Institution Governance Program (FGP), Thai Institute of Directors (IOD)

Other Positions

- Independent Director and Member of the Audit Committee, Glow Energy Public Co., Ltd.
- Independent Director, Member of the Audit Committee, Member of the Risk Management Committee, and Chairman of the Corporate Governance Committee, FN Factory Outlet Public Co., Ltd.
- Independent Director and Chairman of Audit Committee, Carabao Group Public Co., Ltd.
- Independent Director and Member of the Audit Committee, Interlink Communication Public Co., Ltd.

Experience

- Deputy Permanent Secretary, Ministry of Finance
- Chairman, TMB Bank Public Co., Ltd.
- Deputy Director-General, the Revenue Department, Ministry of Finance



Mrs. Pankanitta Boonkrong

Director

(30 Jul 2014 - 2 Jan 2017)

Age 60

Education

- Master of Accounting, Thammasat University
- Bachelor of Accounting, Thammasat University

Training

- The State, Private Sector and Political (Class 5), National Defence College
- Energy Literacy for a Sustainable Future TEA (Class 5)
- Government Administration and Public Laws Program, King Prajadhipok's Institute (Class 6)
- Public Director Certification Program (Class 3), Public Director Institute (PDI), King Prajadhipok's Institute
- Director Certification Program (DCP), Class 72 Audit Committee Program (ACP), Class 24 Monitoring the System of Internal Control and Risk Management (MIR), Class 13/ 2012 Role of the Chairman Program (RCP), Class 37/ 2015, Thai Institute of Directors (IOD)

Other Positions

- Deputy Chairman, Financial Institutions Development Fund (FIDF)
- Director, Dhipaya Insurance Public Co., Ltd.

Experience

- Advisor of State Enterprise Development, State Enterprise Policy Office
- Deputy Director - General, State Enterprise Policy Office



Mr. Lavaron Sangsniit

Director

Age 49

Education

- M.S. (Economic Policy and Planning), Northeastern University, U.S.A
- Bachelor of Economics, Chulalongkorn University

Training

- National Defence Course Program, National Defence College
- Director Certification Program, Class 205/ 2015, the Thai Institute of Directors Association
- The Civil Service Executive Development Program: Visionary and Moral Leadership (Class 75), High Potential Leaders (Class 7), Office of the Civil Service Commission

Other Positions

- Director, Expressway Authority of Thailand
- Director, Krung Thai Asset Management Public Company Limited
- Director, Deposit Protection Agency

Experience

- Financial Policy Advisor, Fiscal Policy Office, Ministry of Finance
- Deputy Director - General, Fiscal Policy Office, Ministry of Finance
- Director, Financial System and Financial Institutions Policy Bureau, Fiscal Policy Office



Mr. Anusorn Muttaraid

Director

Age 62

Education

- Bachelor of Science (Honors), Kasetsart University

Training

- Director Certification Program (DCP 37), Thai Institute of Directors Association (IOD)

Other Positions

- Chairman of Committee on Thailand — India Business Council, The Thai Chamber of Commerce
- Director, DET International Holding
- Managing Director, Delta Green Industrial (Thailand) Co., Ltd.

Experience

- Director, Delta Electronics Components (Thailand) Co., Ltd.
- Director, Palo Alto Manufacturing (Thailand) Co., Ltd.
- Director, Palo Alto Plastic (Thailand) Co., Ltd.



Seree Nonthasoot, Ph.D.
Independent Director

Age 42

Education

- Doctor of Philosophy, University of Oxford, United Kingdom
- LL.M. (International Trade Law), Columbia University School of Law, New York, USA (Fulbright Scholarship)
- Barrister-at-law, Bar Association of Thailand
- LL.B., Thammasat University (1990)

Training

- Directors Certification Programme (DCP), Class 205/ 2015, Thai Institute of Directors Association (IOD)
- Executive Certificate Programme in Good Governance for Medical Executives (Class 1), King Prajadhipok Institute (2013)
- Capital Market Academy (Class 14), Stock Exchange of Thailand

Other Positions

- Representative of Thailand to the ASEAN Intergovernmental Commission on Human Rights (AICHR)
- Director & Chairman of Audit Committee, KTB Law Co., Ltd
- Director, Krungthai Computer Services Co., Ltd
- Senior Executive Vice President, Institute of Research and Development for Public Enterprises

Experience

- Legal Counsel, State Enterprise Policy Office, Ministry of Finance (2003 - 2013)
- Legal Advisor, Office of the Council of State (1995 - 2000)



Mr. Praphaisith Tankeyura
Director

Age 63

Education

- Master of Business Administration, Florida State University
- Bachelor of Statistics in Business, Faculty of Commerce & Accountancy, Chulalongkorn University

Training

- Regional Credit Seminar, Citicorp - South Korea
- Valuation & Restructuring, Citicorp - Singapore
- Real Estate Project Finance, Citicorp - Hong Kong

Other Positions

- Managing Director of Boathouse Hua Hin Co., Ltd.
- Director & CEO of Ma Boon Yong Real Estate Co., Ltd.
- Chief Advisor of JWS Construction Group

Experience

- Director of BT Asset Management Co., Ltd.
- Authorized Director & Executive Director of Bank of Ayudhya Public Co., Ltd.
- Chairman & Managing Director of Citicorp Finance & Securities (Thailand) Co., Ltd.



Mr. Taveesak Foongkiatcharoen

Director

Age 62

Education

- Bachelor of Commerce and Accountancy, Thammasart University (1977)
- Bachelor of Law, Thammasart University (1981)

Training

- Certificate of Business Laws, Thammasart University (2001)
- The Senior Administrators Program (SAP) SASIN Graduate Institution of Business Administration and Kellogg School of Management (2005)

Other Positions

- Board of Executive Director of P Planner Co., Ltd.

Experience

- Member of Financial Institution and System Reform Sub - Committee and Economics and Finance Reform Committee, National Reform Council
- Board of Executive Director, Small and Medium Enterprise Development Bank of Thailand
- Business Recovery Planning Executive, TT& T Co., Ltd.
- Consultant of Sub - Commissioner Financial Institution and Banking, the Senate
- Member of the Benefit Management of Intellectual Property Committie, King Mongkut's Institute of Tecnology Ladkrabang
- General Manager, Thai Credit Guarantee Corporation



Mrs. Poonsuk Musiklad

Independent Director

Age 63

Education

- Master Degree of Business Administration, Murray State University, Kentucky, USA
- Master Degree of Computer Science, Chulalongkorn University
- Bachelor Degree of Arts (Statistics), Thammasart University

Training

- Green Science and Technology, Class 2 (2013)
- Wharton Advance Management (2010)
- Director Certification Program (DCP) (2006)

Experience

- Senior Executive Vice President, Bank for Agriculture and Agricultural Cooperatives (2009 - 2014)



Mr. Chanvit Nakburee

Director

Age 53

Education

- Master of Business Administration (General Management), Ramkhamheang University
- Bachelor of Business Administration (Accounting), Ramkhamheang University

Training

- Executive Development Program II, Class 8
- Corporate Governance for Board of Directors and Executives of State Enterprise and Public Organization, Public Development Institutes, Class 9
- Executive Development Program I, Class 77

Other Positions

- Board of Director of National Credit Bureau

Experience

- Deputy Director - General, State Enterprise Policy Office, Ministry of Finance (September 2016 - Present)
- Director of Policy and Planning Bureau, State Enterprise Policy Office, Ministry of Finance (2011 - September 2016)



Mr. Pornlert Lattanan

Independent Director

Age 64

Education

- Bachelor of Engineering (Mechanical Engineering), Chulalongkorn University
- LLB (1st class Honors), Chulalongkorn University
- Barrister at Law, the Thai Bar Association
- MBA in Marketing and Finance, Columbia University

Training

- Peace Building Program, King Prajadhipok Institute
- Management Development, Harvard Business School
- Directors Certification Program, IOD

Other Positions

- Facilitator of DCP, IOD
- Associate Judge, The Central Intellectual Property and International Trade Court

Experience

- President, GE Corporation in Thailand,
- Chairman of the Board, GE Money Retail Bank
- Managing Director, The Post Publishing Public Company Limited
- Managing Director, SCF Finance and Securities Public Company Limited (Siam City Bank Group)



Mr. Mongkon Leelatham

Director and Secretary

Age 56

Education

- Master of Development Economics, National Institute of Development Administration (1983)
- Bachelor of Commerce and Accountancy, Thammasart University (1981)
- Bachelor of Economics, Ramkhamhaeng University (1980)

Training

- Anti-Corruption Strategic Management for Senior Executive, Class 6, Sanya Dharmasakti Anti-Corruption Institute, NACC
- SEC. Capital Market Leader Program: Building Competitiveness of Nation and Thai Capital Markets, IMD - SEC Partnership Program, IMD - World Competitiveness Center
- Certificate, Broadcasting Executive Forum (BCF), Class 1 (Awarded), National Broadcasting and Telecommunications Commissions (NBTC) 2013
- Certificate, Capital Market Leader Program, Class 13, Capital Market Academy (2012)
- Certificate, Directors Certification Program (DCP), Class 35, Thai Institute of Director (2004)

Other Positions

- Director, National Credit Bureau
- Advisory Committee, The Federal of Thai SMEs
- Governmental Advisor, Thai Furniture Industries Association

Experience

- Board of Executive Directors and Deputy Vice President, Thai Public Broadcasting Service (Thai PBS)
- Committee, National Credit Bureau (NCB)
- Chairman of Board of Executive Directors, the Thai Credit Retail Bank PCL.
- Chairman of Board of Executive Directors, Thanaban Co., Ltd.
- Board of Executive Directors & Managing Director, Thai Keha Credit Foncier Co., Ltd.
- Board of Executive Directors and Managing Director, Metropolis Trust and Securities Plc.
- Inspector, Financial Sector Restructuring Authority
- Director, The Agricultural Futures Exchange of Thailand
- Director and Chairman of Audit Committee, National Housing Authority

Board of Executive Directors



1



2

1. Mrs. Saowanee Kamolbutr
Chairperson

2. Mrs. Pankanitta Boonkrong
Chairperson

(1 Dec, 2015 - 2 Jan, 2017)

3. Mr. Anusorn Muttaraid
Director

(1 Dec, 2015 - 8 Jan, 2017)

4. Somchai Harnhirun, Ph.D.
Director

(1 Dec, 2015 - 2 Oct, 2016)

5. Mr. Praphaisith Tankeyura
Director

6. Mr. Chanvit Nakburee
Director

(9 Jan, 2017 - 8 Feb, 2017)

7. Mr. Lavaron Sangsnit
Director

8. Mr. Mongkon Leelatham
Director and Secretary



3



4



5



6



7



8

Advisor to the Board of Directors and Executive Directors



1



2



3

1. Mr. Vichit Kornvityakoon

2. Mr. Atsadang Chiewthada

3. Mr. Kriengkrai Rukkulchon

SME Development Bank Reorganization Committee

1. Mrs. Salinee Wangtal	Chairperson
2. Mr. Vichit Kornvityakoon	Director
3. Board of Directors at least 1 person	Director
4. President of SME Development Bank	Director
5. Senior Vice President / Vice President of Office of the President	Secretary

Audit Committee

1. Mr. Pornlert Lattanan	Chairperson
2. Seree Nonthasoot, Ph.D.	Director
3. Mrs. Poonsuk Musiklad	Director
4. Senior Vice President / Vice President of Internal Audit Department	Secretary

Risk Management Committee

1. Mr. Chanvit Nakburee	Chairperson
2. President of SME Development Bank	Director
3. Mr. Woramit Krutto	Director
4. Mrs. Intira Phokpoonyarak	Director
5. Mr. Surachai Kampalanonwat	Director
6. Executive Vice President, Responsible for Risk Management Division	Director and Secretary
7. Senior Vice President / Vice President of Risk Management Department	Assistant Secretary

Employee Relations Committee

- | | | |
|--------------------------|--------------------|-------------|
| 1. Mr. Anusorn Muttaraid | Board of Directors | Chairperson |
|--------------------------|--------------------|-------------|

Employer

- | | | |
|---------------------------------------|--|----------|
| 1. Senior Executive Vice President | Responsible for Operation and Marketing Division | Director |
| 2. Executive Vice President | Responsible for Administrative Support Division | Director |
| 3. Executive Vice President | Responsible for Management Support Division | Director |
| 4. Executive Vice President | Responsible for Branch Division 2 | Director |
| 5. Executive Vice President | Responsible for Branch Division 4 | Director |
| 6. Executive Vice President | Responsible for Risk Management Division | Director |
| 7. Vice President of Legal Department | | Director |

Employee

- | | | |
|-------------------------------|--|----------|
| 1. Mrs. Jidapa Nimnoi | Chairperson, the State Enterprise Labor Union | Director |
| 2. Mr. Wirote Pronlertprong | Vice Chairperson, the State Enterprise Labor Union | Director |
| 3. Mr. Namyod Laksanangam | Vice Chairperson, the State Enterprise Labor Union | Director |
| 4. Mr. Pannawith Kruewan | Vice Chairperson, the State Enterprise Labor Union | Director |
| 5. Mr. Paskon Suriyo | Director, the State Enterprise Labor Union | Director |
| 6. Mr. Prakit Kopolrutana | Director, the State Enterprise Labor Union | Director |
| 7. Miss Pinyapat Arthamaneeya | Director, the State Enterprise Labor Union | Director |

Nomination and Remuneration Committee

- | | |
|--|---------------------|
| 1. Mr. Kriengkrai Rukkulchon | Consultant |
| 2. Mr. Anusorn Muttaraid | Chairperson |
| 3. Seree Nonthasoot, Ph.D. | Director |
| 4. Mr. Taveesak Foongkiatcharoen | Director |
| 5. Executive Vice President, Responsible for Administrative Support Division | Secretary |
| 6. Senior Vice President / Vice President of Human Resources Department | Assistant Secretary |

Information Technology Committee

1. Mr. Anusorn Muttaraid	Consultant
2. Col. Dr. Jearanai Vongsaard	Consultant
3. President of SME Development Bank	Chairperson
4. Senior Executive Vice President, Responsible for Branch Operation Group 1	Director
5. Senior Executive Vice President, Responsible for Branch Operation Group 2	Director
6. Senior Executive Vice President, Responsible for Operation and Marketing Group	Director
7. Mr. Maythapolnun Athimethphat	Director
8. Mr. Krit Won - in	Director
9. Executive Vice President of Information Technology Department	Director and Secretary

Corporate Governance Committee

1. Lt. Gen. Pissanu Puttawong	Corporate Governance Specialist
2. Mr. Pittaya Thammanijakul	Corporate Governance Consultant
3. Mr. Anusorn Muttaraid	Chairperson
4. Mr. Chanvit Nakburee	Director
5. Senior Executive Vice President, Responsible for Corporate Governance	Director
6. Senior Vice President / Vice President, Responsible for Corporate Governance	Secretary
7. Manager, Responsible for Corporate Governance	Assistant Secretary

Venture Capital Committee

1. President of SME Development Bank	Chairperson
2. Mr. Weidt Nuchjalearn	Director
3. Mr. Suwanchai Lohawatanakul	Director
4. Mr. Krisada Sektrakul	Director
5. Mr. Pornlert Lattanan	Director
6. Mrs. Julaporn Namchaisiri	Director
7. Mrs. Jitwatana Jaruwattanachai	Director
8. Executive, Responsible for Entrepreneurial Development Division	Secretary



SME Development Bank Executives



1. Mr. Mongkon Leelatham
President



2. Mr. Surachai Kampalanonwat
Senior Executive Vice President
Responsible for Branch Operation Group 1



3. Mrs. Intira Phokpoonarak
Senior Executive Vice President
Responsible for Branch Operation Group 2



4. Mr. Woramit Krutto
Senior Executive Vice President
Responsible for Operation and Marketing Group



5. Mr. Pongsak Chajiamjan
Specialist
Acting according to the President



6. Mr. Kongdacha Chairatana
Specialist
Acting according to the President



7. Mr. Somdul Chatunart
Executive Vice President
Responsible for Information Technology Division



8. Mr. Samanpong Klienglumyong
Executive Vice President
Responsible for Branch Division 2 and Marketing Division



9. Mr. Phongchan Samphaengern
Executive Vice President
Responsible for Credit Analysis Division
and Operation Division



10. Mrs. Chongrak Politanont
Executive Vice President
Responsible for Risk Management Division



11. Miss Malin Wuvanich
Executive Vice President
Responsible for Treasury and Accounting Division
and Acting Director of Treasury Department



12. Miss Nartnaree Rathapat
Executive Vice President
Responsible for Entrepreneurial Development Division
and Management Support Division



13. Mr. Tiravutti Jirachaisri
Executive Vice President
Responsible for Branch Division 4



14. Miss Wipha Luengmanee
Executive Vice President
Responsible for Administrative Support Division



15. Mr. Kajornsak Chiarathanakul
Executive Vice President
Responsible for Loan Monitoring Division

Qualifications of Senior Executive Vice President



Mr. Surachai Kampalanonwat
Senior Executive Vice President
Responsible for Branch Operation Group 1
Age 55

Education

- Master of Business Administration, Sripatum University
- Bachelor of Business Administration, Ramkhamhaeng University

Training

- Competitive Marketing Strategies in the Global (Class 1)
- Pocket MBA in Marketing (Class 1)
- Public Administration and Law for Executives (Class 8), King Prajadhipok's Institute
- Politics and Governance in Democratic Systems for Executives (Class 14), King Prajadhipok's Institute
- Investment Opportunities in Myanmar (Class 1), Republic of the Union of Myanmar
- Leadership Succession Program (Class 1), Institute of Research and Development for Public Enterprises (IRDP)
- Thammasat Leadership Program (TLP 6)
- Advanced Strategic Anti-Fraud Management Program (8th edition)

Experience

- Executive Vice President, Thaiday.com Co., Ltd.
- Director of Business Research and Communication Department, Institute of Social and Economic Policy
- Executive Director and Director of Marketing Department, Siamturakij Newspaper
- Sector Head, Collection and Payment Division, Siam Commercial Bank



Mrs. Intira Phokpoonyarak
Senior Executive Vice President
Responsible for Branch Operation Group 2
Age 56

Education

- Master of Public Administration, Chulalongkorn University
- Master of Business Administration, Major in Accounting, University of the Thai Chamber of Commerce
- Bachelor of Business Administration, Major in Accounting, Ramkhamhaeng University

Training

- Finance Executive Development Program (FINEX 13), the Thai Institute of Bank and Finance Association
- Federation of Accounting Professions CFO Certification Program (Class 9)
- King Prajadhipok's Institute Advanced Certificate Course in Public Administration and Law for Executives (Class 9)
- The 2nd Training Course on Administrative Justice for Executives, the Administrative Court
- The National Defence College, National Defence Course (NDC.2555)

Experience

- Executive Vice President, Small and Medium Enterprise Development Bank of Thailand (SME Development Bank)
- Executive Director, the Thai Institute of Banking and Finance Association
- Financial Accounting Manager, Standard Chartered Nakornthon Bank Public Company Limited
- Financial Controller, the Industrial Bank of Japan Limited
- Vice President of Accounting Department, Siam City Bank Public Company Limited
- Executive Director, Siam City IT Company Limited.



Mr. Woramit Krutto
Senior Executive Vice President
Responsible for Operation and Marketing Group
Age 57

Education

- Master of Economics, National Institute of Development Administration (NIDA)
- Bachelor of Economics, Ramkhamhaeng University

Training

- Financial Executive Development Seminar FINEX XI Year 2002, the Thai Institute of Banking and Finance Association
- Executive Management Seminar II Year 2006, Association of Capital Market Academy Alumni

Experience

- Senior Executive Vice President of Branch Operation Group 1
- Senior Executive Vice President of Loan Group 1
- Senior Executive Vice President of Risk Management Group
- Senior Executive Vice President of Loan Division
- Executive Vice President of Development and Entrepreneur Department
- Executive Vice President of Portfolio Management Department
- Executive Vice President of Business Organization & Network Department
- Director of Research and Development Department
- Director of Internal Auditing Management Department
- Manager of Kon Kaen Branch
- Head of Business Development of Industrial Division, Department of Industrial Promotion



Mr. Pongsak Chajiamjan

Specialist

Acting according to the President

Age 59

Education

- M.A. (Public Affair), Thammasat University
- B.B.A. (Majoring in Accounting), Ramkhamhaeng University
- LL.B. (Majoring in Laws), Thammasat University

Training

- Diploma, Advance HR: Survival Beyond Tomorrow (Class 2), Thammasat University
- Diploma, Human Resource & Organizational Development (Class 3), Thammasat University
- Economics in Public Administration for High - Level Administrators (Class 1), King Prajadhipok's Institute
- Democratic Politics and Governance for High - Level Administrator (Class 8), King Prajadhipok's Institute
- Diploma, Understanding and Analysis of Financial, Bangkok University

Experience

- The Ad Hoc Committee, House of Representatives and the Senate Ad Hoc Committee Draft Act Small and Medium Enterprise Development Bank of Thailand
- Chairman of Credit Risk Rating System Development Committee
- Academic Support and Service Committee, Bureau of Academic Support and Service



Mr. Kongdacha Chairatana

Specialist

Acting according to the President

Age 57

Education

- M. Econ. (Project Appraisal), National Institute of Development Administration (NIDA)
- LL.B., Thammasat University

Training

- Advanced Budget Management Program (NESDB), 3rd edition, Budget Bureau
- Economics in Public Administration for High-Level Administrators (Class 9), King Prajadhipok's Institute
- Director Certification Program "Thammasat Leadership Program" (Class 1), Thammasat University
- Leadership Succession Program (Class 2), Institute of Research and Development for Public Enterprises of Thailand (IRDP)
- Systematic Thinking
- Small Business Counselor APEC-IBIZ, Department of Industrial Promotion
- Integrated Marketing Communication (IMC)

Experience

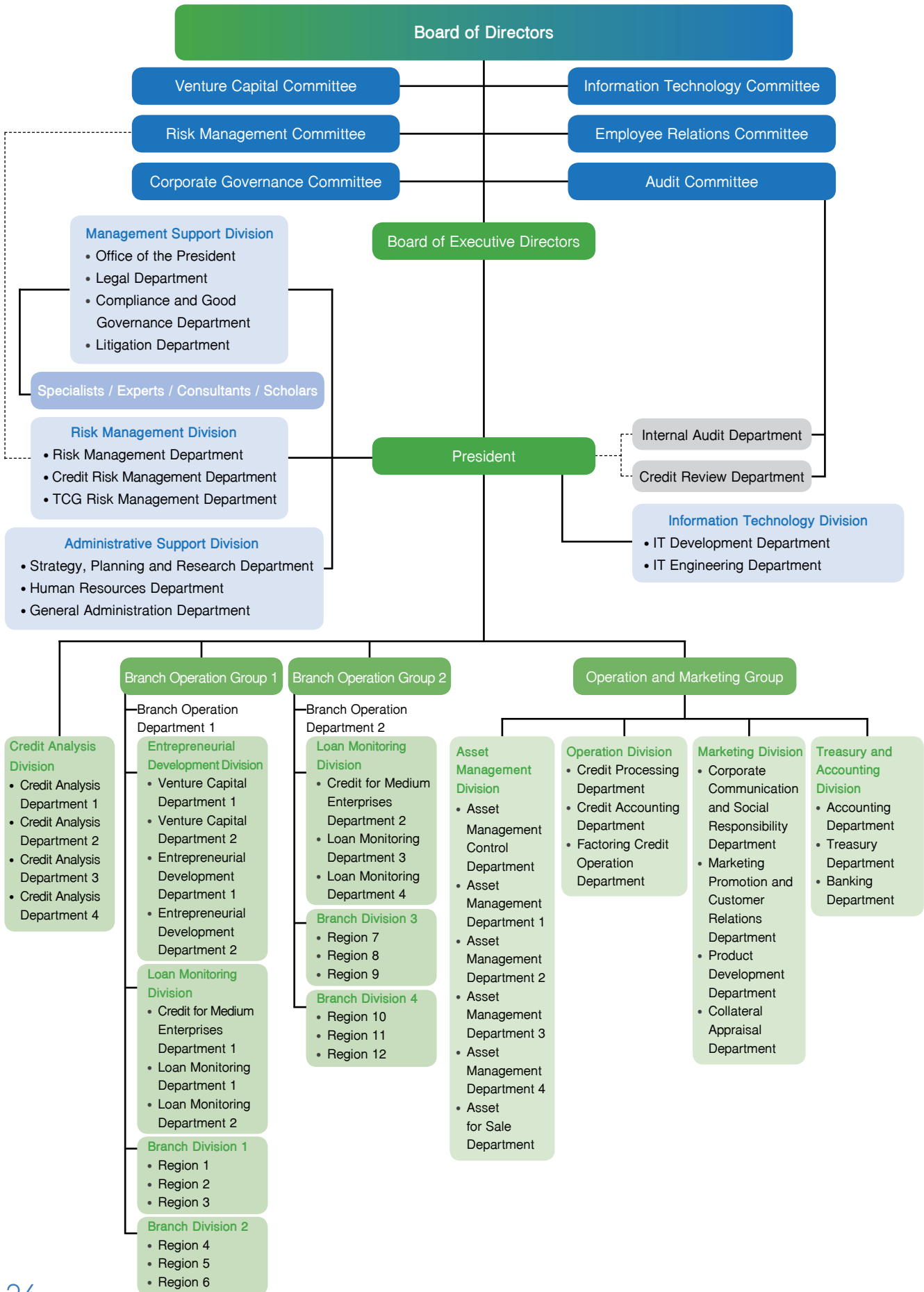
- Credit Management and Branch Banking, Kasikorn Bank
- Credit Management and Branch Banking, Bank of Asia
- Credit Management and Branch Banking, Government Housing Bank

SME Development Bank Management

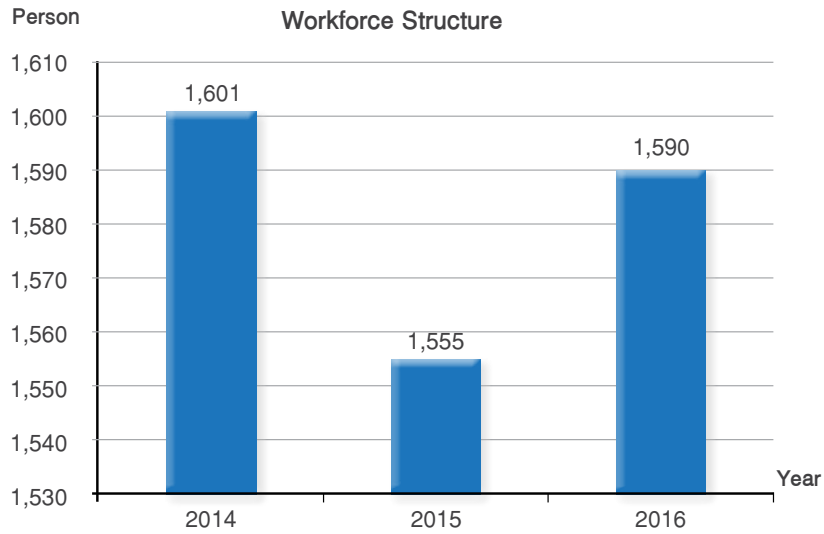
1. Mr. Kantaphon Kaewmanee	Senior Vice President	Branch Division 1
2. Mr. Sumeth Anusithsupakarn	Senior Vice President	SMEs Development Center
3. Mr. Jarin Tiasakul	Senior Vice President	Collateral Appraisal Department
4. Mr. Vitoon Buasakdi	Senior Vice President	Asset Management Division
5. Mr. Cherdchai Ouanmin	Senior Vice President	Supervise District Office 19, 20 and Phahonyothin Office
6. Mr. Jessada Chor. Charoenying	Senior Vice President	Internal Audit Department
7. Mr. Piwat Chaiyanukij	Senior Vice President	Entrepreneurial Development and Venture Capital Department 1
8. Mr. Boonsek Phanudom	Senior Vice President	Asset Management Department 4
9. Miss Yupin Thanativakul	Senior Vice President	SMEs Development Center
10. Mr. Satien Tantipipop	Senior Vice President	Credit Analysis Department 3
11. Mr. Arnat Wiboonkanarak	Senior Vice President	Credit for Medium Enterprise Department 2
12. Mr. Chatri Wetsoranasutee	Senior Vice President	Entrepreneurial Development and Venture Capital Department 2
13. Miss Somsri Likitpreeda	Senior Vice President	Credit Risk Management Department
14. Mr. Yingyong Athisirikul	Specialist	SMEs Development Center
15. Mr. Pichit Mitrawong	Specialist	Product Development Department
16. Mr. Weerawud Rujirakul	Specialist	SMEs Development Center
17. Mr. Kodchagone Ludchasawee	Specialist	Loan Monitoring Division
18. Mr. Nopadol Sookajit	Specialist	Specialists / Experts / Consultants / Scholars
19. Mr. Praves Masawat	Specialist	Specialists / Experts / Consultants / Scholars
20. Mr. Suthat Kanthasaibour	Vice President	Banking Department
21. Mr. Jakkrid Karoonsit	Vice President	IT Engineering Department

22. Mrs. Neeranart Chutiwong	Vice President	Asset Management Control Department
23. Mr. Prakob Umplod	Vice President	Supervise District Office 24 , 25 and 26
24. Mr. Pissanu Nagasara	Vice President	Loan Monitoring Department 2
25. Mr. Thanongsak Sangwannakool	Vice President	SMEs Development Center
26. Mr. Sirichai Loyprasert	Vice President	Supervise District Office 14 and 15
27. Miss Benjamas Amornchaichan	Vice President	IT Development Department
28. Mr. Thakoon Pattamagovit	Vice President	Asset Management Department 1
29. Mr. Amnat Hialong	Vice President	Supervise District Office 4 , 5 and 6
30. Mrs. Chuthamas Nualpring	Vice President	Credit Review Department
31. Mrs. Ubolrat Karpang	Vice President	Marketing Promotion and Customer Relations Department
32. Mr. Saree Musigerst	Vice President	Legal Department
33. Mr. Watthana Kaewpraju	Vice President	SMEs Development Center
34. Mr. Prasij Virasilpa	Vice President	Credit Analysis Department 4
35. Miss Petcharat Tantiwanich	Vice President	Branch Operation Department 2
36. Mr. Janyarit Songmanee	Vice President	Credit for Medium Enterprise Department 1
37. Mr. Suksun Ratavessanun	Vice President	Human Resources Department
38. Mr. Patsakorn Natthapol	Vice President	General Administration Department
39. Miss Lucksanavadee Lertsaravuth	Vice President	Entrepreneurial Development and Venture Capital Department 3
40. Mrs. Jintana Khumprakob	Specialist	SMEs Development Center
41. Mr. Booncherd Thongmung	Specialist	Specialists / Experts / Consultants / Scholars
42. Mr. Kreingkrai Kerdkokeo	Specialist	Specialists / Experts / Consultants / Scholars

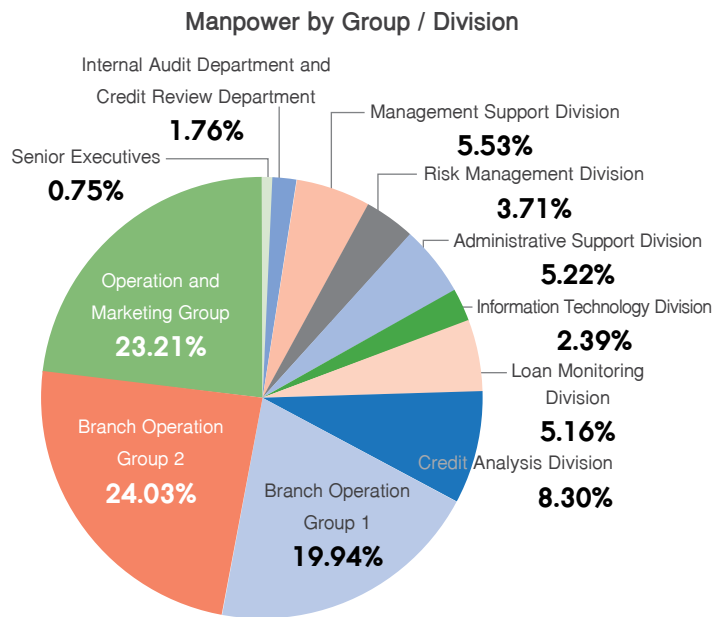
Organization Chart



Workforce Structure



Number of Employees by Group / Division	
Group / Division	Amount
Senior Executives	12
Internal Audit Department and Credit Review Department	28
Management Support Division	88
Risk Management Division	59
Administrative Support Division	83
Information Technology Division	38
Loan Monitoring Division	82
Credit Analysis Division	132
Branch Operation Group 1	317
Branch Operation Group 2	382
Operation and Marketing Group	369
Total	1,590



Executive Remuneration	Year		
	2016	2015	2014
Total	20.15	18.26	18.36

Unit: million baht

Remark: The executive remuneration consists of salaries and pension funds.

Total Cost of Employees	Year		
	2016	2015	2014
Total	1,142.30	1,028.30	911.90

Unit: million baht

Remark: Total cost of employees consists of salaries, temporary living expenses, extra temporary living expenses, risk expenses, depreciation expenses of motorcycles, monthly child allowances, bonuses, overtime, medical fee, gratuities, and early retire expenses. All expenses are before withholding tax.

Shareholders Structure

As at December 31, 2016

Shareholders	Number of Shares	Value (Baht)	%
Public Sector			
1. Ministry of Finance	197,816,318	14,530,000,000	98.875
2. Government Savings Bank	550,000	55,000,000	0.275
3. Krungthai Bank (Public) Co., Ltd.	222,000	22,200,000	0.111
4. Financial Institutions Development Fund	18,000	1,800,000	0.009
Public Sector Total	198,606,318	14,609,000,000	99.270
Private Sector			
1. Ladawan Investment Co., Ltd.	400,000	40,000,000	0.200
2. Members of Thai Banker's Association	697,711	69,771,100	0.349
3. Members of Association of Finance Companies	359,389	35,938,900	0.180
4. Others	2,900	290,000	0.001
Private Sector Total	1,460,000	146,000,000	0.730
Grand Total	200,066,318	14,755,000,000	100.000

Report of the Nomination and Remuneration Committee

SME Development Bank's board of directors meeting no. 29/2015 as of December 28, 2015, passed a resolution to appoint the Nomination and Remuneration Committee consisting of the Bank's directors and independent directors as follows:

1. Mr. Lavaron Sangsnit	Member of the board of directors	Chairperson
2. Mr. Praphaisith Tankeyura	Member of the board of directors	Director
3. Mr. Vichit Kornvityakoon	Independent expert	Director
4. Mr. Metha Suvanasan	Independent expert	Director
5. President of SME Development Bank		Director and Secretary
6. Senior Vice President/Vice President of Human Resources Department		Assistant Secretary
7. Mr. Kriengkrai Rukkulchon		Consultant

The Nomination and Remuneration Committee has carried out functions within the scope of duties and responsibilities by determining policies, criteria, and methods for selecting and compensating qualified persons to be the Bank's executives such as Senior Vice President, and Executive Vice President under the criteria and procedures prescribed for the position of staff level 14 and above and presented to the board of directors for approval. The committee is also assigned to set up guidelines for annual performance evaluation, remuneration rate or other benefits to top executives. In addition, it is responsible for reviewing the guidelines and how to recruit staff from level 11 to level 13 as proposed by the Bank's president as well as the qualifications of the person who will be the Bank's director before presenting to the board of directors and other actions related to nomination and remuneration as assigned by the board of directors of the Bank.

In 2016, the Nomination and Remuneration Committee held 9 meetings. The committee considered the criteria for performance evaluation, remuneration rate and bonus payment for the top level executives and set rules and conditions in promoting 1 additional level in position for retired staff who was assigned to perform as an officiate as well as considered qualifications of the person who would become the Bank's directors before presented to the Bank's board of directors and nominated and recruited qualified person to be Senior Vice President and Executive Vice President in order to drive the Bank's operation to achieve its vision and missions.



(Mr. Lavaron Sangsnit)
Chairperson of the Nomination
and Remuneration Committee

Good Corporate Governance

As a state-owned bank, SME Development Bank has always adhered to the principle of good governance of state enterprise directed by the Ministry of Finance as well as the international standards framework of good governance. To achieve the missions depends on well-prepared policy, plan and working procedures especially good governance, therefore SME Development Bank has focused on creating the culture based on good corporate governance principles and driving earnestly for improving fundamental of good corporate governance (CG) in organization. Throughout the year 2016, the Bank has ongoing activities to encourage its executives and officers at all levels to recognize the importance of good corporate governance.

Since 2010, SME Development Bank has administered its operation by employing the principle of good governance to create good management system in terms of transparency, information disclosure and accountability that would help create growth in the sustainable way with competitive potential, protection and elimination of conflicts of interest. All in all, it helps increase confidence of shareholders, investors and stakeholders.

Good Corporate Governance Principles

SME Development Bank has set up its organizational structure and internal management system to connect between board of directors, executives and officers with the key objectives in creating the right benefits and realizing all stakeholders. Those organizational structure and management system shall reflect the key principles set forth as 7 international standards as follows:

1. **Accountability:**
Responsibility toward one's decisions and actions
2. **Responsibility:**
Hold understanding and competency to carry out one's duties and assignments
3. **Creation of Long-term Value for all Stakeholders:**
Create long-term value for all stakeholders
4. **Transparency:**
Transparent, explainable and verifiable
5. **Vision to Create Long-term Value:**
Determination of vision, strategy and create sustainable value added
6. **Ethics:**
Conducting one's business with ethic, moral and integrity

7. Social and Environmental Responsibility:

Awareness toward social and environmental responsibility

Practical Guidelines on Good Corporate Governance

SME Development Bank conducts its businesses in accordance with the guidelines under good corporate governance consisting of the rules of law, merit, transparency, participation, responsibility, worthiness and governance. In 2016, SME Development Bank has treated its stakeholders as follows:

Shareholders: SME Development Bank treats all shareholders equally in terms of disclosure of its information adequately, fairly and transparently; and clearly determines the voting rights in shareholders' meetings; and also, effectively manages its business with knowledge and abilities for its business growth and for generating proper rewards of investment to its shareholders. The Bank also held the processes of shareholders' meetings in the manner which supports equal treatment and opportunities for all shareholders to express their opinions and recommendations.

Customers: SME Development Bank is committed to satisfy its customers by offering variety of quality products and excellent services and is prepared to meet customers' demands with care and responsibility. SME Development Bank treats its customers with honesty and fairness, keeps promises given to customers. The Bank shall not abuse customers' data and at the same time regularly give correct and complete information to them in order to keep their satisfactions.

Employees: SME Development Bank considers its employees as the most valuable resources and is committed to develop all employees to be all-around capable persons, provides equal and fair treatment with respect to their honors, dignity and right to privacy, gives properly compensation for their duties, performances and responsibilities, provides proper welfare, hygienic and safe workplace and work environment, as well as promotes and supports their continuous progress in their career path.

Other Financial Institutions and Competitors: SME Development Bank operates its businesses on the basis of fair competition and provides cooperation in making available data which can be disclosed as well as promotes actions or activities that shall create unity.

Ethics and Code of Conduct

SME Development Bank, as a state-owned enterprise regulated by the Ministry of Finance and the Ministry of Industry, is established with an aim to carry out businesses involving in development, promotion and giving support to the establishment, operation, expansion or improvement of small and medium enterprises with a will to be a part of driven force for sustainable growth of Thai economy under good corporate governance practices. SME Development Bank, therefore, has prepared **SME Development Bank's Manual of Ethics and Code of Conduct** for Executives and Officers. The manual contains mechanism and system of effective enforcement as well as procedures for disciplinary action and sanctions reflecting the seriousness of the act, in which the Bank has constantly reviewed and updated.

To implementing the good corporate governance, SME Development Bank prescribes that the board of directors, executives and officers shall adhere to and strictly follow the **"SME Development Bank's Manual of Ethics and Code of Conduct"** to ensure that they shall fairly conduct their duties to preserve the benefit of the general public and maintain integrity and dignity in order to obtain credibility from customers and the general public.

Conflict of Interest Prevention Policy

SME Development Bank's conflict of interest prevention policies / measures are as follows:

1. Officers are noted and realized that what kind of action should not be done or practiced.
2. Officers are required to prepare the report on conflict of interest and if any possible conflict of interest has been found, they must seek for permission/ approval from their superior who will determine whether such matter should be continued or stopped.
3. For those officers who not qualified as an employee of the state enterprise according to the Act of Standard Qualifications for Director and Employee of State Enterprise B.E. 2518 and as amended, and fail to obtain permission from the President of the Bank, if they have been discovered later by the Bank, may be dismissed.
4. Any officer who has been reported of having conflict of interest but continues to do such act or behave in such manner (in case the Bank has directed that such act shall be suspended), may be subject to disciplinary action according to the Bank's regulation regarding Human Resource Management B.E. 2553.

Indicators of Conflict of Interest

1. Received money, gift, present and entertainment as personal benefit, enter into contract or conclude engagement by exploit one's title to influence other's decision.
2. Inappropriately exercise one's influence to demand for or receive undue benefit.
3. Misuse organization's information or property.
4. Carry out transaction or business with the third person in conflict of the organization's interest.
5. Misappropriate office property and/or working time for personal benefit.

Acts considered as conflict of interest that an officer should refrain from doing them

1. Spouse or close relatives, both in legal sense and factual sense, work in the same unit in the organization.
2. Disclose confidential information to the third person e.g. financial information, business plan, marketing plan, remuneration information and performance appraisal of the Bank and its customers' information.
3. Agree to assume the position as director or consultant of the third entity leading to business competitor conflict of interest without approval/ permission from the organization.
4. Use the organization's property for personal benefit.
5. Receive gift, present and entertainment, both in the form of money or objects.
6. Conduct business with the organization on behalf of oneself, family or corporate entity without informing the organization before assuming the role.
7. Use the position or power for personal interests, not for the organization's interests.
8. Taking other jobs that operate the same business as the organization.
9. Pay or receive a bribe for job employment or promotion.
10. Conceal information about oneself which might affect the reputation, status and operation of the Bank.

Board of Directors

According to the Small and Medium Enterprise Development Bank of Thailand B.E. 2545, provides that a board shall be set up called "the Board of Directors of the Small and Medium Enterprise Development Bank of Thailand" consisting of 1 chairperson and another directors not exceeding 9 persons

elected by the shareholders while the president shall be ex officio director.

A director shall have the term in position of 3 years. A director whose term of position has expired may be re-elected but may not hold the position for more than 2 consecutive terms.

Qualifications of Director

The Bank’s board of directors shall consist of qualified persons holding skills and experiences from various fields which can be of benefit for the organization. In particular, such person must holds qualifications stipulated in the Act for Standard Qualifications of Director and Employee of the State Enterprise B.E. 2518 and as amended as well as the Small and Medium Enterprise Development Bank of Thailand Act B.E. 2545.

Duties and Responsibilities:

1. Draw up policy and generally supervise the Bank’s operation within the scope of its objectives relating to development, promotion and support the establishment, operation, expansion or improvement of small and medium enterprises through credit, guarantee, venture capital, advice and consultation on financial, technical, production development, marketing, management and administration matters or helping SMEs to access to financial, managerial or technical services or other necessary services.

2. Appoint the board of executive directors consisting of the chairperson and other executive directors of not exceeding 3 persons while the president of the Bank shall be an ex officio executive director.

3. Determine rules and regulations to be applied to the Bank’s business as follows:

- 3.1 Regulations regarding the Bank’s shares.
- 3.2 Regulations regarding loan, guarantee, sale or discount of financial institution bill, pledge, mortgage and other banking businesses.
- 3.3 Regulations regarding the Bank’s management and administration.
- 3.4 Regulations regarding the Bank’s human resource management, remuneration and other costs and expenses.
- 3.5 Regulations regarding the Bank’s purchasing, finance, asset, accounting and internal audit.
- 3.6 Regulations regarding employee welfares for the Bank’s officers, employee and their family members.
- 3.7 Setting up branches or representative offices.



Disclosure of Data of Directors of SME Development Bank as of 31 December 2016

	Somchai Hamhirun, Ph.D. Chairperson	Mrs. Salinee Wangtal Director	Mrs.Saowanee Kamolbutr Director	Mrs. Pankanitta Boonkrong Director	Mr. Lavaron Sangsnit Director	Mr. Anusorn Muttaraid Director						
Remark	Assume the position on Aug 24, 2016	From Jul 30, 2014 to Aug 22, 2016		From Jul 30, 2014 to Jan 2, 2017								
1. Assumption of an office of director in state enterprises and/or juristic persons that such state enterprises are shareholders (not exceeding 3 organizations)	The Board of Directors of SME Development Bank is allowed to hold the position within 3 state enterprises.											
2. Related reports between directors close relatives and SME Development Bank.	The Board of Directors of SME Development Bank, spouses, and children under the age of 20 do not have personal credits transaction or being a trading partner with SME Development Bank nor in any juristic person that Board of Directors is a shareholder, authorized director, executives or guarantor.											
3. Assumption of an office or share holding in companies of which shares are held by SME Development Bank	I	NI	I	NI	I	NI	I	NI	I	NI	I	NI
1. Thai Credit Guarantee Corporation (TCG)	X		X		X		X		X		X	
2. National Credit Bureau Co., Ltd.	X		X		X		X		X		X	
3. Wattasarn Media Co., Ltd.	X		X		X		X		X		X	
4. Bi-tech Coolblock Co., Ltd.	X		X		X		X		X		X	
5. Power and Saving Intania Co., Ltd.	X		X		X		X		X		X	
6. Thai Fashion Center Co., Ltd.	X		X		X		X		X		X	
7. Bangkok Marine Engineering Co., Ltd.	X		X		X		X		X		X	
8. Manee Taming Co., Ltd.	X		X		X		X		X		X	
9. Autowood (Thailand) Co., Ltd.	X		X		X		X		X		X	
10. Pet-tech Inter Group Co., Ltd.	X		X		X		X		X		X	
11. Techno Asia Tire Co., Ltd.	X		X		X		X		X		X	
12. Thai Umaporn Textile Co., Ltd.	X		X		X		X		X		X	
13. Chao Phaya Insurance Plc.	X		X		X		X		X		X	
14. Trinity Education Co., Ltd.	X		X		X		X		X		X	

Note : 1. The Small and Medium Enterprise Development Bank of Thailand (SME Development Bank) has participated as a shareholder in 14 companies (information from the Entrepreneurial Development and Venture Capital Department 1 on Feb 14, 2017)

Disclosure of Data of Directors of SME Development Bank as of 31 December 2016

	Seree Nonhasoot, Ph.D. Independent Director	Mr. Praphaisith Tankeyura Director	Mr. Taveesak Foongkiatcharoen Director	Mrs. Poonsuk Musiklad Independent Director	Mr. Chanvit Nakburee Director	Mr. Pornlert Lattanan Independent Director	Mr. Mongkon Leelatham Director and Secretary							
Remark			Assume the position on Jan 2, 2017	Assume the position on Jan 2, 2017	Assume the position on Jan 2, 2017	Assume the position on Jan 31, 2017	Assume the position on Jan 1, 2016							
1. Assumption of an office of director in state enterprises and/or juristic persons that such state enterprises are shareholders (not exceeding 3 organizations)	The Board of Directors of SME Development Bank is allowed to hold the position within 3 state enterprises.													
2. Related reports between directors close relatives and SME Development Bank.	The Board of Directors of SME Development Bank, spouses, and children under the age of 20 do not have personal credits transaction or being a trading partner with SME Development Bank nor in any juristic person that Board of Directors is a shareholder, authorized director, executives or guarantor.													
3. Assumption of an office or share holding in companies of which shares are held by SME Development Bank	I	NI	I	NI	I	NI	I	NI	I	NI	I	NI	I	NI
1. Thai Credit Guarantee Corporation (TCG)		X		X		X		X		X		X		X
2. National Credit Bureau Co., Ltd.		X		X		X		X		X		X		X ¹
3. Wattasarn Media Co., Ltd.		X		X		X		X		X		X		X
4. Bi-tech Coolblock Co., Ltd.		X		X		X		X		X		X		X
5. Power and Saving Intania Co., Ltd.		X		X		X		X		X		X		X
6. Thai Fashion Center Co., Ltd.		X		X		X		X		X		X		X
7. Bangkok Marine Engineering Co., Ltd.		X		X		X		X		X		X		X
8. Manee Taming Co., Ltd.		X		X		X		X		X		X		X
9. Autowood (Thailand) Co., Ltd.		X		X		X		X		X		X		X
10. Pet-tech Inter Group Co., Ltd.		X		X		X		X		X		X		X
11. Techno Asia Tire Co., Ltd.		X		X		X		X		X		X		X
12. Thai Umaporn Textile Co., Ltd.		X		X		X		X		X		X		X
13. Chao Phaya Insurance Plc.		X		X		X		X		X		X		X
14. Trinity Education Co., Ltd.		X		X		X		X		X		X		X

Note : 1. The Small and Medium Enterprise Development Bank of Thailand (SME Development Bank) has participated as a shareholder in 14 companies in various companies (information from the Entrepreneurial Development and Venture Capital Department 1 on Feb 14, 2017)

2. Mr. Mongkon Leelatham, President has become a member of the Board of Directors and the Board of Risk Management Committee of National Credit Bureau (NCB), SME Development Bank holds 20% of NCB shares.

Board of Executive Directors

The SME Development Bank Act B.E.2545 provides that the board of directors of SME Development Bank shall have the power to appoint the board of executive directors consisting of the chairperson and other executive directors of not exceeding 3 persons while the president of the Bank shall be an ex officio executive director. The board of executive directors shall have the term in office of 2 years.

Duties and Responsibilities:

1. Determine guidelines and methods of operation of SME Development Bank in accordance with the policies and goals as prescribed by the board of directors which shall not interfere with the authorities and duties of the president of the Bank as per Section 25 of the Act.

2. Report the operating results to the board of directors on quarterly basis.

3. Approve the request for amendment of budgets within the limit according to the regulations of SME Development Bank and report to the board of directors for acknowledgment.

4. Approve the adjustment of organization structure and scope of responsibilities of departments under supervision of senior executive vice president and report to the board of directors for acknowledgment.

5. Set forth the rates of annual bonus payment and extra payments and propose to the board of directors for consideration and approval.

6. Set forth the rates of annual increases of wage payment to officers and propose to the board of directors for consideration and approval.

7. Appoint sub-committees working groups for any operation within the scope of authorities and duties assigned.

8. Approve the procurement and lease of supplies as from the limit of 20 million baht but not exceeding 50 million baht.

9. Approve the travelling for overseas operation of person who is not an officer of SME Development Bank.

10. Approve or employ independent expert or specialist as deemed appropriate or otherwise seek for professional opinion from relevant person or independent expert at the Bank's expenses.

11. Approve credit renewal or review credit limits and debt restructuring, as the individual's credit limits set out is over 50 million baht but not exceeding 200 million baht, which the scope of authorizations are as follows:

11.1 Determine policy, criteria and practice relating to credit renewal considerations or review credit limit and debt restructuring within the credit limits approval in article no.11

11.2 Approve credit renewal or review credit limits and approve loan compromise or reforming the terms of credit in previous approval within the credit limits allowance in article no.11 as follows:

- 1) Extend or reduce debt payment periods.
- 2) Adjust short-term debt into long-term debt or reversal.
- 3) Increase or decrease interest rates, grace period, principal payment and interest on the loan installments.
- 4) Improve loan types that it shall not exceed the authorized limits.
- 5) Increase or decrease the collateral or guarantor.
- 6) Transfer of assets as collateral and non-collateral for debt payments.
- 7) Reduce or exempt from accrued interest, fine, default interest rate and other charges only for the part that is not yet recognized as revenues in the profit and loss account according to the Bank of Thailand.

Execution of Article 1) - 7) shall not impact the accounting loss in the recognition of revenue that mentioned in the profit and loss statement, regarding to the criteria of the Bank of Thailand at that time.

11.3 Approve a debt restructuring of non-performing loans (NPLs) within credit limits by the authority in article no.11 as follows:

- 1) Extend or reduce debt payment periods.
- 2) Adjust short-term debt into long-term debt or reversal.
- 3) Increase or decrease interest rates, grace period, principal payment and interest on the loan installments.
- 4) Improve loan types that it shall not exceed the authorized limits.
- 5) Increase or decrease, the collateral or guarantor.

- 6) Asset transfer as collateral and non-collateral for debt payments.
- 7) Reduce or exempt from accrued interest, fine, default interest rate and other charges only for the part that is not yet recognized as revenues in the profit and loss account according to the Bank of Thailand.

Execution of Article 1) - 7) shall not impact the accounting loss in the recognition of revenue that mentioned in the profit and loss statement, regarding to the criteria of the Bank of Thailand at that time.

12. Consider credit limits and debt restructuring amount exceeding 200 million baht before presenting to the SME Development Bank's board of director for approval.

13. Perform other actions as assigned by the board of directors.

SME Development Bank Reorganization Committee

Duties and Responsibilities:

1. Supervise and monitor the operation to be in accordance with strategic plan on SME Development Bank reorganization.
2. Supervise and monitor due diligence process and improve credit administration.
3. Determine measures and criteria for handling doubtful account.
4. Screen credit granting and debt restructuring before submitting to the board of directors for approval.
5. Set up a working group to support the operation of SME Development Bank reorganization sub-committee.
6. Perform other function as assigned by the board of directors.

Audit Committee

Duties and Responsibilities:

To supervise operations in accordance with the laws, rules, regulations, including related Council of Ministers' resolutions based on the criteria and practices of Audit Committee in State Enterprises and to enhance the efficiency in value addition of organizations, to create credibility and confidence in operations to the extent that they are conducted with careful supervision, fairness and transparency as per authorities, duties and responsibilities as prescribed in the Charter of the Audit Committee. The audit committee shall report the operating results to the board of directors of SME Development Bank.

Risk Management Committee

Duties and Responsibilities:

1. Determine the policy framework for proposing to the board of directors of SME Development Bank to consider the issue of risk management as a whole which shall include the types of risks such as credit risk, market risk, liquidity risk, operational risk, strategic risk and the risks that affect the reputation of the Bank.
2. Appoint the risk management policy in accordance with the strategy to cover the assessment, monitor and maintain the Bank's risk to proper and acceptable level.
3. Review the sufficient policy and risk management procedure including an effectiveness of process and practice on policy guidelines.
4. Report to the Audit Committee regularly on what action is required to improve and amend in accordance with regulation, policy and strategy plans.
5. Approve the properly action plan for risk management, risk ceiling, measuring tool and indication criteria to meet an acceptable level of SME Development Bank and adjust regularly to fit the Bank environment. Consider and share opinion or approve relevant projects aiming at the achievement of action plan as well as review the sufficient resources for risk management.
6. Approve all types of non-derivatives products except non-collateral loan of more than 1 million baht per account.
7. Review all types of derivatives products and non-derivatives products with non-collateral loan of more than 1 million baht and loan products according to government policy.
8. Approve the business continuity management as well as carry out the business continuity plan to all departments within the Bank.
9. Perform other duties as assigned by the board of directors.

Employee Relations Committee

Duties and Responsibilities:

1. Consider and give opinions on improvement of operational efficiency of SME Development Bank as well as improvement and development of labor relations.
2. Seek for agreement and resolution of dispute occurred within SME Development Bank.
3. Consider and improve working rules and regulations for the benefit of the employer, employees and SME Development Bank.

4. Manage to have discussion about solution to the complaints raised by employee or SME Development Bank labor union including complaints relating to disciplinary actions.

5. Discuss on how to improve employment condition.

Nomination and Remuneration Committee

Duties and Responsibilities:

1. Determine the policy, criteria and procedure for recruitment of Senior Executive Vice President and Executive Vice President and proposing to the board of directors for approval.

2. Recruit and nominate persons who have appropriate qualifications to the board of directors for judgment. The following positions are to be submitted to the board of directors.

2.1 Directors in any others committees of the Bank who shall be delegated authority and their responsibilities from the board of directors.

2.2 Senior Executive Vice President and Executive Vice President.

3. Determine policy and the amount of remuneration and other benefits provided to directors in each committee, senior executive vice president and vice president with clear, transparent guidelines before submitting to the board of director for approval.

4. Disclosure of policies and details of the recruitment process in the annual report.

5. Supervise directors in each committee, senior executive vice president and executive vice president to receive the appropriate compensation for their proper duties and responsibilities. The directors who have been assigned with more tasks, the compensation shall be set to appropriate their duties and responsibilities.

6. Determine guidelines for the evaluation of directors in each committee, senior executive vice president and executive vice president in order to consider a revision of the annual return; it shall realize on the responsibilities and risks involved.

7. Disclosure of the remuneration policy and compensation in various titles, including the preparation of the remuneration report, at least contains details on performance goals, comments and requests to the nomination and remuneration committee in annual report.

8. Consider and approve the criteria and the procedure of officer recruitments from level 11 to level 13 as proposed by the President.

9. Perform other duties as assigned by the board of directors.

Information Technology Committee

Duties and Responsibilities:

1. Determine IT Policy and IT Road Map and plan to implement proper information technology to SME Development Bank's direction and operation plan.

2. Provide opinion on developing IT Master Plan that conforms to SME Development Bank's business plan while taking into account the integration of information technology systems with IT Security Policy and IT Standards.

3. Determine policy and guidelines for IT Security Policy to be in accordance with standards and laws.

4. Consider, screen and provide opinion on procurement and development of IT system and infrastructure as well as monitor to assure the achievement of the set goal.

5. Report IT operation result to the board of directors for acknowledgment on quarterly basis.

Corporate Governance Committee

Duties and Responsibilities:

1. Consider and determine the criteria for good corporate governance for effective and efficient operations of SME Development Bank by developing and promoting the understanding of the principle of good corporate governance to SME Development Bank personnel.

2. Supervise and promote the operations of SME Development Bank to be in conformity with the principle of good corporate governance.

3. Evaluate and review the policies on good corporate governance of SME Development Bank continuously to ensure that they are in line with international practices and recommendations of the Ministry of Finance.

4. Give advice on the operations of SME Development Bank to the management team and the related committees about the application of the principle of good corporate governance to get effective performance.

5. Set up sub-committee to support the operation relating to good corporate governance.

6. Perform other function as assigned.

Venture Capital Committee

Duties and Responsibilities:

1. Have the authority to joint in venture capital in the amount and proportion specified in the regulations of venture capital under the consideration of conditions for the venture capital

including the types, the amount of investment, time period, fees or return on investment, disbursements for payment of shares, repayments, withdrawals or disposals of investments or shares for investment, contract termination, debt restructuring in compliance with the regulations and policies prescribed by the board of directors of SME Development Bank.

2. Have the authority to approve, compromise or reform rules and procedures of investment including increase or decrease the amount of investment that not exceeding 30 million baht under the regulations of venture capital.

3. Consider issuing a venture capital exit or filing a lawsuit against venture capital partners.

4. Consider investment policy for Venture Capital Fund or Private Equity Trust in accordance with the government policy.

5. Select and approve of venture capital proposed by the trust manager.

6. Supervise and monitor the operations of trustee and trust manager to achieve the establishing goals.

7. Have the authority to appoint board advisors, subcommittee, working group to take any action in relating subject of venture capital.

8. Report the progress of venture capital to the board of directors at least once a year

9. Perform other duties as assigned by the board of directors.

Table of Summary : Meeting Attendances and Allowances of the board of directors 2016

No	Name-Surname	Monthly Allowances (12 month)	Monthly Meeting Fee (Total)	Committees											
				Board of Directors	Board of Executive Directors	SME Development Bank Reorganization	Audit	Risk Management	Employee Relations	Nomination and Remuneration	Information Technology	Corporate Governance	Venture Capital		
				(No. of Meeting Attendances)	(No. of Meeting Attendances)	(No. of Meeting Attendances)	(No. of Meeting Attendances)	(No. of Meeting Attendances)	(No. of Meeting Attendances)	(No. of Meeting Attendances)	(No. of Meeting Attendances)	(No. of Meeting Attendances)	(No. of Meeting Attendances)		
1	Mrs. Salinee Wangtal	152,600	137,500	Chairperson (15/15)		Chairperson (5/5)									
2	Somchai Harnhirun, Ph.D.	161,100	170,000	Director (18/22)	Director (5/15)								Chairperson (2/2)		
3	Mrs. Saowanee Kamolbutr	120,000	120,000	Director (19/22)			Director (13/13)						Chairperson (1/1)		
4	Mrs. Pankanitta Boonkrong	120,000	270,000	Director (21/22)	Chairperson (24/24)	Director (1/5)									
5	Mr. Lavaron Sangsnit	120,000	110,000	Director (17/22)				Chairperson (12/12)		Chairperson (9/9)					
6	Mr. Anusorn Muttaraid	120,000	230,000	Director (18/22)	Director (14/24)					Chairperson (9/9)		Chairperson (10/10)			
7	Seree Nonthasoot, Ph.D.	120,000	90,000	Director (14/22)			Director (12/13)								
8	Mr. Praphaisith Tankeyura	120,000	240,000	Director (22/22)	Director (24/24)	Director (1/5)					Director (8/9)				
9	Mr. Mongkon Leelatham	120,000	240,000	Director & Secretary (22/22)	Director & Secretary (24/24)	Director (5/5)		Director (12/12)			Director & Secretary (8/9)	Director (10/10)		Chairperson (4/4)	
Meeting Allowances for the board of directors in 2016		1,153,700	1,607,500	1,010,000	560,000	37,500	240,000	150,000	112,500	100,000	112,500	37,500	-		

- Remarks:
1. Payments of remuneration and meeting allowance for the board of directors shall be in accordance with the regulation of the State Enterprise Policy Office (SEPO) Memo No. KorKhor. 0805/1630 LorWor., on May 24, 2004.
 2. The board of directors of SME Development Bank were appointed at the annual general meeting 1/2014 on July 30, 2014.
 3. Mrs. Salinee Wangtal held the position from July 30, 2014 to August 22, 2016.
 4. Somchai Harnhirun, Ph.D. has been appointed as chairperson of the board of directors on August 24, 2016.
 5. Mr. Mongkon Leelatham has been appointed on January 1, 2016.

Compliance with Official Information Act B.E. 2540

SME Development Bank has fulfilled the requirements of disclosure of its information to the general public as stipulated in the Official Information Act B.E. 2540 completely and continuously, for the benefits of the general public to access information of SME Development Bank. The overview of its operations can be summarized as follows:

1. SME Development Bank has appointed the Information Committee of SME Development Bank with authorities and duties to determine criteria and guidelines for classifying type of information of SME Development Bank, in terms of management, organization and provision of information service of SME Development Bank, including operations under the regulations governing the provision of information of SME Development Bank to the general public in accordance with the Official Information Act B.E. 2540.

2. SME Development Bank has announced and disseminated its organizational structure, list of the board of directors, list of executives and their authorities and duties under the SME Development Bank Act B.E. 2545 so that the general public can search them on the website: www.smebank.co.th

3. SME Development Bank has made public announcement on an invitation to the bid and inquiry for procurement, their cancellation and the list of awarded bidders on the website : www.smebank.co.th

4. SME Development Bank has provided channels available for the general public to ask for information and services or to give feedback and complaint to SME Development Bank through its Call Center 1357.

5. SME Development Bank has submitted compliance report of the Official Information Act B.E. 2540 to Office of the Official Information Commission and the Ministry of Finance on an annual basis.

6. Disclosure of SME Development Bank data and its customer data to the third party either government agency or individual may be done provided that such third party has officially requested for such information subject to the provisions of law and the Bank's regulations as follows:

6.1 Agencies authorized by law to ask for data verification or to demand for documents and evidences or to ask the Bank's officer to present and give statement as a witness include the court of law, Legal Executive Department, the Revenue Department, Department of Special Investigation, Royal Thai Police, Office of the Consumer Protection Board, Social Security Office, the Securities and Exchange Commission, Office of the National Anti-Corruption Commission, Anti-Money Laundering Office, Office of the Narcotics Control Board, Office of the Auditor General of Thailand, Inspector General of the Ministry of Finance, the ombudsman and the Bank of Thailand etc.

6.2 For agencies or persons unauthorized to ask for verification of information, either public or private agency, SME Development Bank shall not be able to disclose such information as the Official Information Act B.E. 2540 Section 24 provides that a state agency shall not disclose personal information in its control to other state agencies or other persons without prior or immediate consent given in writing by the person who is the subject thereof.



Key Factors Affecting the Bank's Performance

Changing environment that may affect directly and indirectly to the Bank's operations are as follows:

Risk of Economic Conditions

Bank of Thailand expected that Thai economy in 2017 will continue to grow from 2016, resulted from the main driving force of public spending. However, the outlook for economic growth still faces the risk of external factors that must be closely monitored as following

- 1) The uncertainty in progression of monetary policies in the major industrial countries
- 2) The problem of financial stability in China, and
- 3) Political developments and the financial crisis in Europe may result in a lower-than-expected economic growth and negatively affect the direction of credit growth and credit quality.

Business Competition

Co-operation in strategic setting with the public, private and financial sectors, to develop Thai's payment system into the digital society which is a major transformation of Thai financial sector. Coping with technological advances that changing

dramatically has become an important role to support the business operations. Moreover, changing behavior of customers who turn to digital and electronic channels for their transactions seemed to increase continually, including a wide range of financial channels and more diversified service channels from non-financial providers, the financial services competition has intensified due to these changes.

Changing or Improving Rules of Official and Supervising Agencies

Changing rules to accommodate the changing environment, especially the rapid changes in technology, therefore financial institutions need to improve and develop their work systems and databases in line with such changes. The development of the Bank's information technology system for stability and safety to accommodate new transactions in the upcoming future may lead to higher IT investment costs.



Risk Management

Risk Management Overview

SME Development Bank has adopted international standards for risk management and internal control (COSO-ERM) guidelines given by the Bank of Thailand and Ministry of Finance as the framework for its risk management. The goal is to ensure that SME Development Bank's operation shall achieve the set targets with stability and in conformity with the principle of good governance. During the 2016 fiscal year, SME Development Bank drew up its directions and strategies toward risk management in order to support its overall operation and to achieve its objectives and goals as follows:

1. Adopt risk management approaches that meet recognized standards and are suitable for SME Development Bank's missions and activities.

Set up plans and measures for risk management leading to harmonized operations while existing risk management approaches shall be reviewed on continual basis to ensure more effective risk management.

2. Synergy of risk management and strategic planning has been continuously deployed.

SME Development Bank has been developing certain major systems relating to risk management by putting in place risk management system, developing operational risk management system and loss data storing system in order to make available of database necessary for determining sufficiency of the fund as required by international standard. The Bank has also developed early warning to ensure appropriate action to be taken on time in order to mitigate the risk.

3. It is the responsibility of the SME Development Bank board of directors, executives, and staff, to take into account the importance of managing daily operational risks and taking risk management as organizational and risk culture.

Importance is placed upon communication for understanding among SME Development Bank's stakeholders on matters relating to risk management and internal control via various channels such as corporate website, printing materials, and reports. The aim is to create awareness to the extent that risk management will become a part of organizational culture. In addition, SME Development Bank has had risk management integrated with its organizational administration under the

integrated scheme of Governance Risk Management and Compliance (GRC).

4. Develop personnel and tools necessary for risk management on continual basis to ensure that they can manage risk at acceptable level and responsive to the Bank's goals.

5. In order to allow SME Development Bank's risk management to be in accordance with the principle of Enterprise Risk Management (ERM), SME Development Bank is committed to develop risk management to become its organizational culture where the Bank's board of directors, risk management committee, the management, and all related departments in the Bank, will participate in managing risk.

- **At the directorial level**, SME Development Bank's board of directors has appointed Risk Management Committee (RMC), consisting of representatives from the board of directors, independent experts, the Bank's president, and senior executives to determine policy, strategies, and risk management framework as well as review risk factors, develop risk management plan, monitor and regulate risk management to be in accordance with the policy and strategies that can maintain risk at acceptable level, and also review and evaluate the adequacy of the Bank's internal control.
- **At the managerial level**, SME Development Bank's senior executives in charge of different areas will supervise risk management in each area and of the units under their supervisions. They will also take part in risk management as members of various committees.
- **At operational level**, the departments which own risks (risk owners) will carry out Control Self-Assessment (CSA) for relevant matters under supervision of the risk management and internal control committee within the departments to ensure that operational objectives will be achieved.

In addition, SME Development Bank has a department specifically responsible for risk management in general, the risk management department, assigned to perform the duties of preparing and proposing the policy on risk management, defining the scope of risk management, as well as, monitoring the results of risk management and reporting risks status to the Bank's risk management committee.

Risk Factors and Risk Management

To implement risk management, SME Development Bank has followed the guideline provided by the Bank of Thailand and Ministry of Finance in categorizing risks into 2 main groups and 6 types of risks which are; financial risks, credit risk, market risk and liquidity risk; and non-financial risks: strategic risk, operational risk, and compliance risk. In 2016, SME Development Bank identified risk factors at organization level based on categories mentioned above. SME Development Bank also prepared risk map as a tool to systematically integrating all risks together, also known as, Enterprise Risk Management (ERM).

Strategic Risk

Strategic risk means the risk resulted from the determination of strategic plans, operation plans, and their implementations, which are not proper or inconsistent with external factors or external environments which could affect incomes, funds or the existence of the business.

SME Development Bank's strategic risks were managed as follows:

1. Set up and reviewed of strategic risk management policy to be implemented as a framework to manage the Bank's strategic risk.
2. Determined SME Development Bank's strategies and goals as well as the process of monitoring and controlling operating results with the setting goals using data obtained from analyzing SWOT of internal and external environments such as operating results, current situations of the Bank, economic condition, business situation of the SMEs, the government policies and the Bank's customers' satisfaction results, etc.
3. The risk management guidelines provided by COSO were applied to the process for developing the Bank's risk management plan which was also in line with the quality assessment system for state enterprises by linking the risk management process, risk factors, and risk management with the goals and strategic plans of the Bank. SME Development Bank analyzed and assessed both the internal and external risks that might affect the Bank's business goals, defined the risk appetite and risk tolerance, and developed risk map and risk handling plan to minimize risks to acceptable level and to facilitate achievement of the Bank's business goals. Moreover, SME Development Bank would follow up and report the results of risk management to the related committees for consideration

on quarterly basis and would review the interim risk management plan to ensure proper risk management.

4. SME Development Bank would follow up and report the status of strategic risks to the related committees on a regular basis and would also report to the risk management committee on a monthly basis and to the board of directors on a quarterly basis so that the operational guidelines could be revised to attain the targeted goals.

Credit Risk

Credit risk refers to the risk that a customer or counterparty of SME Development Bank could not repay the loan or fail to comply with SME Development Bank contractual agreements including the opportunity to downgrade the credibility, which may impact on the Bank's performance and capital funds status.

SME Development Bank's mission focusing on supporting entrepreneurs of the small and medium enterprises to promote business growth by providing financial services at the amount not exceeding 15 million baht. In addition, SME Development Bank has launched products to encourage ordinary person entrepreneurs to register as a juristic person in accordance with the government policy on persuading entrepreneurs to move into boarding system. Moreover, SME Development Bank continues to provide ongoing opportunities for non-guarantee loans that are the main obstacle to access funding resources from the banking system, by providing assistance through the loan guarantee scheme of Thai Credit Guarantee Corporation (TCG) to comply with its mission and to prepare for principle practices regarding the Bank of Thailand's regulations governing in the 2017. Therefore, credit risk management in 2016 has divided in three main titles as follows:

1. **Expanding customer lending base** to assist small and medium enterprises by launching products or new program of credit products in line with the core mission and government policy. Working through the product launch processes, there are risk assessments and products presentation to the Risk Management Committee for approval prior to launch. In the credit approval process of the new portfolio since 2015, check and balance process was used to clearly segregate the duty of the marketing and credit analysis agencies; this is in line with the good credit policy.

Moreover, SME Development Bank has reviewed relevant policies, to comply with the Bank of Thailand's regulations with regards to debt monitoring, supervision policy and loan process in appropriate for retail loans and SME Development Bank's mission, loan classification and loan provision policy including preparation to maintain capital fund based on Basel 2 criteria, which will be implemented in 2017.

2. Portfolio supervision, SME Development Bank has increased staff members in the loan monitoring and collection department across the country to accelerate and closely follow up debts and resolve weak debts in the amount limit up to 15 million baht as well as control and maintain debt level to prevent impaired loans. In addition, the Bank has set up a new risk management tool and review policy and current risk management tool as follows:

- 2.1 Report Warning, "First Date Not Paid" is a monthly report aimed at analyzing causes to improve, resolve and prevent the errors. The ultimate goal of report warning is to reduce or eliminate "The First Date Not paid" in the bank credit process.
- 2.2 To direct and supervise quality via Early Warning, in order to prevent debt deterioration by prioritizing high risk group in the debt collection process.
- 2.3 To supervise the Industry limit which reflects the risk information and the target group of the bank's mission, and in line with the direction of the government. By increasing the frequency in back testing the industry limit mechanism during the year to ensure that the industry limit mechanism in current used is still effective. There is also supervising of the limit for trade factoring receivables for reducing the risk of concentration of trade receivables.
- 2.4 The initiative to develop the credit risk database management which used to connect the data through various systems, changed into a single data base system for accessing to the credit risk management information faster and more efficiently. It is also a foundation set up to data storing that use for risk tool development and overseeing the risks planned in the credit risk management projects.

3. NPL Management in 2016, SME Development Bank continues to focus on a clear and rigorous NPL management process to achieve its NPL reduction goals. The bank had supervised, monitored and accelerated closely through the working group for

supervising and tracking NPL in order to achieve the strict NPL reduction targets set. As a result, the operation to correct the NPL had been better than expected at 18,000 baht. As NPL at the end of 2016 had an outstanding balance of 17,904 million baht, a decrease of 23,452 million baht at the beginning of the year, NPL declines from debt restructuring, debt write-offs, debt sold off and debt compromise. Consequently, the SME Development Bank's NPL ratio decreased from 27% in 2015 to 19% in 2016.

In 2016, the bank continues to follow-up and report the performance on a monthly movement of credit portfolio, by improving the focus of tracking on portfolio reports across all status of credit cycle and presenting the report to senior executives for consideration and setting a direction of credit expansion plans including the approach to improve debt management process that requires special precaution to closely follow up with the weak debtors from debt restructuring.

Based on the report and analysis of the credit portfolio, that leads to a direct communication throughout the organization, for creating a better knowledge and understanding the view of credit risk and helping promote the culture of risk management thoroughly together with being benefit to the agencies that are in the credit process and portfolio management.

Market risk

Market risk refers to the risk arising from movements in interest rates, exchange rate, and price of instruments in money capital markets that has a negative impact on the Bank's income and capital funds.

Market risk is the risk that the Bank may be affected by changes in the value of status, both inside and outside the statement of financial position arising from movements in interest rates, price of instruments in money capital and commodity prices, that may has a negative impact on the Bank's income and capital funds. The Bank assigns the risk management department that is independent from front office to control and monitor risk for transparency and efficiency in regulation of the Bank of Thailand's Market Risk Supervision Guidelines and SME Development Bank Market Risk Management Policy by determining the highest risk ceiling or indicator acceptable to the Bank. The Bank doesn't have trading account but for a banking account the Bank will monitor the reduction of yearly net interest income change and the economic value change as well as set up the

guidelines to accommodate an exceeding of the risk ceiling from the approved thresholds. Additionally, there is also the valuation based on the market price together with the development of report formats and the tools used to assess and control risk for more effectiveness. Thereby the risk management report was proposed to the risk management committee on a monthly basis. However, the overall of the Bank's market risk in 2016 is within the approved risk framework. The overview of its major market risk can be determined as follows:

Interest Rate Risk in a bank account which is the risk that income or capital funds adversely affected by changes in interest rates of assets, liabilities, and all off-balance sheet items which are rate sensitive items, that may affect the net interest income. The Bank monitors interest rate risk to an acceptable level by setting the risk ceiling and risk indicators, presenting information on interest rate condition, money market condition, and capital markets both domestically and internationally to asset and liability management committee as well as presenting risk reports to the risk management committee on a monthly basis. The Bank also sets out guidelines to accommodate the risk that exceeds the approved risk limits in each level.

Tools for measuring, assessing, monitoring and reporting market risk

- To determine policies related to market risk management such as market risk management policy, policy on interest rate risk management in banking accounts, policy on trading and banking account management in order to implement as a policy framework and guidelines for managing and controlling of the Bank's market risk.
- An analysis of the differences in the new interest rate period or contract length remaining period between assets, liabilities and off-balance sheet items (Repricing Gap), the consideration of the impact of interest rate changes on income and the Bank's economic value.
- The measurement of the impact of changes in various risk factors such as measuring the effect of changes in the yields in the debt instruments market on the price of debt (DV01), the fair value appraisal of debt instruments and foreign currency transactions.
- To determine market risk limits and review annually in order to ensure the appropriateness of risk limits toward the Bank's policy and the changing situation.

- The preparation of investment report and market risk report which regularly presented to the board and the Bank's executives in related divisions.

Liquidity risk

Liquidity risk refers to the risk that the Bank is inability to pay its debt or obligations when payment is due, as it cannot convert its existing assets into cash in a timely manner or cannot acquire adequate fund or able to raise money to repay but with the cost exceeds acceptable levels. This may affect the Bank's income and capital funds.

In 2016 the Bank's liquidity was in satisfactory level thereby the Bank had restructured its fund raising while maintained its liquidity to manage lower cost of fund and determined risk appetite and risk tolerance, as well as prepare liquidity emergency plans in line with the guidelines set by the Bank of Thailand.

Tools for measuring, assessing, monitoring and reporting liquidity risk

- To determine liquidity risk management policy, to use as a policy framework and guidelines for operation and control of liquidity risk of the Bank.
- To prepare a reporting of liquidity gap.
- The measurement and evaluation of liquidity risk by using financial ratios, such as a ratio of customer concentration, large deposits, liquid assets and mismatches.

Monitoring and controlling of liquidity risk has been operated as follows:

- Determining and reviewing liquidity risk limits annually to ensure the appropriateness of risk limits toward the Bank's policy and the changing situation.
- Preparing and presenting liquidity risk report regularly to the Board and related executives such as the asset and liability management committee and the risk management committee.

Operational risk

Operational risk refers to the risk of causing damage due to the lack of good corporate governance and internal control in the Bank. It may involve internal operation processes, operator, systems or various external factors which could impact negatively on the Bank's income and capital funds but excludes strategic risk and reputational risk.

The Bank supervises and focuses on maintaining operational risk management based on the principle of risk management as follows:

1. The business units and support departments, which hold the status as the risk owners are responsible to identify, evaluate, control and monitor risk including reporting to their units and departments executive and assigning risk agency to coordinate with the department that oversees operational risk.
2. The departments that oversee and control risks hold duties to support tools, guidelines and methods to the risk owners for their risk management.
3. The internal audit department is responsible for monitoring and testing business operation and risk management in order to create confidence that the Bank's risk management and internal control system are effective.

Every department operates the same practices of risk management throughout the organization; identify, assess, control, monitor and report risks through various tools, such as operational loss data collection and risk control self-assessment (RCSA) which risk agency of each department coordinates in managing their operational risk. For the external risks that beyond the Bank's control, the Bank establishes a business continuity plan (BCP) and the faced events and restore plan and consistently tests them to ensure that at times of emergency and crisis, the Bank can continue to provide services to customers.

SME Development Bank has prepared to accommodate the operation in accordance with the criteria set by the Bank of Thailand, entitled in the regulation practice of the specialized financial institutions in 2017.

Compliance Risk

Compliance risk refers to those risks resulted from failures to observe the law, cabinet resolution, rules and regulations, and relevant official notifications, that may affect the operation and damage reputation and image of the Bank.

SME Development Bank realizes and prioritizes the compliance risk management by drawing a policy on compliance risk management and continually monitoring observance of official rules and regulations, setting a center for providing recommendations, advices while evaluating

works of relevant units to ensure that SME Development Bank's operation should not violate and comply with official rules and regulations as well as internal rules and regulations of the Bank.

Internal Control

SME Development Bank prioritizes its internal control system through continual development as this is seen as a key to support and maximize effectiveness and efficiency of SME Development Bank's operations along with good corporate governance, transparency, and compliance with statutory requirements and related rules and regulations. Internal control has always been included as part of the Bank's normal operation which all departments either at the head office or regional offices are assigned with the duty to adopt risk control self assessment (RCSA) as a tool to manage risks and internal control according to the regulations set by the State Audit Commission regarding the Determination of Internal Control Standard 2001 and the framework for risk management and internal control of COSO-ERM. There are 5 major components of internal control as follows:

1. Control Environment

SME Development Bank has the Code of Ethics and Business Conduct for the Small and Medium Enterprise Development Bank of Thailand, underlining integrity, ethics, transparency, and free from conflicts of interests. SME Development Bank has revised the elements of the corporate governance committee, in charge of regulating and promoting management under the principles of good corporate governance to ensure that morals, ethics, and integrity, were established among the Bank's executives and officers in their operation by referring to SME Development Bank's code of ethics and business conducts. Through internal communication channels, SME Development Bank's personnel were aware of the code and encouraged to take the code into actions.

SME Development Bank has had annual plans and revised the plans during the year. The Bank has also revised organizational structure while setting rules and regulations appropriate with the new structure. There has been also department taking care of personnel morality, and fair treatment to the customers. Having proper organization structure and environment for business operation will support the internal control system to achieve its set policy and result in adequate internal control.

2. Risk Assessment

SME Development Bank assesses risk of internal control in systematic manner by its executives and staff who will participate in identifying and evaluating risks from the operations under their responsibilities. This will lead to appropriate risk management toward problems associating with the operations. To this end, tools for risk assessment have been clearly linked and developed along with determining purpose and goal of each department and each operation in order to achieve the mission with appropriated budget and resources.

SME Development Bank has taken into account the importance of managing risks from both internal and external. SME Development Bank has set up risk management group and assigned risk management committee of which their roles strategies and directions of managing the risks and controlling the organization to execute the risks control according to the Bank's directions

3. Control Activities

SME Development Bank has set operational framework by having written policies, regulations, orders and guidelines which will be adopted by executives and staff in order to minimize or control risks from operations. The Bank always reviews compliance with the law, requirements set by authorities, internal and external regulators and reports overall operation results to the president, the audit committee, and the board of directors of SME Development Bank.

SME Development Bank has had written regulations on the authority of each managerial level in governing and approving the budget of each activity. Their scope of authority and commands are specified separately for the auditing and cross-checking can be done appropriately.

4. Information and Communication

SME Development Bank has put in place information technology system appropriate for its operation and for their executives to perform their managerial works including communication to the Bank's management, staff and other related parties, internal and external in appropriate manners. Those having received information and updates can further their duties effectively and successfully according to the Bank's objectives. Also, information technology contingency plan has been set up in order to mitigate emergency and disasters and to maintain the continuity of the Bank's services.

SME Development Bank has applied accounting policy according to accounting standards for businesses. The Bank has also developed the information technology and other databases to be available in time for the changing situations.

5. Monitoring

SME Development Bank has monitoring system for internal control on regular basis. In particular, implementation of the improvement plan of departments' level will be done on quarterly basis while reports will be submitted to the risk management committee and certificate of internal control assessment will be delivered to the Office of the Auditor General of Thailand as scheduled.

SME Development Bank has had annual plan and reports referring to the set targets. The Bank will review and adjust the plan to match with the changing situations. The Bank has independent audit department to perform according to the setting internal control system and direct for improvements as suggested as well as following up the results of improvements on a regular basis.

Internal Audit

The internal audit is a crucial factor in achieving the missions of SME Development Bank with effectiveness and efficiency. Internal audit also prevents and reduces operational risks as well as mitigate damages that may occur in the Bank's operation. Internal audit is an important part of internal control in the Bank's normal operation which requires proper procedures according to regulations and laws. The Bank's executives can use the internal audit results as a part of management process in order to achieve the objectives of the Bank.

The internal audit department is directly report to the audit committee. It applies generally accepted professional standards of internal audit operation, internal audit guideline for the state enterprise, and code of professional conducts for internal audit. Strategic plan for the audit is set out to link with the Bank's strategic plan and goals while feedback from the audit committee, top executives, chief auditor, and organizational risk report are taken into account in preparing the annual audit plan based on significant risk assessment (risk based approach) before being approved by the audit committee and the board of directors. The internal audit

department gives precedence to capacity building of the internal auditors to ensure that they can provide correct opinions on the risk causes and useful suggestions for the Bank.

To audit the Bank, the auditors from the Office of the Auditor General of Thailand performed the task and approved the Bank's financial statements as required by law. The audit fee for 2016 was equal to 1,650,000 baht.



Financial Information

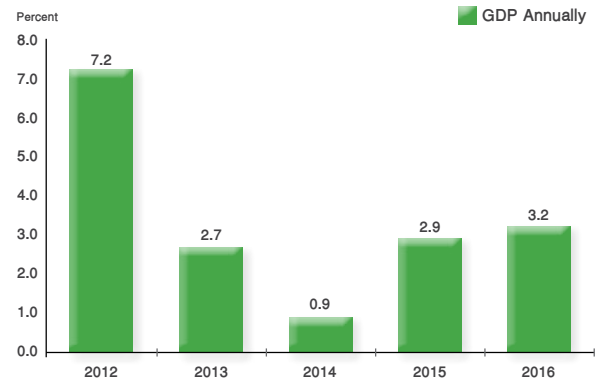
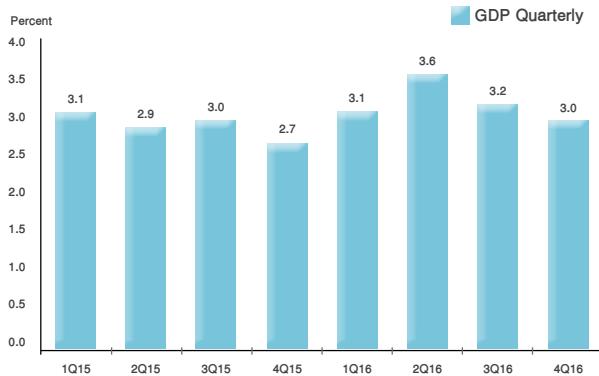
Small and Medium Enterprise Development Bank of Thailand

As of December 31, 2016, 2015, and 2014

Particulars	2016		2015		2014	
	Amount	Increase (Decrease)	Amount	Increase (Decrease)	Amount	Increase (Decrease)
Financial position (Unit: million baht)		%		%		%
Interbank and money market items - net	4,189.69	(47.35)	7,957.49	(55.98)	18,078.86	444.35
Investment - net	7,774.84	(14.17)	9,058.79	86.94	4,845.81	52.90
Loans and accrued interest receivable - net	84,515.02	14.28	73,957.55	5.92	69,827.05	(11.85)
Total assets	101,139.78	5.73	95,660.90	0.63	95,060.24	7.68
Deposits	74,132.44	(2.40)	75,954.67	(8.06)	82,614.74	8.91
Interbank and money market items - net (liabilities)	15,327.82	46.60	10,455.41	138.18	4,389.76	(7.07)
Borrowings	292.12	(5.79)	310.06	(24.41)	410.17	(14.09)
Total liabilities	92,643.17	3.13	89,827.56	(1.81)	91,479.86	7.76
Issued and paid-up share capital	20,006.63	22.13	16,380.82	28.43	12,755.00	-
Premium (discount) on share capital	(5,251.63)	100.00	(2,625.82)	-	-	-
Shareholders' equity	8,496.61	45.66	5,833.34	62.93	3,580.38	5.45
Operation results (unit: million baht)						
Interest income	5,439.74	0.23	5,427.02	7.06	5,069.07	(7.82)
Non-interest income	706.45	(12.26)	805.20	109.31	384.70	(50.03)
Total income	6,146.19	(1.38)	6,232.22	14.27	5,453.77	(13.00)
Interest expenses	1,853.35	(31.69)	2,713.32	14.68	2,365.92	(7.26)
Non-interest expenses	2,223.21	163.26	844.49	(57.22)	1,973.80	(4.20)
Total expenses	4,076.56	14.58	3,557.81	(18.02)	4,339.72	(5.89)
Profit (loss) from operations-net	2,069.63	(22.61)	2,674.41	140.06	1,114.05	(32.78)
Impairment loss of loans and debt securities	410.70	(71.46)	1,439.15	53.51	937.52	(25.67)
Net profit (loss)	1,658.93	34.30	1,235.26	599.75	176.53	(55.43)
Profit (loss) per share (baht)	9.53	11.33	8.56	520.29	1.38	(56.05)
Capital adequacy ratio	22.38%		13.64%		7.46%	

2016 Performances

Thai Economic Growth Rate



Source: The Office of National Economic and Social Development Board

1. Industry Conditions and Future Outlook

1.1 Thai Economy in 2016

All through 2016 the Thai economy continued to expand at a moderate rate of 3.2 percent, up from 2.9 percent in 2015 during which government spending and the tourism sector were the main driving force of growth. In addition, there was significant support in the second half of the year from a boost in private consumption. This was the direct result of the government’s economic stimulus approach through various measures, such as decisive moves to improve the well-being of low-income earners, the introduction of tax reductions to stimulate spending and domestic tourism at the end of the year; all of these were combined with a more stable agricultural income base, after the drought receded and the prices of the main agricultural products became higher.

Moreover, late in the year, the export of goods had been increasing in almost all product categories; consequently, Thailand’s exports in 2016 returned to positive growth after four years of relative stagnation.

Although the interest rates remained unchanged, the overall investment climate from the private sector improved slightly on some business clusters such as those pertaining to alternative energy, utilities, services and transportation.

It needs to be borne in mind that the inflation rate rose slightly by 0.19 percent as a result of the recovering domestic demand in combination with the crude oil prices which gradually crept up in the world market.

1.2 Thailand’s Economic Outlook for 2017

The Thai economy in 2017 is expected to continue to grow and spread out across several sectors. The main driving force from public investment is still high, both in those projects that are already in progress and those scheduled to be launched during the first half of 2017, while the tourism sector is still experiencing significant and sustainable growth. This is a direct result of the policy of upgrading and increasing the infrastructure and opportunities for foreign tourists to travel around the country, which is expected to generate a continuous high income from tourism.

Moreover, the budget for additional expenditure in fiscal year 2017, which stands at a total of 190,000 million baht, is allocated as the expenses under the plan of integrating the development of

foundation economy and community and the plan to integrate the promotion of strength and sustainability toward domestic economy (18 provincial budgets). To spread out the budget to local levels; in other words, effectively support the development and investment based on the potential of each local area. In the long term, the country’s economy will be restructured to enable faster and more sustainable internal growth, and reduce the currently high dependence on exports. In the short term, in addition to promoting the level of private investment that will be initiated in various areas, there will be explicit support for economic expansion, along with the intention to drive the economy towards Thailand 4.0, which will help the Thai economy to reach new heights. The Office of the National Economic and Social Development Board (NESDB) expects the Thai economy in 2017 to grow by 3.5 percent within the range forecast at approximately 3.0-4.0 percent.

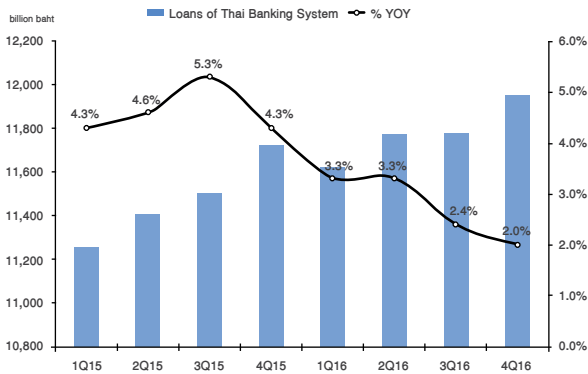
Concurrently, the expansion of the Thai economy still faces limitations and risk factors from external causes, all of which can lead to the possibility that the export growth can turn out to be lower than expected at 2.5-3.5 percent (Source: Ministry of Commerce). This is further based upon the direction of the US economic and international trade policies. Additionally, the factor of political uncertainty and financial sector problems in Europe has to be taken into account, as well as the outcome of the negotiations and trade relations between the UK and the European Union. Both of these issues require careful monitoring and re-evaluation of the situation.

Economic Projection for 2016

	Real information			Estimate for 2017	
	2014	2015	2016	21 Nov. 2016	20 Feb. 2017
Expansion of GDP (%)	0.9	2.9	3.2	3.0 - 4.0	3.0 - 4.0
Private Consumption	0.9	2.2	3.1	2.7	2.8
Government Consumption	2.8	3.0	1.6	2.1	2.6
Private Investment	-0.8	-2.2	0.4	2.8	2.5
Public Investment	-7.1	29.3	9.9	11.2	14.4
Export (USD, %)	-0.3	-5.6	0.0	2.4	2.9
Inflation (%)	1.9	-0.9	0.2	1.0 - 2.0	1.2 - 2.2
Balance on Current Account (%GDP)	3.7	8.1	11.4	10.2	9.4

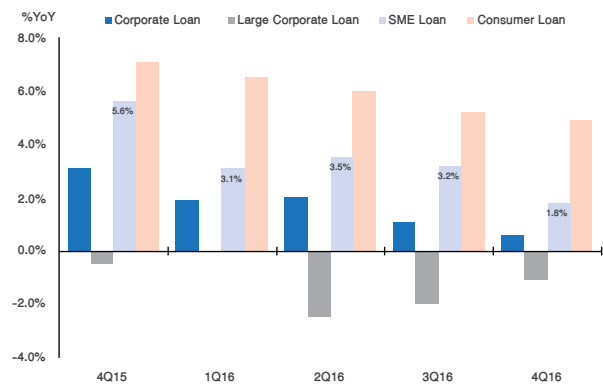
Source: The Office of National Economic and Social Development Board

Loans of Thai Banking System

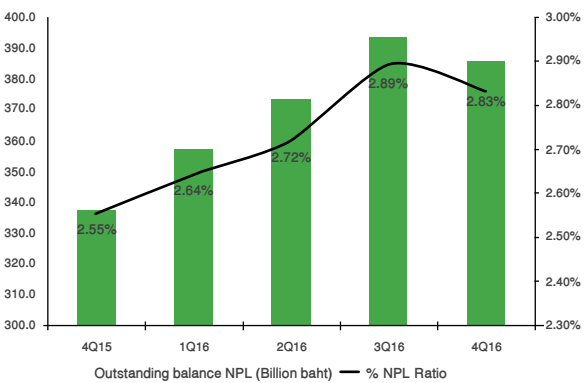


Source: Bank of Thailand

Loans Quality of Thai Banking System

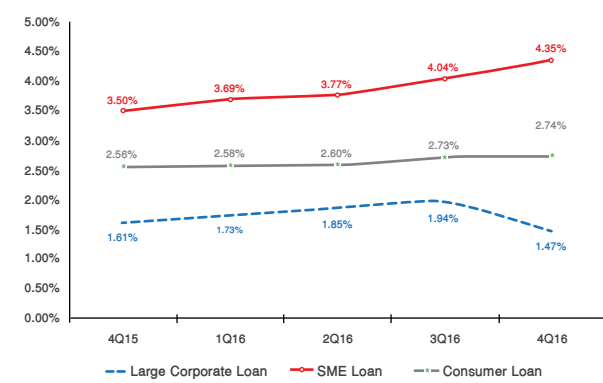


Growth Categorize by Loan Type



Source: Bank of Thailand

Loans Quality by Loan Types



1.3 Overview of Financial Institutions

In accordance with the Bank of Thailand’s report, the performance of the whole banking system in 2016 showed a net profit resulted from cost of operations management. Although the funds reserved for non-performing loans increased steadily, the banking system is still considered stable and has a relatively high level of capital reserves and funding resources.

The gradually expanding of economy within a certain business sector accompany with large corporations increasingly turned to access other forms of funding, so interest rates were still maintained at a low level. As a result, the loan portfolio of the banking system expanded only by 2 percent as compared to the previous 4.3 percent growth in 2015.

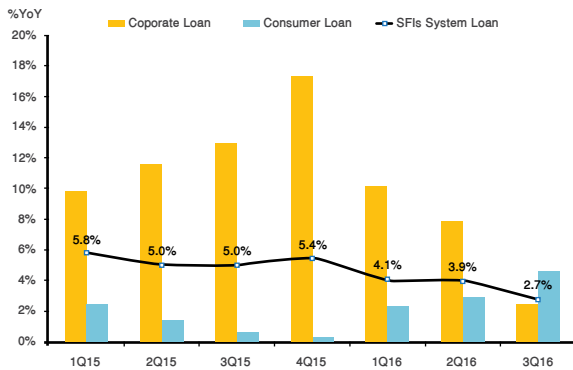
Corporate loans grew only by 0.6 percent from 2015 when they expanded at 3.1 percent. Meanwhile, large corporate loans shrank substantially from the previous year by 1.1 percent, whilst SME loans only expanded by 1.8 percent; this represents a

slowdown from last year at 5.6 percent. Business operations slowed down in almost all business sectors, except for the commerce, construction, and service. Consumer loans which expanded by 4.9 percent, which represents a decrease from the expansion of the previous year at 7.1 percent in all types of loan with the exception of auto loan grew for two consecutive years.

The loans quality was downgraded; consequently, the ratio of non-performing loans to total loans rose to 2.83 percent from 2.55 percent. The fact of the matter is that there was an increase in the number of NPLs in SME business, specifically in the commerce, service, real estate and construction while the overall NPL in consumer loans was unchanged.

With regard to special financial institutions (SFIs), it was observed that they moved in the same direction of the banking system, which means they effectively extended loan to support the economic recovery. This is despite the fact that the growth

Growth of SFIs System Loans

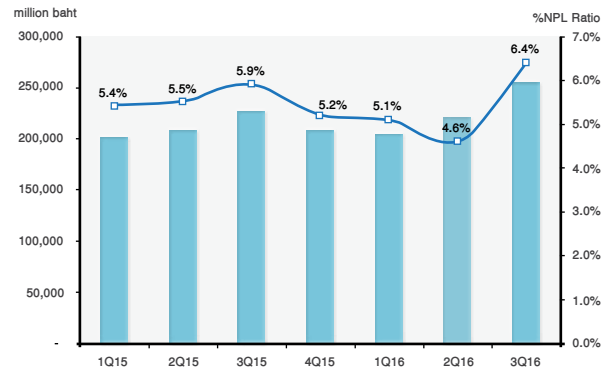


Source: Fiscal Policy Office

rate slowed down as compared with the same period of the previous year by delivering an expansion rate of 2.7 percent at the end of the quarter 3/2016. In turn, this is slightly higher than the expansion of loan provided by the banking system. In the 2016 period of gradual economy recovery, SFIs still continued to play a key role in supporting the government’s financial and fiscal policies in helping households and business sector emphasizing on provincial low-income groups with low credit limits; in other words, these are different target groups from other commercial banks as the focus is on those who lack opportunities to access funding resources from other commercial banks, or other financial services. The loan types include loan for the “one sub-district one agricultural product” program, loan provision and repayment suspension for low-income people, policy loan for promoting SMEs, loan for changing machinery and enhancing productivity. Moreover, credit guarantees were supplied for “Micro Entrepreneurs Phase 2”, and home loans for the “Pracharath Project” were provided. In direct connection with these projects, SFIs were able to increase consumer loans by 4.6 percent, and corporate loans rose by 2.5 percent.

In actual terms, the loans quality of SFIs was negatively affected as the NPL ratio to total NPLs increased to 6.4 percent from 4.6 percent in the previous quarter, which represented an increase of NPLs for consumer loans at 4.5 percent, and corporate loans at 9.6 percent. This was due to the fact that the economic situation had not fully recovered in 2016 and the counter-cyclical operation role that regard as a crucial and challenging mission for SFIs. However, SFIs had a high level of funding reserves in order to support the downgraded loan quality as funding levels were still found to be sufficient for regular operations.

Loans Quality of SFIs System



With regard to the trend in the year 2017, the overall loan growth is expected to climb higher than last year. Under the present Thai economic conditions, the economy will continue to expand in various sectors. The main driving forces are investment and government spending, especially the investments in infrastructure. This further includes creating a balance in the internal economy with the aim of driving investment and development, which will extend through to the regional levels and will constitute an important part of creating overall loan growth, which is expected to expand even further than last year. In addition, the direction of interest rates that tends to increase will stimulate the business sectors and accelerate their decisions to expand the investment. As a consequence, the decrease in loan quality is expected to decline in accordance with the improving economic conditions.

1.4 Overview of Thai SMEs

The role of SMEs in the past year, SMEs created economic value at 42 percent of total value with a growth rate of 5.1 percent (9M/2016), compared to Thai GDP growth of 3.3 percent, and contributed 80.4 percent of total employment as well as 28.97 percent of total exports.

In terms of access to capital source of SMEs at year end 2016, SMEs loans accounted for 38.2 percent of total loans and gained the largest portion when compared to all segments of commercial banking sector. The total outstanding balance was 4,570.95 billion baht, and the ratio of outstanding to GDP was around 0.3 percent. The highest portion of SMEs loans were in commerce and manufacturing sectors, which accounts for 30.2 percent and 21.2 percent respectively. Some business sectors have increasing growth, namely services, construction, utilities and commerce respectively.

1.5 The Roles of Small and Medium Enterprise Development Bank of Thailand (SME Development Bank)

The Bank operates under its mission by coordinating its efforts with alliances-private and government agencies alike, aiming to upgrade the Bank to its full potential as “Development Bank”. In addition, the Bank has committed to provide full support to Thailand’s transformation agenda driven by innovation-based economy. Various key missions have been carrying out as follows:

To support capital source, the Bank provided capital services through loans for SME new customers, to support the recovery of overall economy, total amount of 34,621.05 million baht to 11,225 enterprises; an average 3.08 million baht per customer.

To support funding, the Bank has been seeking for joint venture with business potential in line with government policies, focusing on SME start-up, SMEs in S-Curve industries, and those clusters of the future. The venture capital fund (VC) was divided into three parts total amount of 1,290 million baht as follows:

The first VC fund amount 500 million baht is aiming through strong SMEs firms with potential to be listed companies. An additional 500 million baht is under establishment.

VC fund for the Bank’s Mission amount 290 million baht is focused on SMEs in S-Curve industries; i.e., agriculture, food, robotic, and so on.

In addition, the Bank has committed to joint venture with start-up and SME in the Eco System and potential businesses, in order to support the initiative concept of business incubation, technology and innovation development, Co-Working Space and Innovation Center.

Entrepreneurial Development: Apparently, the Bank has intensively enhanced its entrepreneur development operations through training, seminars, and consultancy services in various projects;

- The New Entrepreneur (start-up) promotion project: involved in helping new individuals in the early stage innovation.

- Strengthen and Enhance Regular/Strong SME project: involved in supporting stronger SMEs to further business expansion.

- SMEs ‘Turnaround’ project: involved in developing their business plan and optimizing operations.

- SMEs Single Account project: dealt co-operation with the Revenue Department in order to move informal SMEs to formal sector or “Single Account”.

- Productivity Improvement Loans project: supporting SMEs to upgrade their production as a whole in order to increase productivity and competitiveness.

There were total 4,598 enterprises participated in the Bank’s projects, exceeding the target of 4,000 enterprises, 1,068 of which were able to optimize their businesses, and contribution of 500 jobs hiring as well as 5 percent per year sale increase valuation of 554 million baht.

In order to accommodate and facilitate better services for its customers through internet banking system in addition to cost reduction, the Bank has been on going to develop its technology, aligned with the Thailand 4.0 eras.

2. Nature of business

SME Development Bank was established under the Act of 2002, with the main objectives to support SMEs financing including non-financial services to inclusive growth to SMEs, One Tambon One Product (OTOP) entrepreneurs, and community entrepreneurs. Its role, therefore, is to help fill the gaps where commercial banks are not interested.

The Bank has joint ventures with various potential businesses on a 25 percent shareholding basis as follows:

- Bangkok Marine Engineering Co., Ltd., Business Type: marine maker shipyard and repair. Office Address: 21/772, Mu 12, Bangna-Trad Rd., Bangna, Bangkok 10260, Tel. 0 2398 2543, 0 2744 5151, 0 2744 5152, Fax. 0 2388 2450, Registered Capital: 100 million baht, with 40% shareholding from the Bank.

- Bi-tech Cool block Co., Ltd., Business Type: manufacturer and distributor of lightweight concrete blocks. Office Address: 34 Bi-tech Holding Tower, Soi Ladprao 101 Kittichit, Ladprao Rd., Khlongchan, Bangkok, Bangkok 10240, Tel. 0 2376 0990, Fax. 0 2513 2314, 0 2513 2315, Registered Capital: 25 million baht, with 40% shareholding from the Bank.

- Wattasarn Media Co., Ltd., Business Type: Printing and Magazine. Office Address: 77/10, Sinsathorn Tower, Basement floor, Krungthonburi Rd., Khlongtongsai, Khlongsan, Bangkok 10600, Tel. 0 2886 4000, 0 2424 3355, 0 2862 3333 Fax. 0 2424 3999, Registered Capital: 60 million baht, with 33.33% shareholding from the Bank.

- Trinity Education Co., Ltd., Business Type: International School. Office Address: 30 Soi Napasap Junction 2, Sukhumvit 36 Rd., Khlongtan, Khlongtoey, Bangkok 10110, Tel. 0 2661 3993, Fax. 0 2661 3992, Registered Capital: 40 million baht, with 30% shareholding from the Bank.

- Power and Saving Intania Co., Ltd., Business Type: manufacturer and distributor of lightning and surge protection systems. Office Address: 700/110 Mu 5, Nikhom Amatanakhon, Klomgtamru, Mueang Chonburi, Chonburi 20000, Tel. 038 468 698, 0 2707 8691 Fax. 038 468 690, Registered Capital: 130 million baht, with 28.85% shareholding from the Bank.

- Thai Umaphon Textile Co., Ltd., Business Type: Manufacturer and Distributor of towels. Office Address: 194 Mu 2, Soi Suksawat 76, Suksawat Rd., Bangchak, Prapadaeng, Samut Prakan, Tel. 0 2817 7834-6, Fax. 0 2817 7837, Registered Capital: 40 million baht, with 25% shareholding from the Bank.

The Bank has committed to be one and only entrepreneurial development bank without subsidy from the government. Apart from funding supports, the Bank provides necessary assistance to SMEs in every aspect, especially product development and marketing channels, to name a few, in order to strengthen and optimize their businesses.

3. Results for 2016

In 2016, SME Development Bank disbursed credit to 11,225 enterprises, totaling 34,621.04 million baht, increased 3,227.88 million baht or 9.32 percent compared to 2015. This resulted from new loan schemes in accordance with government policies such as Soft Loan (phase 2) project for working capital to SMEs, and Policy Loan Low-Interest Rate project. Both loan projects had served since July 2015 till 2016. In addition, more loan schemes had been launched later on. SMEs Single Account loan project, received an impressive feedback from SMEs. As a result, the project had been extended until May 10, 2017, with an additional credit limit of 20,000 million baht in the project.

The Bank also introduced two new projects, namely “Measures to accelerate the disbursement and “Factoring in One Day”, totaling credit limit of 4,000 million baht, which in line with government policies to accelerate the disbursement of the budget spending among government agencies and state enterprises. During Q4/2016, Soft Loan project (phase3) or Machine Fund was launched to optimize the production of SMEs and small entrepreneurs.

At the end of 2016 total loans outstanding of 93,764.93 million baht serviced to 76,515 entrepreneurs represented value-added to the economy of an additional 65,632.34 million baht and maintained 135,177 jobs. Meanwhile, the Bank’s non-performing loans (NPLs) totaled 17,903.63 million baht, or 19.09 percent of total outstanding loans, decreased

by 5,548.07 million baht from the end of 2015, and net profit of 1,658.93 million baht.

3.1 Financial

In 2016, the SME Development Bank’s total revenue was 6,146.19 million baht, declined by 86.03 million baht or 1.38 percent from the previous year. Total expenditure was 4,076.56 million baht, an increase of 518.75 million baht or 14.58 percent. Bad debt, including doubtful and loss on debt restructuring totaled 410.70 million baht. As a result, the Bank’s net profit was 1,658.93 million baht.

- **Interest Income** totaled 5,439.74 million baht, increase 12.72 million baht or 0.23 percent from the year 2015.

- **Non-Interest Income** (i.e., revenue from fees and service charges, a net gain (loss) on trading and foreign currency exchange transaction, and a net profit from financial liabilities determined by fair value, in addition to net gain (loss) from investment, and other revenues) totaled 706.45 million baht, decreased by 98.75 million baht or 12.26 percent from previous year.

- **Interest Expense** was 1,853.35 million baht, declined by 859.97 million baht or 31.69 percent from 2015.

- **Non-interest Expenses** totaled 2,223.21 million baht, (i.e., fees and service charges, and other operating expenses), increased from the year 2015 by 1,378.72 million baht or 163.26 percent.

- **Doubtful Debt** totaled 410.70 million baht including bad debt, decreased by 1,028.45 million baht from end of 2015, or a 71.46 percent.

- **Net Profit (Loss)** increased by 423.67 million baht or 34.30 percent from the year 2015 to 1,658.93 million baht.

3.2 Financial Position

- **Assets:** As of 31 December 2016, total assets of the Bank worth 101,139.78 million baht, an increase of 5.73 percent or 5,478.88 million baht from 31 December 2015 with added items such as loan.

- **Liabilities and Shareholder equity:** Liabilities amounted 92,643.17 million baht, rose by 2,815.61 million baht or 3.13 percent from December 2015, with added items such as interbank transactions, net money markets, etc.

Shareholder equity was 8,496.61 million baht, an increase from 2015 by 2,663.27 million baht or 45.66 percent.

- **Capital ratio to Risk assets:** As of 31 December, 2016 the Bank had total capital of 8,960.00 million baht and risk assets of 40,042.82 million baht. As a result, its capital ratio to risk assets was 22.38 percent, an increase from 2015, due to the Bank’s improved performance.

3.3 Key Areas in Current and Future Investments

In 2016, the Bank has strived to strengthen and propel itself to stay competitive in the business on one hand and a strong commitment to sustain its mission and objective of SME promotion and development on the other. As such, the Bank revised the Information Technology Master Plan to comply with its strategic plans. Priority efforts have put through the revamp of information technology systems which will facilitate and accommodate its core business to better loan services. The whole process will cover from upstream (Loan Origination) midstream (Loan Processing) through downstream (Legal Management), including supporting system for SMEs Development and Joint Venture.

The digital world and social media have become a new normal and highly effective form of communication that SMEs new generation have already been familiar with and accessed to the medias to the use of their own devices such as smart phone or tablet. Apparently, Technology solution is the key enabler to unlock SMEs to their full potential and spring up their businesses. Thus, the Bank initiated the Cloud Computing Technology project to its technology infrastructure which was considered well worth investment while SMEs pay a minimal subscription fee or it can be freeware.

3.4 Loans

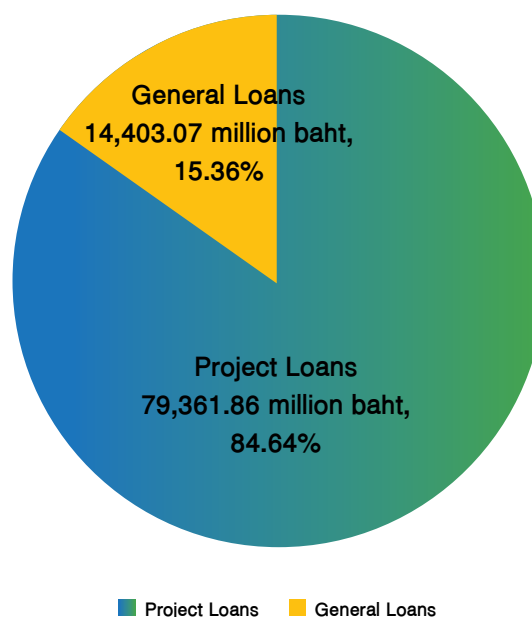
1) Outstanding Loans

- Outstanding loans amounted to 93,764.93 million baht serviced to 76,515 enterprises, increasing by 7,636.94 million baht or 8.14 percent from the year 2015. This consisted of general outstanding loans of 14,403.07 million baht serviced to 3,868 enterprises, and project outstanding loans at 79,361.86 million baht serviced to 72,647 enterprises.

- The outstanding loans in the year 2016 increased as a result of several loan projects launched in accordance with government policies; such as Soft Loan (phase 2) project for working capital to SMEs, and Policy Loan Low-Interest Rate project. Both loan projects had served since July 2015 till 2016. In addition, more loan schemes had been launched later on. SMEs Single Account Loan

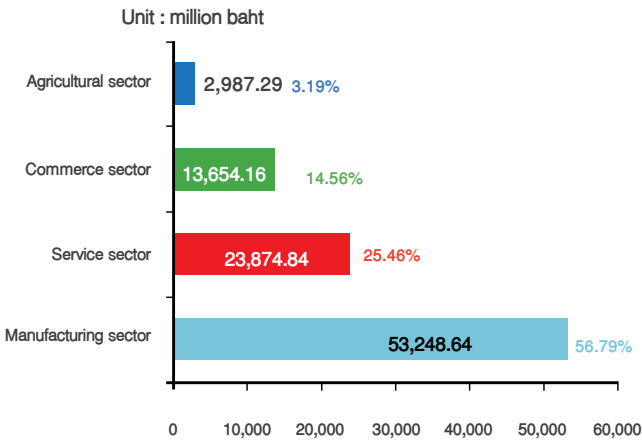
project, received an impressive feedback from SMEs. As a result, the project had been extended until May 10, 2017, with an additional credit limit of 20,000 million baht in the project. The Bank also introduced two new projects, namely “Measures to accelerate the disbursement and “Factoring in One Day”, totaling credit limit of 4,000 million baht, which in line with government policies to accelerate the disbursement of the budget spending among government agencies and state enterprises. During Q4/2016, Soft Loan project (phase3) or Machine Fund was launched to optimize the production of SMEs and small entrepreneurs.

Outstanding loans

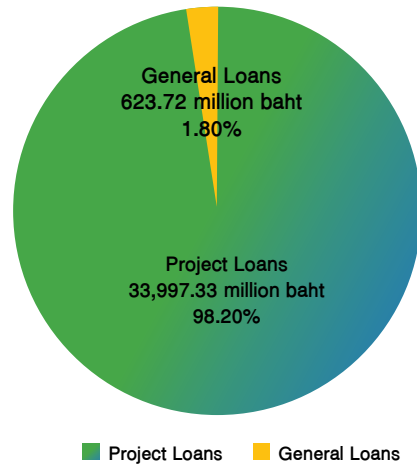


- The amount of money and proportion of outstanding loans is divided into the manufacturing sector at 53,248.64 million baht or 56.79 percent, the service sector at 23,874.84 million baht or 25.69 percent, the wholesale/retail sector at 13,654.16 million baht or 14.56 percent, and the agricultural industry sector at 2,987.29 million baht or 3.19 percent.

Loans Classified by Sector



Disbursement Classified by Type of Loan



2) Disbursement of loans

In 2016, SME Development Bank’s total disbursement of loans was 34,621.05 million baht serviced to 11,225 enterprises, which represented an average of 2,885.09 million baht per month, and was higher when compared to year 2015 at an average of 2,616.10 million baht as a result of several loan projects in accordance with government policies attracted to new customers; such as Soft Loan, Policy Loan Low-Interest Rate project, Measures to accelerate the disbursement with “Factoring in One Day”, Soft Loan (phase 3) or machine fund. The disbursement broke down as follows:

- General loans 623.72 million baht distributed to 398 enterprises.
- Project loans 33,997.33 million baht distributed to 10,827 enterprises.

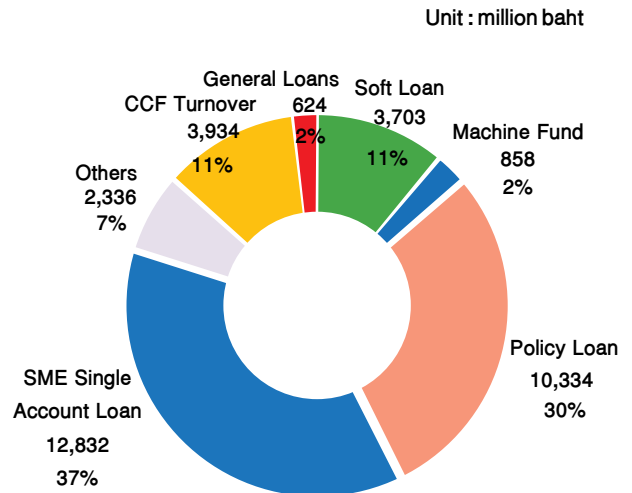
3) Project Loans

(1) SME Development Bank project loans

There were 6 project loan schemes, complied with government policy, to support various groups of SMEs :

1.1 SMART SMEs Single Account Loan with the project credit limit of 10,000 million baht for working capital. The loan scheme was to stimulate individual entrepreneurs to register as a juristic person meanwhile to reinforce them declare the real earnings and conduct business in a transparent manner and available to audit, in accordance with the Department of Revenue under Ministry of Finance’s policy. There were several potential business target groups including pharmacy, retail gold jewelry shop, eyewear shop, travel agency, and etc.

Disbursement Total 34,621 million baht



1.2 SMEs Single Account Loans with the project credit limit of 30,000 million baht. The purpose was for SMEs to use as the working capital or to enhance their business operations; productivity improvement, production optimization, including business expansion.

1.3 SMEs Fulfill Loans with the project credit limit of 3,000 million baht. The purpose was for existing customers with the same business applied to use as working capital or business expansion.

1.4 Smile Factoring Loan Phase 2 with the project credit limit of 3,000 million baht. The project was to support working capital to SMEs who had trade account receivable as government agencies and listed companies in SET and MAI.

1.5 Measures to accelerate the disbursement of Factoring Private partnerships with the project credit limit of 3,000 million baht. The project was to support working capital to SMEs whose trade account receivables were private companies.

1.6 Measures to accelerate the disbursement “Factoring in One Day” with the credit limit of 4,000 million baht. The project was to support working capital to SMEs who had trade account receivable as government agencies private firms and listed companies. In addition to supporting SMEs, the measures also worked as a financial tool in stimulate economic growth in line with government policy and accelerate budget disbursement of government agencies in the fiscal year 2016. The campaign also promoted the positive image of the bank in terms of service efficiency and access to capital.

(2) Government policy loans

In 2016, the Cabinet resolutions agreed that SME Development Bank proceeded 2 loan projects in accordance with government policies.

2.1 Policy Loan low-interest rate project, ongoing since 2015, was approved by the cabinet resolution to extend the project until 2016 with additional credit limit totaled up to 15,000 million baht. The loan intended to support and strengthen micro-entrepreneur with the potential to growth during economic crisis. The loan was used for boosting the liquidity and improving productivity.

2.2 Soft Loan low-interest rate project with the project credit limit of 3,000 million baht. The loan was for SMEs to use for productivity improvement as a whole. However, the purpose and limitation of the loan was defined. The acquisition was including investment, modification, reconstruction, or development related tangible assets to existing business of SMEs.

- Purchase machinery; including components, tools, parts, and appliances.

- Purchase software computer to optimize the production of goods or services.

- Permanent building to locate machines only; not to use for residence or land acquisition.

However, the loan was not allowed to use for re-finance or revival of the business.

3.5 NPLs Management

Total non-performing loans (NPLs) as of December 2016 was 17,903.63 million baht or 19.09 percent of total outstanding loans, decreased from the same period last year by 12,302 million baht to 27.23 percent. The Bank had constantly reduced its NPLs as a result of the clear guidelines through process improvement. The NPLs were clearly classified, specific measures and resolutions-complied with international standard-were employed for each trouble debt character. By means of 1) repayment of debt, consent to debt restructuring, and etc 2) sale of secured claims

However, the downgraded debt to NPLs constantly improved. An average per month of the non-performing loan in 2016 was 563 million baht compared to an average per month amount of 641 and 886 million baht, in 2015 and 2014, respectively, mainly owing to the establishment of loan monitoring division. The loan monitoring (LM) team watched closely and took immediate action when the negative sign of bad debt emerged. Simultaneously, the Bank also nurtured those active non-performing accounts in order that they could turn around.

In addition, the Bank was able to control the loan quality lower than the target set. The ratio of bad debt, namely new approved loan during January 2015-December 2016 including NPLs with restructuring more than 2 times (re-entry of NPL after the first time restructuring) was 2.30 percent of total disbursement of loans. In terms of NPLs-the newly approved during the year of 2016 was only 0.15 percent of total disbursement of loans.

3.6 Entrepreneurial Development

In 2016, the government imposed SMEs promotion as “national agenda”. As a result, the Bank adjusted its role and mission in accordance with the government policies to a “Real Development Bank”.

In addition to financial services, the Bank has committed to provide its non-financial services horizontally and vertically with more intensively. Implementations began with the promotion and supports of ecological creation as to boost up the “Eco System” business along with entrepreneurial development to sustainable growth. The key success was from the integration and contribution by public-private agencies and academic institutions causing the outcomes as follows:

(1) Training, Seminar and Consulting Outcomes

The Bank provided the services to total 4,536 enterprises over its target of 4,000 enterprises by the year end of 2016.

Table 1 : Number of participants in Training and Counseling

Project	Enterprise
Startup	1,188
Strong/Regular	421
Turnaround	794
Productivity Improvement	105
Single Account Measure	1,670
Others (marketing events)	358
Total	4,536

(2) Quantitative Outcomes

The Bank strived to empower its entrepreneurs (in the areas of acquiring a business plan, utilizing information and communications technology, increasing marketing channels, using standard accounting system) totaling 1,068 enterprises over its target of 1,000 enterprises.

- Accounting and finance (access to financing) 685 enterprises

After training, SMEs were able to run their business on a standard accounting system which was credible to financial institutions and ready to access to loan or venture capital.

- Marketing

Total of 249 SMEs were trained to improve and get know how in the marketing area including joined the workshop of different fields with specialists such as product or packaging development and design, networking techniques, modern distribution channels.

- Manufacturing

Total of 80 SMEs were trained with production specialist and successfully develop through standardize production process and product certification.

- Business management and operations:

Total of 54 SMEs were trained in various areas of business operation such as the how-to business plan skill for their business policies and directions. They were also trained to adopt and utilize modern technology to increase business efficiency.

Table 2 : Number of SMEs with quantitative outcome

Fields of business improvement	Enterprise
Accounting and finance	685
Marketing	249
Production	80
Management	54
Total	1,068

(3) Qualitative Outcomes

The qualitative outcome was counted after SMEs participated in various projects with the Bank their business performance showed some improvement such as reducing production costs, increasing sale revenue, a sufficiency of cash flow for debt service, access to capital funds. The Bank achieved 554 enterprises over its target of 500 enterprises.

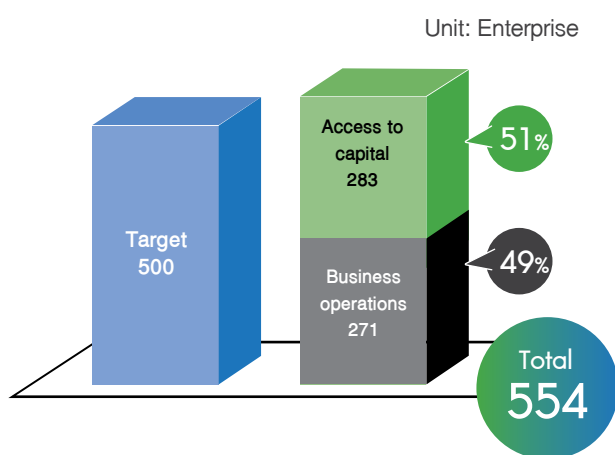
- Access to capital funds: there were 283 SMEs received loan approval.

- Business performance: there were 271 SMEs able to increase their performances; i.e. increasing sales, reducing production costs / service expenses, and etc.

Table 3 : Number of SMEs with qualitative outcome

Outcome / Improvement	Enterprise
Access to capital	283
Business Operations	271
Total	554

Performance Vs. Target



(4) Marketing

4.1 Matching Target Project

In 2016, the Bank conducted an operation to support the credit flow for SMEs entrepreneurs in cooperation with allied agencies such as the Ministry of Industry, the Department of Industrial Promotion, the National Village and Urban Community Fund Office, the Fish Marketing Organization, the Ministry of Science and Technology, and the Legal Execution Department. There were 535 SMEs entrepreneurs who applied for these loans. The credit total stood at 2,368.97 million baht.

4.2 Good Customer Projects

“The Modern SMEs: Design & Story” activity cooperated with universities to design and develop packaging for the Bank’s customers. There were a total of 59 customers received the packaging design services; 14 customers from Yala Rajabhat University (in Yala, Pattani, Narathiwat), 16 customers from Silpakorn University, 18 customers from Naresuan University and 11 customers from Ubon Ratchathani University. “The Market Place” activity focused on cooperating with government agencies and the private sector including Ministry of Finance, Ministry of Industry, Ministry of Interior, National Credit Bureau (NCB), Thai Credit Guarantee Corporation (TCG),

Office of Small and Medium Enterprises Promotion (OSMEP), Pracharat Market for the Community Project, Community Development Department, Legal Execution Department, and MBK Public Company Limited. There were 350 of the Bank’s customers who sold their products at the event with a total value of products sold of over 20.18 million baht. SME Development Bank was assigned by the Secretariat of the Prime Minister to join Ministry of Commerce at Khlong Phadung Krung Kasem market, which is located near the Government House. Exhibition booths were set up to provide consulting services to SMEs. Moreover, the Bank’s customers were invited to display their products for sale at booths as guiding examples of how to run businesses. This event was held from May 2015 until December 2017. In 2016, SME Development Bank invited 178 entrepreneurs to sell their products with the total products sold reaching the value of 13.18 million baht. Apart from the events mentioned above, in December 2016 the Ministry of Finance hosted the event under theme “Ministry of Finance for National Development, Khlong Padung Market for Better Livelihood and Economic Stability”. The Bank was in charge of the third week from 17th to 23rd December 2016 and had 57 customers sold their products in the market with the total sales volume of 3.57 million baht. There were 3 people interested in using loan services with the total amount of 7.2 million baht and 10 customers who sold their products in the event received business planning service from the Bank. All in all, the approximated service value given to people who attended the event equal to 0.39 million baht. In the meantime, the Bank managed to provide many activities including consulting and advising service, free credit bureau checking, vocational training service, free gift wrapping service, free TukTuk transportation service, discounted products for sale activity, aerobic dance activity in every morning and on Wednesday at 3.00 pm., free health check-up, massage service and the performance of musical compositions of His Majesty King Bhumibol Adulyadej from the Royal Thai Army. On top of that, there was an auction arranged by the Prime Minister and the Cabinet; the total proceeds of 125,640 baht from the auction were donated to the Veterans General Hospital. In 2017, the Bank is assigned to be a part in organizing activities in Khlong Phadung Krung Kasem market in the same area. The Bank will adjust the new booth modifications regarding to the prime minister’s policies and the committees of Khlong Phadung Krung Kasem market project’s objective to increase the number of booths for SMEs

and to modify the OTOP selling booth (the former consulting booths that the Bank cooperated with Ministry of Commerce) to become a complete selling booth for SMEs.

In addition to the main mission of loan provision to assist SMEs in accessing capital resources, SME Development Bank also has the mission to enable SMEs to increase their strength through venture capital project. SMEs Private Equity Trust Fund established according to the cabinet's resolution and the Bank set up "Sub-Fund 1" of 500 million baht. And on September 8, 2015, there was the cabinet's resolution on increasing the amount of "Sub-Fund 1" to 2,000 million baht and setting up another venture capital project for SMEs agricultural business at the amount of 200 million baht. The progresses of implementing the projects are described as follows;

• **The progress in setting up a venture capital fund for SMEs enterprise, Sub- Fund 1**

1) The Bank, as a major investor, has invested the amount of 490 million baht, and Thai Ace Capital Co., Ltd. as the second investor has invested the amount of 10 million baht cooperated in setting up venture capital fund total amount of 500 million baht. MFC Asset Management Public Company Limited, as the trustee, has submitted complete documentation for the registration of the establishment of the fund with the Office of the Securities and Exchange Commission.

2) The Steering Committee meeting no. 3/2015 on November 5, 2015 reached the consensus on the qualification of trust manager who acquires knowledge, experience and specialty in financial, venture capital and SMEs business management. There were 7 companies took an interest in becoming trust manager that responsible for mentoring SMEs who interest in venture capital fund. Those 7 companies have been qualified and approved by a trustee, a steering committee and an investment committee as follows;

1. Unigin Ventures Co., Ltd.
2. Win Care Services Co., Ltd.
3. Spring Tide (Thailand) Co., Ltd.
4. SSPP Capital Co., Ltd.
5. MDICP Holding Co., Ltd.
6. KK Wealth Management Co., Ltd.
7. S & S Management Consultant (Asia) Co., Ltd.

3) The trust managers would help and support SMEs in preparing financial and investment plan for entering into venture capital consideration process. There were 18 SMEs entered the venture capital process and prepared their business plans for consideration process in the total amount

of 297.50 million baht. Their businesses were various fundamental industries such as IT, food processing, cosmetics and automotive.

4) SME Development Bank has agreed to joint venture with 8 SMEs whose business plans were approved. The total amount of venture capital was 98 million baht.

Company	Type of business	Amount (million baht)
1. Fruita Natural Co., Ltd.	Manufacture and distribute natural and organic beverage for health	9.00
2. Thai Rich Foods Group Co., Ltd.	Manufacture and distribute Thai frozen sweet	5.00
3. Fruit House (Thailand) Co., Ltd.	Manufacturer and distributor of OTOP 5 stars processed fruit	5.40
4. Ming Corporation	Manufacturer and distributor of concentrated chicken broth for middle income consumer through modern trade	8.60
5. Tree N Cassava by Products Co., Ltd.	Manufacturer and distributor of animal feed from processed cassava	30.00
6. Business Competitive Intelligence Co., Ltd.	Provider of enterprise resource planning system (ERP)	5.00
7. Granmonte Co., Ltd.	Resort, vineyard and winery	30.00
8. PUUN Intelligent Co., Ltd.	Provider of accounting program	5.00
Total		98.0

5) The Bank has put in the venture capital in 2 enterprises totaling 39 million baht.

Company	Type of business	Amount (million baht)
1. Fruita Natural Co., Ltd.	Manufacture and distribute natural and organic beverage for health	9.00
2. Tree N Cassava by Products Co., Ltd.	Manufacturer and distributor of animal feed from processed cassava	30.00
Total		39.00

• **The progress of venture capital project on SMEs agricultural business**

In 2015, SME Development Bank approved the principle of venture capital project on SMEs agricultural business of 12 enterprises, a total amount of 247.20 million baht.

Company	Type of business	Amount (million baht)
1. Joe-Ry Family Co., Ltd.	Manufacturer and distributor of crispy baked fruit and frozen durian	20.00
2. Rayong Mushroom Farm & ViVi Biotech Co., Ltd.	Manufacturer and distributor of king oyster mushroom in modern trade and restaurant	20.00
3. Virgin F & B Co., Ltd.	Manufacturer and exporter of rolled wafer	30.00
4. Chiangmai Bioveggie Co., Ltd.	Manufacture supplementary food (vegetable tablets)	14.50
5. Kaona Logistics Consultants Co., Ltd.	Purchase agricultural products	30.00
6. Khaoyai Panorama Farm Co., Ltd.	Mushroom farm and resort	27.00

Company	Type of business	Amount (million baht)
7. Wavee Coffee Co., Ltd.	Manufacture and distribute coffee bean	30.00
8. Kunchiang 5 Dao Co., Ltd.	Souvenir Shopping Center	30.00
9. Thana Farm Co., Ltd.	Layer Chicken Farm	30.00
10. Delight 88 Co., Ltd.	Manufacture and distribute of "Jub Jub" noodle	0.35
11. Ben Ben Food Co., Ltd.	Manufacture and distribute of "Halong" noodle	0.35
12. Patri Tour Group Co., Ltd.	Tour guide service	15.00
Total		247.20

3.7 Corporate Social Responsibility (CSR)

SME Development Bank has been cooperating with four main areas of corporate social responsibility namely;

(1) Social and Environmental Development Activities

1.1 The project named, "SME Development Bank for Returning Good People to the Society" It was a second year that the Bank has cooperated with the Department of Probation, Ministry of Justice and the Christian Prison Ministry Foundation (House of Blessing) in helping former prisoners to make a living through honest careers and develop a better quality of life for their new beginning. The Bank has supported non-interest capital funds with a repayment period of not exceeding 2 years and a loan limits within 50,000 baht. So far, the Bank has approved the loan for 21 applicants.

1.2 The activity called, "Trade for Rice and Share Happiness for Thai farmers" was a continuing project from Change Garbage into Gold. It was done in cooperation with Phayathai district office by collecting garbage and disposable materials to exchange for rice, eggs and other necessary items. This was an activity in which the Bank supported rice from Thai farmers while helping reduce waste in the organization. For that purpose, the Bank has contributed income from selling waste and disposable materials and managed to make a donation to the Veterans General Hospital of 5,747 baht.

1.3 “SME Development Bank Shares Hearts, Plants Trees for Society”. This activity took place on national tree-planting day in 2016. The purpose was to raise awareness of environmental conservation and establish relationship between the Bank, government agencies and communities in order to improve the landscape to provide a place for resting and exercise in the community by planting trees such as wild water plum trees, bullet wood trees and desert rose trees.

(2) Educational Development

2.1 Contributing to the activities of the National Children’s Day; this was organized with the aim to sponsor gifts and learning materials for the National Children’s Day event in the year 2016, with the participation of 12 public organizations, listed below:

- Banwangthong School, Phetchabun
- Department of Women’s Affairs and Family Development
- Bangsue Metropolitan Police Station
- The Secretariat of the House of Representatives
- Radio Thailand, the Government Public Relations Department
- Tharaesuksa School/ Chumchonniramai School/ Potak School
- Nakkarm Pittayakom School
- Ranong Government Service Center/ Chumchonmittraphap
- Thai PBS
- Office of the National Anti-Corruption Commission
- Phayathai District Office
- Samakkeetham School (Paklad), Samutprakan

2.2 Providing scholarships to children with good studied record whose parents are among the Bank’s customers under the campaign named, “SME Development Bank Shares Hearts, Plants Trees for Society” where 20 scholarships were given at 2,000 baht each, for a total of 40,000 baht, at SuraothangKwai School, Bangkok.

2.3 Providing scholarships and sports equipment to children whose parents are among the Bank’s customers and well-behaved students who lack the funds to continue their education of 2 community schools; namely, Wat Bangsainork School and BangSai Wittaya School, Phra Nakhon Si Ayutthaya.

Twenty scholarships of 2,000 baht each and sport equipment worth 10,000 baht were given to each school for a total of 60,000 baht.

(3) Preservation of Religion

3.1 The activity called, “SME Development Bank’s Sharing the Happiness and Receiving Blessings of 9 Temples” was aimed at creating self-happiness and family ties as well as creating love, harmony, and increased integrity among the Bank’s staff in Phra Nakhon Si Ayutthaya. Those 9 temples were Wat Yai Chaimongkol, Wat Phananchong, Wat Suwannaram, Wat Wihan Mongkhon Bophit, Wat Nah Phramen, Wat Tum, Wat Phutthaisawan, Wat Kasattrathirat and Wat Tha Ka Rong.

3.2 Sponsoring 17 advertising boards to convey the meaning of unity through the photo of Muslim children raising the Thai flag, together with the lyrics of the “Thai national anthem”. These boards were printed in 2 languages; namely, Thai and Malay, and were presented to Islamic schools in the 3 southern border provinces.

3.3 “Royal Kathin Ceremony 2016” of SME Development Bank at Wat Bangsainork, Tao Lao sub-district, Bangsai district, Phra Nakhon Si Ayutthaya on October 29, 2016. There were 500 people attended, including executives, employees and others who joined in the event and donated a total amount of 1,599,999 baht to preserve the Buddhist religion.

(4) Public Benefits

4.1 Supported activities of alliance organizations by being a part of Red Cross Fair Committee of the Ministry of Finance and the Ministry of Industry with the sponsor amount of 200,000 baht each, totaling 400,000 baht. The Bank also helped distribute the Red Cross charity lottery for the total amount of 700,000 baht.

4.2 Joined the project named, “The 10th Weaving the Dreams to Pave the Way for Peacefulness” to strengthen good relationships among youth and educational institutes and create harmony in the 3 southern border provinces.

4.3 Participated in merit-making and blessing ceremonies for the occasion to commemorate the 70th anniversary celebration of His Majesty King Bhumibol Adulyadej at the Grand Palace, the Temple of the Emerald Buddha on June 9, 2016, and at Wat Phra Chetuphon on July 25, 2016.

4.4 Participated in volunteer activities under the theme “In Remembrance of His Majesty King Bhumibol Adulyadej” at the Ministry of Finance’s tent in front of the previous location of the Government Lottery Office, Ratchadamnoen Nok Road, serving snacks, beverages, hand-held fans, and herbal inhalers to those who attended the ceremony. There were 15 executives and staff per day volunteered for the event on November 22-28, 2016.

4.5 Took part in health advice service for customers and the general public such as free blood pressure measurement services. This was achieved in cooperation with the Faculty of Nursing from the Veterans General Hospital at Klong Phadung Krung Kasem Market on December 21, 2016.

4.6 Activities focusing on sharing the happiness from previous year, and welcoming new experiences for the coming New Year by giving the offering to 9 monks from Wat Somanas Rajavaravihara at Klong Phadung Krung Kasem Market on December 22, 2016.

4.7 Contributing fund of 300,315 baht to veterans through the Veterans General Hospital. The entire fund was the income from the donation at the Bank’s 15th anniversary event and the auction event at Klong Phadung Krungkasem Market. This included income gained through the selling of garbage, under the campaign named “Trade for Rice and Share Happiness for Thai farmers” in which the Bank’s staff exchanged their garbage and disposable material for rice and eggs.

3.8 Cooperation with Other Organizations and Agencies

(1) Cooperation with Domestic Agencies

SME Development Bank has signed cooperation agreements with public agencies and the private sector in the following projects listed below;

1.1 The project for “promoting and supporting the potential of small and medium enterprises” aimed to promote the potential of small and medium enterprises (Thai SMEs) for sustainable growth by providing financial support to Thai SMEs to set up, develop and innovate their businesses. The entrepreneurs must be screened and guided in compliance with the criteria set by SME Development Bank. Also, they must have a desire to develop and their product innovation or production technology.

1.2 The project titled, “Pracharat; Public and Private Collaboration” was aimed at the collaboration of public, private,

financial and educational institutions in order to carry out activities to promote and support SMEs in the development of self-strengthening strategies while elevating their competitive ability.

1.3 The project titled, “Empowering Thai SMEs for Sustainable Growth” proceeded in collaboration with the Thailand Research Fund (TRF), the Office of Small and Medium Enterprises Promotion (OSMEP), and 2 educational institutions, i.e., Silpakorn and Ubon Ratchathani Universities. The project encourages the design of products and packaging so as to strengthen the ability of OTOP enterprises and SMEs to create truly unique products. This includes the knowledge of the interesting background stories that will increase the value of the products, while emphasizing the products’ outstanding points and creating business opportunities.

1.4 The project titled, “Pracharat; Cooperation in Elevating OTOP with Science, Technology, and Innovation” was designed to encourage and support OTOP entrepreneurs and community enterprises to develop themselves to their full potential and elevate their competitiveness. The project used local resources and wisdom, integrated with creativity and knowledge of science, technology, and modern innovation in creating a unique identity. This took place in cooperation with government agencies, the private sector and 34 financial institutions.

1.5 The project titled, “Soft Loan for Changing Machinery and Enhancing Manufacturing Capability for SMEs” was in line with the cabinet’s resolution on June 28, 2016 that entrusted the Government Savings Bank to provide low-interest rate loans, the total amount of 30,000 million baht, to other financial institutions in order to support and help SMEs with low-interest rate loans and special condition for machinery modification and productivity improvement.

1.6 The project titled, “SMEs Rescue” was designed specifically for entrepreneurs who have business problems. The government has assigned the Ministry of Industry (Department of Industrial Promotion) to set up the SMEs Rescue Center in order to assist SMEs who suffer from businesses problems, but still have the potential to turn around their businesses and regain their former strength.

1.7 The project titled, “Design Center” was created in cooperation with the Department of Industrial Promotion.

The Department of Industrial Promotion has established a design center to integrate all sectors related to design and acted as a central agency connecting design services throughout the supply chain to generate revenue in the national economic system. The project also emphasized on further developing of design which would lead Thailand to become the center of design in ASEAN by setting up a memorandum of understanding ceremony with more than 40 network agencies.

1.8 The project titled “World Food Valley Thailand” proceeded in cooperation with the National Food Institute, Singha Corporation, Industrial Estate Authority of Thailand and Office of Small and Medium Enterprises Promotion to develop food processing entrepreneurs and infrastructure. It thereby contributes to the ability to accommodate the future food industries while strengthening the competitiveness level of the whole country.

In 2016, the Bank has signed memorandum of understanding with 17 alliance agencies divided into 9 public agencies and 8 private sectors. Consequently, in 2016, the Bank has signed a cooperative agreement with 171 alliance agencies in total, 37 of which were public agencies such as the Department of Industrial Promotion, Institutes for Small and Medium Enterprises Development (ISMED), Office of Small and Medium Enterprises Promotion (OSMEP), National Science and Technology Development Agency (NSTDA), Community Development Department and National Food Institute, etc. In addition, The remaining 134 private sector agencies included the Provincial Chambers of Commerce, Association for the Promotion of Thai Small and Medium Entrepreneurs, the Provincial Business and Tourism Association, The Provincial Hotel Business Association, PTT Public Company Limited, the MBK Public Company Limited, the FN Factoring Outlet Public Company Limited, and Singha Corporation, etc.

(2) Cooperation with International Organizations

2.1 Welcoming international organizations’ delegations that visited the Bank.

- Shanghai Municipal Financial Services Office (SMFSO), People’s Republic of China received a briefing on the expansion of the Bank’s loan according to the mission, the controlling of loan after approval and the management

non-performing loan. This visit took place on May 11, 2016.

- Asian Development Bank (ADB) sought for cooperation in technical assistance and Peer-to-Peer lending on May 12, 2016.

- Ministry of Industry and Commerce (Lao People’s Democratic Republic) visited and observed the products and services of SME Development Bank on May 17, 2016.

- Bhutan Development Bank visited and studied the products and services of the Bank. This visit proceeded under the title of, “Introduction to SME Development Bank and Best Practices of Customer Service Management”, which took place on June 22, 2016

- Bhutan Development Bank visited SME Development Bank again on June 24, 2016 and attended the seminar on the topic of, “Best Practice in MSME Financing”.

- Bhutan Development Bank attended SME Development Bank’s seminar on the topic of, “Introduction to SME Development Bank and Best Practices of Office Management” on June 29, 2016.

- Bhutan Development Bank visited SME Development Bank and attended the seminar “The Best Practice in MSME Financing” on July 21, 2016.

- Bank of Ratriya Bantritya, Nepal visited SME Development Bank and studied its products and services in the seminar titled, “Credit Risk Management” on August 26, 2016.

- Bank of Ratriya Bantritya visited SME Development Bank and studied its products and services in the seminar titled, “Marketing Promotion” on October 10, 2016.

2.2 The project to retain excellent clients and SME standards SME Development Bank brought Thai entrepreneurs to attend the following events in Cambodia and China, as listed below;

- “Thailand-Cambodia Trade Fair 2016” at the shopping center of Diamond Island in Phnom Penh, Cambodia.

- “Nanjing International Consumer Goods Exhibition” at Nanjing International Expo Center.

- “The 16th Western China International Fair 2016” at Chengdu, Sichuan, People’s Republic of China, which had 19 of the Bank’s customers participate in the event and had sales value over 1.22 million baht.

2017 Operational Directions

Policy of Related Agencies

Government Policy

Strategy 6 Increase the economic potential of the country

Article 6.17 strengthen SMEs to compete effectively by

- Increase knowledge in the field of manufacturing and management.
- Access to capital and financial services as well as investment for small and medium-sized enterprises.

Ministry of Finance (FPO)

1. Implementation of the reorganization plan

- Focus on resolving NPLs.
- Provide loans to small SMEs.

2. Promote financial access of SMEs

- Focus on loan provision of not exceeding 15 million baht and develop new financial product such as venture capital.
- Provide service to SMEs according to government policies.
- Increase the role in small enterprises development.

20-year National Strategy

Strategy 1 Security

Strategy 2 Create competitiveness

Strategy 4 Create opportunities for social equality

ISMED Plans

Strategy 1 Promote and develop SME, focusing on building an ecosystem for the SME.

Strategy 2 Strengthen the capacity of specific groups of SME with the direction to promote and develop SME that need different types of help.

Strategy 3 Develop mechanisms to promote SME systematically for more effective outcome.

National Economic and Social Development Plan

Strategy 3 Strengthen sustainable economic and competitiveness

1. Economic growth is stable and sustainable
2. Create changes to strengthen the economic in 3 dimensions:

- Aim for product innovation.
- Driven by technology/ creativity and innovation.
- Shift from manufacturing to servicing.

Ministry of Industry

Strategy 1 Increase the capacity of the industry sector

- Promote and develop industry that in line with the potential fundamental of the country.
- Focus on research, technology and innovation to increase productivity and improve standards so that the industry sector has the ability to compete at a higher level.



Objective

According to the Establishment Act of SME Development Bank: “the Bank’s objective is to carry out businesses aim at developing, promoting, supporting, and facilitating the establishment, operation, expansion or the improvement of small and medium enterprises through credit offering, guarantee, venture capital, consultancy, advices, and other necessary services.”



The Operational Directions of SME Development Bank

SME Development Bank will intensively enhance its role in developing entrepreneurs. As it is the core mission to become “The Banks for entrepreneur development (SME Development Bank)”



In 2017, SME Development Bank will continue to carry out its mission to become development bank, the government specialize financial institute that has a major role in Thai economy system. It serves as a key mechanism in driving government's economic measures through projects and policies to support small SMEs. The Bank also serves as a financial institute that provides financial service to SMEs who cannot access to the source of fund and focuses on becoming the bank for development by providing assistance both in the form of direct entrepreneur development activities from the Bank itself and the assistance from the connection among the various partner organizations. The development direction will be emphasized on the harmonization of driving mechanism and Thailand 4.0 which is the model for the country development that aims to drive Thailand economy with innovation. It would be a transformation from the agricultural country to the future industrial country that focuses on productivity, participation of every sector and environmental friendly on the basis of balanced development.

SME Development Bank has set its operational directions according to its missions and government policies. The government direction toward the Bank is to focus on strengthening SMEs through provision of financial services

together with knowledge building and effective internal management enhancement. To become the Bank for development, the Bank has determined 3 strategies and 7 principle work plans as described follows:

Strategies and principle work plans of the year 2017 - 2021

Strategy 1 Strengthening Financial Stability

To assure the adequacy of the Bank's stability and liquidity to operate its business according to the role of the government specialize financial institute that supports source of fund to SMEs. Therefore, SME Development Bank will focus on strengthening its financial stability to reduce the burden of reliance on government budget by determining plans to create financial stability as follows:

- **Plans to increase performing loan**

SME Development Bank promotes the access to capital fund for small SMEs with credit limit not exceeding 15 million baht; this represents the expansion of new performing loans accounts from government policies and general SMEs. The Bank develops and improves its financial products to meet the demand of its new and existing customers as well as the 5 industrial target clusters that conform to the country-driven

directions such as Food Agriculture and Bio-Tech, Health Wellness and Bio Med, Smart Devices Robotics Mechatronic Digital IOT and Convergence, Creative Culture and High Value Services, considering the appropriate commercial possibility.

- **Plans to manage non-performing loan**

In 2017, SME Development Bank will continue to carry out the management of NPLs according to its reorganization plan, which is clearly resulted in a promising achievement as it has shown in the Bank's performance in 2015 and 2016, as well as the improvement of process to enhance efficiency in NPLs management by clearly classifying debtors and setting suitable measures or solutions for each type of debtors using universal standard thereby SME Development Bank has clear guidelines for NPLs management and able to reduce non-performing loan continuously.

- **Plans to create financial stability**

SME Development Bank continues to strive for better performance and profit in order to strengthen its capital fund to create fewer burdens on government budget. The Bank procure financial fund to accommodate its mission performance by taking into account the appropriate cost of fund, the effective liquidity management plans, the maintenance of short-term to long-term deposit ratio with appropriate cost of fund rate by maintaining existing customers base and expanding new customers base.

Strategy 2 SME Development Bank for SME Spring Up

In 2017, the role of being the bank for development is very prominent. The service model for SMEs will be more diversity in financial support aspect and entrepreneurs' potential strengthening aspect, such as promoting to get the standard certification (Standard), increasing productivity improvement (Productivity), supporting innovation based product (Innovation) and promoting to step into international market (International) to enhance competitiveness. To become the real development bank, the Bank has action plans as follows:

- **Plans to develop entrepreneurs in order to increase their opportunities, potential, strength and venture capital**

The development of SMEs will emphasize on development of industrial target clusters according to government policies covering start up, regular/ strong and turnaround in educating, elevating, enhancing and promoting eco system by integrating

cooperation with government and private agencies such as Industrial Transformation Center (ITC) with Ministry of Industry and venture capital which SME Development Bank will act as an agency to support source of fund for SMEs who have potential and readiness to grow through the project of SMEs venture capital fund. The Bank has venture capital project for SMEs called the Private Equity Trust Fund and the venture capital project for agricultural SMEs.

Strategy 3 Organization development to become the Bank for Development

In order to encourage the implementation of the mission to conduct its operation effectively, SME Development Bank has balanced the foundation of development within the organization by aiming at improving service system and efficient working process with updated information technology, human resource development, enhancing of the effectiveness of employees' performance at all levels and instilling values to create an organizational culture to employees in order to operate with good governance and transparency. To this end, the Bank has the implementation plans as follows:

- **Plans to develop standardize operating system and process according to the Bank's mission**

These plans will be focusing on operating processes, optimizing the process of credit provision and developing of information technology system according to the determined master plan of information technology.

- **Plans to develop human resources skill along with good governance**

By increasing the efficiency of human resource management (HRM) alongside with human resource development (HRD) process under 3 main strategies: creating the talent, promoting the goodness and enhancing the happiness as well as instilling core value to create the organizational culture together.

- **Plans for risk management and internal control**

By improving risk management and control the internal implementation together with a standard and developing database and information systems to accommodate risk management and internal control as well as increasing the role of risk management and internal control to be a part of the practice in organizations with governance.

The Board of Directors' Responsibility Statement on Financial Report

The board of directors of SME Development Bank prioritized and realized its duties and responsibilities toward financial statements and other financial information disclosed in the Bank's annual report. The financial statements were properly prepared in accordance with generally accepted accounting standards under the properly accounting policies. Also, constantly practices were adopted with carefulness, correctness, completeness to accurately reflect the Bank's operating performance. The Bank's operating performance and important information was adequately and transparently disclosed in notes to financial statements.

The board of directors of SME Development Bank set up and maintained the risk management system, internal control system, internal audit system, appropriate and effective governance to ascertain that the Bank's financial statements were correct, complete, and adequate in order to maintain the Bank's assets, and to prevent corruptions or any significant wrong-doings.

The board of directors of SME Development Bank appointed Audit Committee, composing of independent directors, to review the accuracy and reliability of financial statements. Also, the board of directors appointed Risk Management Committee, composing of eligible directors, to review suitability and adequacy of internal control system. Therefore, the financial statements were reliable according to the opinions of the Audit Committee as shown in the Report by the Audit Committee in this annual report.

The board of directors of SME Development Bank agreed that the general internal control system of SME Development Bank was sufficient, appropriate and dependable to reasonably assure that the financial statements report as of December 31, 2016 were reliable according to involved standards required by generally accepted accounting laws and regulations.

(Signed) Somchai Harnhirun
(Mr. Somchai Harnhirun)
Chairperson

(Signed) Mongkon Leelatham
(Mr. Mongkon Leelatham)
President



AUDITOR'S REPORT

To the Shareholders of the Small and Medium Enterprise Development Bank of Thailand

Opinion

The Office of the Auditor General of Thailand has audited the financial statements of the Small and Medium Enterprise Development Bank of Thailand, which comprise the statement of financial position as at December 31, 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In the Office of the Auditor General of Thailand's opinion, the financial statements present fairly, in all material respects, the financial position of the Small and Medium Enterprise Development Bank of Thailand as at December 31, 2016, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

The Office of the Auditor General of Thailand conducted the audit in accordance with Thai Standards on Auditing. The Office of the Auditor General of Thailand's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of the report. The Office of the Auditor General of Thailand is independent of the Bank in accordance with the State Audit Standards issued by the State Audit Commission and the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants that are relevant to the audit of the financial statements, and the Office of the Auditor General of Thailand has fulfilled other ethical responsibilities in accordance with these requirements. The Office of the Auditor General of Thailand believes that the audit evidence the Office of the Auditor General of Thailand has obtained is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's opinion.

Emphasis of Matter

The Office of the Auditor General of Thailand would like to draw attention to Note 5.5 to the financial statements regarding the Allowance for Doubtful Accounts. In conclusion, the Office of the Auditor General of Thailand's opinion is not qualified in respect of these matters.

Other Information

Management is responsible for the other information. The other information comprises information in the annual report, but does not include the financial statements and the auditor's report in the annual report. The Bank expects that the annual report is made available to the Office of the Auditor General of Thailand after the date of this auditor's report.

The Office of the Auditor General of Thailand's opinion on the financial statements does not cover the other information and the Office of the Auditor General of Thailand will not express any form of assurance conclusion thereon.

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

When the Office of the Auditor General of Thailand reads the annual report, if the Office of the Auditor General of Thailand concludes that there is a material misstatement therein, the Office of the Auditor General of Thailand is required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of the Office of the Auditor General of Thailand's audit in accordance with Thai Standards on Auditing, the Office of the Auditor General of Thailand exercises professional judgment and maintain professional skepticism throughout the audit. The Office of the Auditor General of Thailand also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the Office of the Auditor General of Thailand's 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 omission, misrepresentations, or the override of internal control.
- Obtains 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.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes 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 the Office of the Auditor General of Thailand concludes that a material uncertainty exists, the Office of the Auditor General of Thailand is required to draw attention in the Office of the Auditor General of Thailand auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the Office of the Auditor General of Thailand's opinion. The Office of the Auditor General of Thailand's conclusions are based on the audit evidence obtained up to the date of the Office of the Auditor General of Thailand auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The Office of the Auditor General of Thailand communicates 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 the Office of the Auditor General of Thailand identifies during the Office of the Auditor General of Thailand's audit.

(Signed) Thurdpong Pongsakri
(Thurdpong Pongsakri)
Director of Financial Audit Office No.1

(Signed) Chalursri Vipusaporn
(Chalursri Vipusaporn)
Division Director

Statements of Financial Position

Small and Medium Enterprise Development Bank of Thailand

As at December 31, 2016

Unit : Thousand Baht

	Notes	December 31, 2016	December 31, 2015 (Restated)	January 1, 2015 Brought Forward (Restated)
Assets				
Cash		261	270	782
Interbank and money market items, net	5.2	4,189,686	7,957,495	18,078,864
Derivatives assets	5.14	98	15	11
Investments, net	5.3	7,774,842	9,058,789	4,845,813
Loans to customers and accrued interest receivables, net	5.4			
Loans to customers		68,151,607	62,359,313	56,828,541
Accrued interest receivables		183,119	203,271	121,036
Total loans to customers and accrued interest receivables		68,334,726	62,562,584	56,949,577
Less Deferred revenue		155,849	222,500	322,088
Less Allowance for doubtful accounts	5.5	7,416,269	9,631,249	13,000,487
Total loans to customers and accrued interests receivables, net		60,762,608	52,708,835	43,627,002
Loans to customer from public service account and accrued interest receivables, net	5.34			
Loans to customers from public service account				
Portion that is not subject to government compensation for damages		21,373,534	18,323,163	20,939,552
Portion that is subject to government compensation for damages		4,239,787	5,445,519	7,217,769
Accrued interest receivables from public service account				
Portion that is not subject to government compensation for damages		45,827	42,169	45,261
Portion that is subject to government compensation for damages		181,034	65,804	134,617
Total loans to customers from public service account and accrued interest receivables		25,840,182	23,876,655	28,337,199
Less Deferred revenue from public service account		18,657	30,168	45,046
Less Allowance for doubtful accounts from public service account	5.34.3	2,069,114	2,597,774	2,092,101
Total loans to customers from public service account and accrued interest receivables, net		23,752,411	21,248,713	26,200,052

Notes to financial statements are an integral part of these financial statements.

Statements of Financial Position (continued)

Small and Medium Enterprise Development Bank of Thailand

As at December 31, 2016

Unit : Thousand Baht

	Notes	December 31, 2016	December 31, 2015 (Restated)	January 1, 2015 Brought Forward (Restated)
Properties for sale, net	5.6	1,370,459	998,079	1,099,617
Premises and equipment, net	5.7	724,584	773,947	852,152
Assets in progress	5.8	17,278	11,844	38,320
Advance for Legal costs, net	5.9	0	0	0
Other intangible assets, net	5.10	25,443	41,127	47,141
Other accounts receivables from sale of debt		1,919,019	2,533,456	-
Other assets, net	5.11	603,094	328,329	270,481
Total assets		101,139,783	95,660,899	95,060,235
Liabilities and shareholders' equity				
Deposits	5.12	74,132,436	75,954,669	82,614,739
Interbank and money market items, net	5.13	15,327,820	10,455,412	4,389,759
Liabilities payable on demand		15,615	19,977	19,689
Derivative liabilities	5.14	6	76,470	62,351
Debt issued and borrowings	5.15	292,116	310,059	410,170
Provisions	5.16	1,472,393	1,373,231	2,278,231
Accrued interest payables	5.17	528,159	608,053	509,780
Grant fund from the Bureau of the Budget	5.18	23,053	65,453	98,338
Other liabilities	5.19	851,568	964,237	1,096,802
Total liabilities		92,643,166	89,827,561	91,479,859

Notes to the financial statements are an integral part of these financial statements

Statements of Financial Position (continued)

Small and Medium Enterprise Development Bank of Thailand

As at December 31, 2016

Unit : Thousand Baht

	Notes	December 31, 2016	December 31, 2015 (Restated)	January 1, 2015 Brought Forward (Restated)
Liabilities and shareholders' equity (continued)				
Shareholders' equity				
Share capital	5.20			
Authorized share capital				
300,000,000 Ordinary shares of Baht 100 each		30,000,000	30,000,000	
200,000,000 Ordinary shares of Baht 100 each				20,000,000
Issued and paid-up share capital				
200,066,318 Ordinary shares of Baht 100 each		20,006,632		
163,808,159 Ordinary shares of Baht 100 each			16,380,816	
127,550,000 Ordinary shares of Baht 100 each				12,755,000
Premium or discount on share capital		(5,251,632)	(2,625,816)	-
Other components of equity	5.21	(7,720)	25,051	7,344
Retained earnings				
Appropriated				
Legal reserve		48,192	48,192	48,192
Others		216,457	216,457	216,457
Unappropriated		(6,515,312)	(8,211,362)	(9,446,617)
Total retained earnings		(6,250,663)	(7,946,713)	(9,181,968)
Total shareholders' equity		8,496,617	5,833,338	3,580,376
Total Liabilities and Shareholders' Equity		101,139,783	95,660,899	95,060,235

Notes to the financial statements are an integral part of these financial statements

(Signed) Somchai Harnhirun
(Mr. Somchai Harnhirun)
Chairperson

(Signed) Mongkon Leelatham
(Mr. Mongkon Leelatham)
President

Statement of Profit or Loss and Other Comprehensive Income

Small and Medium Enterprise Development Bank of Thailand

For the year ended December 31, 2016

Unit : Thousand Baht

	Notes	2016	2015
Interest income	5.22	3,972,571	3,992,282
Interest expenses	5.23	1,318,393	2,028,602
Interest income, net		2,654,178	1,963,680
Fees and service income		324,379	315,916
Fees and service expenses		76,302	34,011
Fees and service income, net	5.24	248,077	281,905
Gains on trading and foreign exchange transactions	5.25	81,265	10,656
Gains (losses) on financial instrument designated at fair value through profit or loss (Fair value option)	5.26	(80,544)	(2,130)
Gains on investments, net	5.27	57,740	15,880
Other operating income			
Dividend income		9,384	8,917
Gain on sale of debt		48,200	276,874
Other income		163,047	144,687
Total other operating Income		220,631	430,478
Revenue from public service account	5.34.4	1,570,143	1,469,132
Total operating income		4,751,490	4,169,601
Other operating expenses			
Employee' expenses		758,593	435,882
Directors' remuneration		3,611	2,858
Premises and equipment expenses		203,846	168,703
Taxes and duties		38	21
Reversal of provisions		-	(938,709)
Other expenses		143,017	178,731
Total other operating expenses		1,109,105	(152,514)
Expenses from public service account	5.34.5	1,572,757	1,647,706
Impairment loss of loans and debt securities	5.28	410,699	1,439,154
Net Profit		1,658,929	1,235,255

Notes to the financial statements are an integral part of these financial statements

Statement of Profit or Loss and Other Comprehensive Income (continued)

Small and Medium Enterprise Development Bank of Thailand

For the year ended December 31, 2016

Unit : Thousand Baht

	Note	2016	2015
Other comprehensive income (losses)			
Items that will be reclassified subsequently to profit or loss			
Gains (losses) on revaluation of available-for-sale investment		(33,125)	18,013
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit plans		(50,525)	-
Total other comprehensive income (losses)		(83,650)	18,013
Total comprehensive income		1,575,279	1,253,268
Basic earnings per share		9.53	8.56

Notes to the financial statements are an integral part of these financial statements

(Signed) Somchai Harnhirun
 (Mr. Somchai Harnhirun)
 Chairperson

(Signed) Mongkon Leelatham
 (Mr. Mongkon Leelatham)
 President

Statements of Changes in Shareholders' Equity

Small and Medium Enterprise Development Bank of Thailand

For the year ended December 31, 2016

Unit : Thousand Baht

	Note	Issued and paid up share capital	Premium or discount on share capital	Other components of equity	Retained Earnings			Total
					Revaluation surplus (deficit) on investments	Appropriated legal reserve	Appropriated others	
Beginning balance as at January 1, 2015		12,755,000	-	7,344	48,192	216,457	(9,446,617)	3,580,376
Issue of share capital		3,625,816	-	-	-	-	-	3,625,816
Premium or discount on share capital		-	(2,625,816)	-	-	-	-	(2,625,816)
Revaluation surplus (deficit) on investment		-	-	(306)	-	-	-	(306)
Total comprehensive income		-	-	18,013	-	-	1,235,255	1,253,268
Ending balance as at December 31, 2015		16,380,816	(2,625,816)	25,051	48,192	216,457	(8,211,362)	5,833,338
Beginning balance as at January 1, 2016		16,380,816	(2,625,816)	25,051	48,192	216,457	(8,211,362)	5,833,338
Correction of error	2.3	-	-	-	-	-	87,646	87,646
The balance after adjustment		16,380,816	(2,625,816)	25,051	48,192	216,457	(8,123,716)	5,920,984
Issue of share capital		3,625,816	-	-	-	-	-	3,625,816
Premium or discount on share capital		-	(2,625,816)	-	-	-	-	(2,625,816)
Revaluation surplus (deficit) on investment		-	-	354	-	-	-	354
Total comprehensive income		-	-	(33,125)	-	-	1,608,404	1,575,279
Ending balance as at December 31, 2016		20,006,632	(5,251,632)	(7,720)	48,192	216,457	(6,515,312)	8,496,617

Notes to the financial statements are an integral part of these financial statements

(Signed) Somchai Harnhirun
(Mr. Somchai Harnhirun)
Chairperson

(Signed) Mongkon Leelatham
(Mr. Mongkon Leelatham)
President

Statements of Cash Flow

Small and Medium Enterprise Development Bank of Thailand

For the year ended December 31, 2016

Unit : Thousand Baht

	2016	2015
Cash flow from operating activities		
Net profits	1,658,929	1,235,255
Adjustments to reconcile net profit to cash received (paid) from operating activities		
Depreciation and amortization expenses	92,819	96,631
Bad debt and doubtful accounts	398,656	1,437,978
Bad debt and doubtful accounts-claims	(34,994)	(15,019)
(Gain) from disposal of assets	(315)	(148)
Loss on impairment of properties for sale	34,625	41,204
(Reversal) on impairment of properties for sale	(15,568)	(58,479)
(Reversal) on impairment of investment	(15,453)	(15,880)
Premium on investment	23,481	17,434
(Gain) loss on revaluation of foreign currencies	80,544	2,130
Increase (decrease) in accrued expenses	45,271	(230,378)
Increase (decrease) in provisions	48,636	(905,000)
	2,316,631	1,605,728
Interest income, net	(3,586,395)	(2,713,697)
Dividends income, net	(9,384)	(8,917)
Proceeds from interest income	5,341,006	5,416,684
Cash paid on interest expenses	(1,933,240)	(2,615,044)
Proceeds from dividend income	9,384	8,917
Income from operating before changes in operating assets and liabilities	2,138,002	1,693,671
(Increase) decrease in operating assets		
Interbank and money markets items	3,638,020	10,117,406
Loans to customers	(10,857,390)	(5,558,143)
Properties for sale	(391,436)	152,310
Accounts receivable from the sale of debt	614,438	(2,533,457)
Other assets	(202,102)	(42,830)
Increase (decrease) in operating liabilities		
Deposits	(1,822,232)	(6,660,070)
Interbank and money market items	4,872,407	6,065,654
Liabilities payable on demand	(4,363)	289
Debt issued and short-term borrowings	(17,944)	(100,111)
Grant from the Bureau of the Budget	(42,400)	(32,885)
Other liabilities	(157,640)	98,485
Net cash provided by operating activities	(2,232,640)	3,200,319

Notes to the financial statements are an integral part of these financial statements

Statements of Cash Flow (continued)

Small and Medium Enterprise Development Bank of Thailand

For the year ended December 31, 2016

Unit : Thousand Baht

	2016	2015
Cash flows from investment activities		
Decrease in time deposits	22,697	15,948
Purchases of securities investment	(1,099,966)	(4,346,824)
Purchase of premises and equipment	(14,140)	(10,503)
Purchase of intangible assets	(77)	(309)
Purchase of assets in progress	(18,997)	(9,143)
Proceeds from securities investment	2,343,114	150,000
Net cash provided by (used in) investing activities	1,232,631	(4,200,831)
Cash flows from financing activities		
Proceeds from issuance for capital increase	1,000,000	1,000,000
Net cash provided by financing activities	1,000,000	1,000,000
Net (decrease) in cash and cash equivalents	(9)	(512)
Beginning balance of cash and cash equivalents	270	782
Ending balance of cash and cash equivalents	261	270

Notes to the financial statements are an integral part of these financial statements

(Signed) Somchai Harnhirun
 (Mr. Somchai Harnhirun)
 Chairperson

(Signed) Mongkon Leelatham
 (Mr. Mongkon Leelatham)
 President

Notes to the Financial Statements

Small and Medium Enterprise Development Bank of Thailand

For the year ended December 31, 2016

1. General information

The Small and Medium Enterprise Development Bank of Thailand was established as a juristic person under the Small and Medium Enterprise Development Bank of Thailand Act B.E. 2545, which effectively came into force since December 20, 2002. The Bank's main business is development, promotion, and supports the establishment operation, expansion or improvement small and medium enterprises with the provision of loans, guarantees, joint venture, consulting and recommended or other necessary services by the Act.

The Bank has been transferred all the entire business, assets, liabilities, capital, retained earnings, reserves, rights and liability of the Small Industry Finance Corporate as provided on the day which Act are expected to be effective were transferred to SME Development Bank.

The Bank's head office is situated at 310 SME Bank Tower, Phahonyothin Road, Sam Sen Nai district, Phayathai, Bangkok. The Bank has branches covering all regions of Thailand.

2. Basis of Presentation and Significant Accounting Policies

2.1 Basis of Presentation of Financial Statements

The Bank's financial statements are prepared and disclosed item in accordance with the Notification of The Bank of Thailand (BOT) No. SOR KOR SOR 1/2559 dated June 29, 2016 regarding presentation and announcement of financial statements of Specialized Financial Institution, and financial statements were prepared in conformity with the generally accepted account principle under the Accounting Act, 2000 (B.E. 2543).

The financial statements issued for Thai reporting and this English translation has been prepared for the convenience of readers conversant with Thai language.

2.2 The New and Revised Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS)

2.2.1 The Bank has adopted the new and revised Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS) which are effective for the financial statement beginning on or after January 1, 2016 as follows:

TAS 1 (revised 2015)	Presentation of Financial Statements
TAS 7 (revised 2015)	Statement of Cash Flows
TAS 8 (revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2015)	Events after the Reporting Period
TAS 16 (revised 2015)	Property, Plant and Equipment
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 19 (revised 2015)	Employee Benefits
TAS 24 (revised 2015)	Related Party Disclosures
TAS 26 (revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS 34 (revised 2015)	Interim Financial Reporting
TAS 36 (revised 2015)	Impairment of Assets
TAS 37 (revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2015)	Intangible Assets
TFRS 13 (revised 2015)	Fair Value Measurement

The implement of the new and revised accounting standards that will not material impact to the financial statements

2.2.2 The Federation of Accounting Professions has announced Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS), those are effective for the financial statements periods beginning on or after, January 1, 2017 as follows:

TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events after the Reporting Period
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 33 (revised 2016)	Earnings per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 104 (revised 2016)	Accounting for Troubled Debt Restructuring
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments Disclosure and Presentation
TFRS 13 (revised 2016)	Fair Value Measurement

The Bank has considered the impact of the above Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS) and determined that they will have no material impact on the Bank's financial statements in the period of initial adoption.

2.3 Correction of accounting errors

The Bank encountered an accounting error during the year 2016, which affected the recognition of assets, liabilities and equity. The effect of correcting such errors can be summarized as follows:

Statement of financial position as at December 31, 2016.	Unit : Thousand Baht
Assets increased	87.65
Retained earnings increased	87.65

2.4 Significant Accounting Policies

2.4.1 Cash and Cash Equivalents

Cash and Cash equivalents represent cash in hand and cash on collection.

2.4.2 Recognition of Income

- Interest Income

The Bank recognized interest income on proportion of time basis using the effective interest rate method, except for interest on loans classified as delinquent over 3 months which is recognized on a cash basis.

The Bank reverses all accrued interest income on loans classified as delinquent over 3 months since the first date of overdue accordance with the Bank of Thailand regulation.

- Fees and Service Income

The Bank recognized fees and service income from loans approval on cash basis, except for fees income from issuance of guarantee letter is recognized on right basis.

2.4.3 Recognition of Interest Expenses

Interest expense on deposits and borrowing is recognized on proportion of time basis using the effective interest rate method.

2.4.4 Loans

Loans principle amount, which included interest receivables presented as a separate item, deferred revenue are presented as a deduction from the loans.

2.4.5 Allowance for Doubtful Accounts

The Bank sets aside the allowance for doubtful account compliance with the Bank of Thailand's under the Notification No. SOR NOR SOR 5/2559 dated June 10, 2016, regarding Regulation on Assets Classification and Provision of Financial institutions based on the BOT's Regulation on Valuation and Appraisal of Collateral and Immovable Properties for Sale acquired through Debt Repayment, Loan Collateral or Public Auction of Financial Institution dated June 10, 2016. summarized as follows:

1) The Bank has set aside the provision for impaired-debtors at 100 percent of the difference between the book value of loans and the present value of expected cash flows from the disposals of collateral as to the practice stipulated by the BOT.

2) Collateral using for calculating the present values of expected cash flows from the disposals are immovable, properties, and leasehold rights (The present value of the expected cash flows from disposal are collateral equal to 62 percent of the appraisal value). Other types of collateral are calculated by using the valuation rate stipulated by the BOT.

3) Collateral valuation has been conducted according to the BOT's regulation of types of collateral, valuation method, valuation frequency, and values of collateral that could be deductible before provisioning. The underlying collateral is required to reappraise or revalue on 3-years basis.

The Bank also considers provisioning on quantitative basis by assessing debtor's solvency and collateral value, the additional debt categories accordance to monitoring reports of the Bank of Thailand, as Memorandum of the Ministry of Finance, Fiscal Policy office No. GOR KOR 1006/2170 dated March 28, 2013, regarding Regulation on the recovery strategy of SME Development Bank.

Bad debts written-off recovered are either deducted from allowance for doubtful accounts, bad debt recovered is recognition as other incomes on the statements of profit or loss and other comprehensive income. Therefore, the Bank has defined debt write off guideline for bad debts and bad debt recovered by written-off debts that debtors classified as doubtful of loss and set full amount of provision to compensate such debts.

2.4.6 Trouble Debt Restructuring

The Bank considers debtors that expected to be able to pay their debts if there is a compromise condition without any losses of account according to the procedure of the Bank. The Bank uses practices regarding troubled debt restructuring, such as transfer of asset to pay debt, change to terms of payments and other troubled debt restructuring according to BOT's Announcement No. SOR NOR SOR 31/2551 dated August 3, 2008, regarding Regulation on: Classification and Provision of Financial Institution.

2.4.7 Investments

The Bank's investments consist of debt securities as trading securities, available-for sale securities, held-to maturity debt securities and general investment securities.

Investment in marketable classified as trading and available-for sale securities are stated at fair value Gain or loss from fair value show in other comprehensive income (losses) in the statements of profit or loss and other comprehensive income and show the accumulation in other components of equity. And changed to gain (loss) on investments upon disposal.

The debt securities that the Bank has intention and ability to hold to maturity classified as held-to maturity are stated at the amortized cost. Premiums or discounts on held to maturity are adjusted to interest income at the end of each month by using the straight-line method. The interest income from held-to maturity debt securities are recorded on actual basis using the effective rate method.

Investments in non-marketable equity securities are stated at cost net of allowance for impairment (if any). Losses in impairment of investment are recognized to expense in the statements of profit or loss and other comprehensive income.

2.4.8 Foreign Currency Translation

Assets and liabilities in foreign currencies including forward foreign exchange contracts are recorded in Thai Baht at exchange rate of each currency prevailing at the transaction dates. And at the date in statement of financial position, the rate will be translated into Thai Baht using the reference exchange rate of BOT. Gains or losses on foreign exchange and foreign currency translation are presented as gain (loss) in the period.

2.4.9 Premises and Equipment, Net

Premises and equipment are stated at cost less accumulated depreciation and allowance for asset impairment (if any). Depreciation of premises and equipment are calculated on a straight-line method over the useful lives, for building 20 years and for equipment 5-10 years. Equipment with an acquisition cost not over Baht 2,000 is charge directly to expense in the period of acquisition.

2.4.10 Other Intangible Assets, Net consisted of:

Software licenses and computer system development are stated at cost after deducting accumulated amortization is calculated on a straight-line method over their useful lives 5-10 years and recognized in the statements of profit or loss and other comprehensive income.

Leasehold right are stated at cost less accumulated amortization. Amortization is calculated on a straight-line method under the appropriation of time period specified in the agreement and recognized in the statements of profit or loss and other comprehensive income.

2.4.11 Properties for Sale, Net

Properties for sale are the Bank's asset. As the Bank has purchased assets that mortgaged to SME Development Bank from the public auction ordered by the court and the Bank has the intention to sell the property later.

Properties for sale are stated at the value of the transfer payment or value from the sale by public auction and record to some debt repayment less allowance for impairment (if any). The property has been assessed against the transfer market price by the Bank. Losses in impairment are recognized as other operation expenses or income in the statement of profit or loss and other comprehensive income. The Bank will not deduct depreciation from buildings but recognize gain (loss) when disposals and after remaining debt is repaid.

According to the BOT's Policy No. THOR PO THOR. PHOR NOR SOR. (23) WOR. 745/2559 dated June 10, 2016, regarding Delivery Policy of Appraisal Guarantee and Properties for Sale acquired through Debt Repayment Loan Collateral or Public Auction of Financial Institutions, the properties for sale in the amount of exceeding Baht 50 million are appraised by the external appraisers, and the amount of not exceeding Baht 50 million are considered appraised by internal or external appraisers depending on the Bank.

2.4.12 Derivatives

Assets and liabilities with risk protection recognized gain (loss) according to the fair value. Hedging instrument of assets or liabilities will be recognized as gain (loss) are subsequently measured at fair value under the appropriation of time periods.

Hedging instrument of assets or liabilities will recognized accrued interest payable and receivable under the appropriation of time periods.

2.4.13 Employees Provident Fund

The Bank established a provident fund under the Provident Fund Act B.E. 2530 and entered to the registered fund approved by the Ministry of Finance on November 29, 1996. The provident fund is managed by the Krung Thai Assets Management Public Company Limited as a fund manager.

Employees of the Bank are entitled to apply for membership according to Provident Fund regulation. Employees can contribute to the fund at the rate 3-9% according to the period of employment and the Bank contributed to this fund with the rate of 5-10% according to the period of employment. And the Bank employees will be reimbursed the benefits when resigned according to the employee's period of employment.

The Bank contributed to the provident fund for employees as to expense for employees in the statement of profit or loss and other comprehensive income.

2.4.14 Employee Benefits Plan

The Bank provides estimate of employee benefits obligations from statutory compensation under the Labor Protection Act. Employee benefits obligations calculated by using the actuarial techniques called the Projected Unit Credit Method. This method uses statistical data as a factor to estimate the present value of the cash flows of the benefits expected future payments including forecasts salaries of employees, turnover rate, rate of increases salaries, discount rate and other.

The Bank recognizes employee benefits expenses as expenses in respect of employees in the statements of profit or loss and other comprehensive income.

Gains (losses) on actuarial projections Recognize retained earnings through profit. (Total) (loss) in the period in which the entire amount arises.

2.4.15 Rented Assets

Operating lease contract, The Bank has classified to operating leases and recorded as non-interest expense in the statements of profit or loss and other comprehensive income for monthly payment, throughout the term of the contract.

2.4.16 Legal Reserve

The Bank shall allocate not less than 5% of its annual net profit to a legal reserve account until it reaches an amount not less than 10% of the registered authorized share capital.

2.4.17 Reserve for Investment

The Bank set aside 25% of previous year's net profit as reserve for investment in new projects.

2.4.18 Basic Earnings (Loss) Per Share

Basic earnings (loss) per share are calculated by dividing the net income with the number of weighted-average issued and paid-up share capital.

3. Risk Management

3.1 The Bank's Risk Information

Strategic risk

Strategic risk means the risk resulted from the determination of strategic plans, operation plans, and their implementations, which are not proper or inconsistent with external factors and external environments which could affect incomes, capital funds, or the existence of the business.

SME Development Bank's strategic risks were managed as follows:

1. Set up and reviewed of strategic risk management policy to be implemented as a framework to manage the Bank's strategic risk.

2. Determined SME Development Bank's strategies and goals as well as the process of monitoring and controlling operating results with the setting goals using data obtained from analyzing SWOT of internal and external environments such as operating results, current situations of the Bank, economic condition, business situation of the SMEs, the government policies, and the Bank's customers' satisfaction results, etc.

3. The COSO risk management guidelines were applied in the developing of the Bank's risk management plan which in line with the quality assessment system for state enterprises by linking the risk management process, risk factors, and risk management with the goals and strategic plans of the Bank. SME Development Bank analyzed and assessed both internal and external risks that might affect the Bank's business goals, defined risk appetite and risk tolerance, and developed risk map and risk handling plan to minimize risks to acceptable level and to facilitate achievement of the Bank's business goals. Moreover, SME Development Bank would follow up and report the results of risk management to the related committees for consideration on quarterly basis, and would review the interim risk management plan to ensure proper risk management.

4. Follow up and report the status of strategic risks to the related committees on a regular basis and would also report to the risk management committee on a monthly basis so that the operational guidelines could be revised to attain the targeted goals.

Credit Risk

Credit risk refers to the risk that a customer or counterparty of SME Development Bank cannot repay the loan or fail to comply with SME Development Bank contractual agreements. Including the opportunity to downgrade the credibility which may impact on the Bank's performance and capital funds status.

SME Development Bank's mission, focusing on supporting the entrepreneurs of the small and medium enterprises development to promote business growth by providing financial services at the amount not exceeding Baht 15 million. In addition, SME Development Bank has issued the products to encourage an ordinary person entrepreneur to register as a juristic person in accordance with the government policy on persuading the entrepreneurs to move into more system. Moreover, SME Development Bank continues to provide ongoing opportunities for no-guarantee loan that is the main obstacle to access funding resources from the banking system, by providing assistance through loan guarantee scheme of Thai Credit Guarantee Corporation (TCG) to comply with its mission and to prepare for principle practices in regarding the Bank of Thailand's regulations governing in the 2017, credit risk management in 2016. Therefore, SME Development Bank divided the operations into three main titles as follows:

1. Expanding loan customer base to assist small and medium enterprises by launching products or new measures of credit products in line with the core mission and government policy. Working through the product release process, there are risk assessments and present products to the Risk Management Committee for approval prior to release. In the credit approval process of the new port portfolio since 2015, a balancing power procession was used to clearly separate the actions of the marketing and credit analysis agencies; this is in line with the good credit policy.

Moreover, SME Development Bank has reviewed various policies, to comply with the Bank of Thailand's regulations in the debt group supervision policy, Loan Process in appropriate for Retail Loans and the Bank's Mission, Loan Classification and Debt reserve Policies. Including preparation to maintain capital fund based on Basel 2 criteria, which will be enforced in 2017.

2. Port supervision, SME Development Bank has increased staff in the Loan Monitoring and Collection Department across the country to accelerate and closely follow up the debts, and correct weak debts in the amount limit up to Baht 15 million including control and maintain debt level to prevent in leading to the level of impaired loans. In addition, the Bank has set up a new risk management tool to review policy and risk management as follows:

- Report Warning, "First Date Not Paid" is a monthly report aimed at analyzing causes to improve, resolve and prevent the defects. The ultimate goal of report warning is to reduce or eliminate "The First Date Not paid" in the bank credit process.
- To direct and supervise quality of Early Warning, to prevent debt reducing from its debt structural level by prioritizing debt collection and debt resolution from the risk group or the high risk group first.
- To direct and supervise the Industrial ceiling level, which reflects the risk information and the target group of the Bank's mission, and in line with the direction of the government. By increasing the frequency in testing the effect of using the ceiling mechanism during the year to ensure that the ceiling mechanism in current used is still effective. There is also supervising of a ceiling for trade factoring receivables for reducing the risk of concentration of trade receivables.
- The initiative to develop the credit risk database management which used to connect the data through various systems, changed into a single database system for accessing to the credit risk management information faster and more efficiently. It is also a foundation set up to data storing that use for toolkits development and overseeing the risks planned in the credit risk management project.

3. NPL Management in 2016. SME Development Bank continues to focus on a clear and rigorous NPL management process to achieve its NPL reduction goals. The Bank had supervised, monitored and accelerated closely through the working group for supervising and tracking NPL in order to achieve the strict NPL reduction targets set. As a result, the operation to correct the NPL had been better than expected at Baht 18,000 million. As NPL at the end of 2016 had an outstanding balance of 17,904 million baht, a decrease of Baht 23,452 million at the beginning of the year, NPL declines from debt restructuring, debt write-offs, debt sold off and debt compromise. Consequently, the SME Development Bank's NPL ratio decreased from 27% in 2015 to 19% in 2016.

In 2016, the Bank continues to follow-up and report the performance on a monthly movement of Port Credit, by improving the focus of tracking on port reports across all status of loan credit cycle and presenting the report to senior executives for consideration and setting a direction of credit expansion plans. Including the approach to process improvement, debt management that requires special precaution to closely follow up with the weak debtors from debt restructuring.

Based on the report and analysis of the Credit Port that lead to communicate directly to the wider organization, for creating a better knowledge and understanding the credit risk view and helping to promote the culture of risk management thoroughly, together with being benefit to the agencies that are in the credit process, port management and oversight.

Market risk

Market risk refers to the risk arising from movements in interest rates, exchange rate, and price of instruments in money capital markets that has a negative impact on the Bank's income and capital funds.

Market risk is the risk that the Bank may be affected by changes in the value of status, both in and outside the statement of financial position arising from movements in interest rates, price of instruments in money capital and commodity prices, that may has a negative impact on the Bank's income and capital funds. The Bank assigns the Risk Management Department that is independent of the Front Office to control and monitor risk for transparency and efficiency, in regulation of the Bank of Thailand's Market Risk Supervision Guidelines and the SME Development Bank Market Risk Management Policy. The Bank assigns the Risk Management Department that is independent of the Front Office to oversee and control the risk, for transparency and efficiency, in regulation of the Bank of Thailand's Market Risk Supervision Guidelines and the SME Development Bank Market Risk Management Policy by fixing the ceiling frame or the highest risk indicator acceptable to the Bank. The Bank has no position for trading. The Bank will monitor the changes in reducing of yearly net interest income and the economic value change as well as set up the guidelines to accommodate an exceeding the risk ceiling from the approved thresholds. Additionally, there is also the valuation based on the market price together with the development of report formats and the tools used to assess and control risk for increasing the effectiveness. Thereby the risk management report was proposed to the Risk Management Committee on a monthly basis. However the Overall of the Bank's market risk in 2016 is within the approved risk ceiling frame. The overview of its major market risk can be determined as follows:

Interest Rate Risk in a bank account which is the risk that income or capital funds adversely affected by changes in interest rates on all assets, liabilities, and all off-balance sheet items which are sensitivity to interest rates (Rate Sensitive Items), that may affect the net interest income. The Bank monitors and control interest rate risk to an acceptable level by setting the risk ceiling frame and risk indicators. As well as setting to present information on interest rate conditions, Money Market Economy, Capital markets both domestically and internationally to Asset and Liability Management Committee. Including present risk status reports to the Risk Management Committee on a monthly basis. The Bank also sets out guidelines to accommodate the risk if exceeding the approved risk limits in each level.

Tools for measuring, assessing, monitoring and reporting market risk positions.

- To determine policies related to market risk management, such as market risk management policy, policy on interest rate risk management in banking accounts, policy on the management of commercial and banking account in order to provide a policy framework and as a guidelines for operation and controlling the Bank's market risk
 - An analysis of the differences in determining the new interest rate period, or contract length remaining period between assets, liabilities and off-balance sheet (Repricing Gap), in considering the impact of interest rate changes on income and the Bank's economic value.
 - The measurement of the impact of changes in various risk factors such as measuring the effect of changes the yields in the bond market on the price of debt (DV01), the assessment fair value of bond debt and foreign currency transactions.
- To determine ceiling Market Risk (Market Risk Limits) and review annually in order to ensure the risk ceiling appropriate to The Bank's policy and the situation changed.
- The preparation in reporting investment and market risk status which regularly presented to the Board and Bank Executives in related divisions.

Liquidity risk

Liquidity risk refers to the risk that the Bank's inability to pay its debt or obligations when payment is due, as it cannot convert its existing assets into cash in a timely manner or cannot get adequate financing or able to raise money to repay but the cost exceeds acceptable levels. This may affect the Bank's income and capital fund.

In 2016 the Bank's liquidity was satisfactory. Thereby the Bank had restructured the Bank's funding while maintaining liquidity to manage financial funds at lower costs. Including determine the level of acceptable risk (Risk Appetite) and risk levels that allow deviations (Risk Tolerance), as well as prepare liquidity emergency plans in line with the guidelines set by the Bank of Thailand.

Tools for measuring, assessing, monitoring and reporting risk status

- To determine liquidity risk management policy, to use as a policy framework and a guideline for operation and controls of liquidity risk of the Bank.
- To prepare a reporting of Liquidity Gap.
- The measurement and evaluation of liquidity risk by using financial ratios, such as a ratio of customer concentration, large deposits, liquid assets, and mismatches.

Monitoring and controlling of liquidity risk has been operated as follows:

- Determining the Limits of Liquidity Risk and reviewing annually to ensure that the risk ceiling is appropriate for the Bank's policy and the situation changed.
- Preparation the Liquidity risk reporting regular to the Board and related executives, The Asset and Liability Committee and the Risk Management Committee.

Operational risk

Operational risk refers to the risk of causing damage due to the lack of good corporate governance or lack of good governance in the Bank and lack of good internal control. It may involve internal processes, operator, systems or various external factors which could impact negatively on the Bank's income and capital funds but excludes Strategic Risk and Reputational Risk.

The Bank supervises and focuses to maintain risk management based on the principle of risk management as follows:

1. The Business units and support agencies, which hold the status as the owners of the risk (Risk Owner) are responsible to identify, evaluate, control and monitor risk, including reporting to the executive agencies and staff to coordinate the agency that oversees operational risk (Risk Agency).
2. The agencies that oversee of risk and control other aspects which hold duties to support a tool to guide and method to the risk owner agencies in risk management.
3. Inspection agencies which are responsible for monitoring test business processing and risk management to build confidence in risk management and the Bank's internal control system are effective.

The various Agencies operate Risk Management in practice within the same process throughout the organization, there are identify, assess, control, track and including report risks through various tools, such as store and collect the damage data of operational risk data and the Risk Control Self-Assessment (RCSA). In the meantime, the Risk Agency coordinates in risk management with the operational risk management division caused by external events which are beyond the control of the Bank. The Bank has established a Business Continuity Plan (BCP), the Faced Events and Restore Plan to ensure that at times of emergency and crisis, the Bank can continue to provide services to customers by setting to test the plan regularly.

The SME Development Bank has prepared to accommodate the operation in accordance with the criteria set by the Bank of Thailand, entitled in the regulation practice of the specialized financial institutions in year 2017.

As of December 31, 2016 and 2015, SME Development Bank had important assets and liabilities based on remaining time to maturity as follows:

Unit : Million Baht

	2016			2015		
	Not over 1 year	Over 1 year	Total	Not over 1 year	Over 1 year	Total
Assets						
Interbank and money market items	4,189.69	-	4,189.69	7,975.49	-	7,975.49
Investment, net	1,120.15	6,654.69	7,774.84	884.43	8,174.36	9,058.79
Loans to customers	23,594.72	70,170.21	93,764.93	21,617.71	64,510.28	86,127.99
Total	28,904.56	76,824.90	105,729.46	30,459.63	72,684.64	103,144.27
Liabilities						
Deposits	61,830.99	12,301.45	74,132.44	69,109.14	6,845.53	75,954.67
Interbank and money market items	7,600.90	7,726.92	15,327.82	1,273.83	9,181.58	10,455.41
Debt issued and borrowings	116.67	175.45	292.12	134.61	175.45	310.06
Total	69,548.56	20,203.82	89,752.38	70,517.58	16,202.56	86,720.14

3.2 Fair Value of Financial Instruments

Unit : Million Baht

Type of Financial Instruments	2016		2015	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Cash	0.26	0.26	0.27	0.27
Interbank and money market items, net	4,189.69	4,189.69	7,957.49	7,957.49
Derivatives assets	0.10	0.10	0.02	0.02
Investments, net	7,774.84	7,774.84	9,058.79	9,058.79
Loans to customers, net	84,515.02	84,515.02	73,957.55	73,957.55
Total	96,479.91	96,479.91	90,974.12	90,974.12
Financial Liabilities				
Deposits	74,132.44	74,132.44	75,954.67	75,954.67
Interbank and money market items, net	15,327.82	15,327.82	10,455.41	10,455.41
Liabilities payable on demand	15.61	15.61	19.98	19.98
Derivatives liabilities	0.01	0.01	76.47	76.47
Debt issued and borrowing	292.12	292.12	310.06	310.06
Total	89,768.00	89,768.00	86,816.59	86,816.59

3.3 Statutory Capital Fund

Unit : Million Baht

	2016	2015
	fair value	fair value
Tier 1 Capital		
Paid-up share capital	20,006.63	16,380.82
Discount on share capital	(5,251.63)	(2,625.82)
Legal reserves	48.19	48.19
Investments reserves	216.46	216.46
Unappropriated retained earnings	(6,515.31)	(8,211.36)
Total Tier 1 Capital	8,504.34	5,808.29
Tier 2 Capital		
Reserve for normal assets (See Note 5.4.4 and 5.33.3)	455.66	51.48
Total Tier 2 Capital	455.66	51.48
Total Capital Fund	8,960.00	5,859.77

The Bank's capital fund was calculated on the basis of Ministerial Regulation, B.E. 2549 dated January 24, 2006 in regard to the Sustenance of Capital Fund for Small and Medium Enterprise Development Bank of Thailand, as announced in the Royal Decree No.123 Part.10 KOR. Page 4-7 dated January 31, 2006.

According to the above regulation the Ministry of Finance to maintain a ratio of the capital fund to assets and contingencies of not less than 8.5% and that of Tier 1 Capital must not be less than 4.25% as of December 31, 2016 and 2015, the Bank maintained a ratio of capital fund to asset and obligations as follows:

	Percentage	
	2016	2015
	fair value	fair value
Capital Fund	22.38	13.64
Tier 1 Capital	21.24	13.52

4. Estimated and Assumption

The preparation of this financial statements in conformity with the Thai financial reporting standards; requiring managements to make estimation and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results many differ from such estimates.

Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates were revised and in any future periods affected. Information about significant areas at estimation uncertainty and assumptions in applying accounting policies has significant effect on the amount recognized in the financial statements.

5. Supplementary Information

5.1 Supplementary Information about cash flows

Significant non-cash items as of year ended December 31, 2016 and 2015 are as follows:

	Unit: Million Baht	
	2016	2015
Increase (decrease) Revaluation surplus (deficit) on investment in shareholders' equity	(32.77)	17.71
Increase in properties for sale from loan payment	88.22	-

5.2 Interbank and money market items, Net (Assets)

	Unit: Million Baht					
	2016			2015		
Domestic Items	Demand	Time	Total	Demand	Time	Total
Bank of Thailand	25.70	3,570.00	3,595.70	28.76	1,160.00	1,188.76
Commercial banks	456.43	-	456.43	373.58	4,714.60	5,088.18
Specialized financial institutions	7.01	113.78	120.88	8.71	1,636.57	1,645.28
Total	489.14	3,683.87	4,173.01	411.05	7,511.17	7,922.22
Add Accrued interest receivable	-	0.35	0.35	-	1.47	1.47
Total Domestic Items	489.14	3,684.22	4,173.36	411.05	7,512.64	7,923.69
Foreign Items						
US Dollars	16.32	-	16.32	33.38	-	33.38
Euro	-	-	-	0.41	-	0.41
Yen	-	-	-	0.01	-	0.01
Total Foreign Items	16.32	-	16.32	33.80	-	33.80
Total Domestic and Foreign Items	505.46	3,684.22	4,189.68	444.85	7,512.64	7,957.94

As at December 31, 2016 and 2015, the domestic deposits of specialized financial institutions in the amount of Baht 113.87 million and Baht 136.57 million respectively, to guarantee against credit for the housing loans of the Bank's employee.

5.3 Investment, Net

	Unit: Million Baht	
	2016 Fair Value	2015 Fair Value
5.3.1 Available-for-sale securities		
Government and state enterprise securities	1,008.18	2,445.41
Add/(Less) Allowance for revaluation	(7.93)	25.20
Total	1,000.25	2,470.61

Unit: Million Baht

	2016 Cost/ Amortized Cost	2015 Cost/ Amortized Cost
5.3.2 Held-to-maturity debt securities		
Government and state enterprise securities	6,207.65	6,002.05
<u>Add (Less)</u> Allowance for revaluation	0.21	(0.15)
Total	6,207.86	6,001.90

Unit: Million Baht

	2016 Cost	2015 Cost
5.3.3 General Investments		
Domestic non-marketable debt securities	725.78	760.78
<u>Less</u> Allowance for impairment	(159.05)	(174.50)
Total	566.73	586.28
Total investment, net	7,774.84	9,058.79

As at December 31, 2016 and 2015 the allowance for revaluation of investments (Other components of Equity: Revaluation surplus (deficit) on investments) amount of Baht (7.72) million and Baht 25.05 million respectively (See Note 5.21)

5.4 Loans to Customers and Accrued Interest Receivable, Net

5.4.1 Classified by Type of Loans

Unit: Million Baht

	2016	2015
Loans to customers	66,901.77	60,731.95
Hire purchase receivable (See Note 5.4.7)	1,059.54	1,437.37
Welfare receivables	190.30	189.99
Total	68,151.61	62,359.31
<u>Less</u> Deferred revenue	(155.85)	(222.50)
Total loans to customers, net of deferred revenue	67,995.76	62,136.81
<u>Add</u> Accrued interest receivables	183.12	203.27
Total loans to customers, net of deferred revenue, plus accrued interest receivables	68,178.88	62,340.08
<u>Less</u> Allowance for doubtful accounts		
1. Minimum reserve under the Bank of Thailand's regulations	(6,540.97)	(8,195.39)
2. Excess reserve	(875.30)	(1,435.85)
Total loans to customers, net	60,762.61	52,708.84

As at December 31, 2016, the Bank's total loans amount of Baht 93,764.93 million which consist of Baht 25,613.32 million for the projects of public service accounts and Baht 68,151.61 million for public sector cooperation project and commercial projects.

As at December 31, 2015, the Bank's total loans amount of Baht 86,127.99 million which consist of Baht 23,768.68 million for the projects of public service account and Baht 62,359.31 million for public sector cooperation project and commercial projects.

5.4.2 Classified by Currencies and Customer's Residence

Unit: Million Baht

	2016	2015
Thai Baht	68,151.61	62,359.31
US Dollars	-	-
Total	68,151.61	62,359.31

5.4.3 Classified by Business Types and Loan Classification

Unit: Million Baht

	2016					
	Pass	Special Mention	Sub Standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,620.24	107.31	34.62	81.22	498.33	2,341.72
Manufacturing and commercial	9,597.39	867.43	417.39	487.07	5,786.04	17,155.32
Real estate and construction	721.86	38.87	24.82	52.68	661.12	1,499.35
Public utilities and services	40,817.92	1,879.29	664.13	719.92	2,874.41	46,955.67
Housing loans	190.29	0.01	-	-	-	190.30
Others	7.16	2.03	0.06	-	-	9.25
Total	52,954.86	2,894.94	1,141.02	1,340.89	9,819.90	68,151.61
Less Deferred revenue						(155.85)
Total loans to customers-net from deferred revenue						67,995.76

Unit: Million Baht

	2015					
	Pass	Special Mention	Sub Standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,745.31	222.92	73.52	40.07	834.12	2,915.94
Manufacturing and commercial	11,085.02	1,401.51	798.13	658.62	8,518.83	22,462.11
Real estate and construction	717.48	29.57	23.86	66.92	798.92	1,636.75
Public utilities and services	29,206.94	1,268.24	427.89	460.75	3,775.44	35,139.26
Housing loans	189.99	-	-	-	-	189.99
Others	11.53	-	2.09	-	1.64	15.26
Total	42,956.27	2,922.24	1,325.49	1,226.36	13,928.95	62,359.31
Less Deferred revenue						(222.50)
Total loans to customers-net from deferred revenue						62,136.81

5.4.4 Classified by Loan Classification

Unit: Million Baht

	2016			
	Loans and Accrued Interest Receivable	Net Amount Use for set aside The Allowance for Doubtful Accounts	% Use for set aside The Allowance for Doubtful Accounts	Allowance for Doubtful Accounts
1. Minimum reserve under BOT's regulations				
Pass	53,102.87	30,223.02	1	302.23
Special mention	2,929.81	756.39	2	15.13
Substandard	1,141.09	323.17	100	323.17
Doubtful	1,340.89	488.11	100	488.11
Doubtful of Loss	9,820.07	5,412.33	100	5,412.33
Total	68,334.73	37,203.02		6,540.97
Less Deferred revenue	(155.85)			
Loans to customers and accrued interest receivable	68,178.88			
Less Allowance for doubtful accounts (See Note 5.5)	(7,416.27)			
Loans to customers and accrued interest receivable, net	60,762.61			
2. Excess allowance				875.30
Total				7,416.27

Unit: Million Baht

	2015			
	Loans and Accrued Interest Receivable	Net Amount Use for set aside The Allowance for Doubtful Accounts	% Use for set aside The Allowance for Doubtful Accounts	Allowance for Doubtful Accounts
1. Minimum reserve under BOT's regulations				
Pass	43,115.00	3,311.32	1	33.11
Special mention	2,961.84	371.12	2	7.42
Substandard	1,325.74	387.39	100	387.39
Doubtful	1,226.58	470.90	100	470.90
Doubtful of Loss	13,933.42	7,296.57	100	7,296.57
Total	62,562.58	11,837.30		8,195.39
Less Deferred revenue	(222.50)			
Loans to customers and accrued interest receivable	62,340.08			
Less Allowance for doubtful accounts (See Note 5.5)	(9,631.24)			
Loans to customers and accrued interest receivable, net	52,708.84			
2. Excess allowance				1,435.85
Total				9,631.24

As at December 31, 2016 and 2015, the Bank set aside the allowance for doubtful accounts compliance with The Bank of Thailand's Notification No. SOR NOR SOR. 5/2559 dated June 10, 2016 on regarding Regulation on Assets Classification and Provision of Financial Institutions.

The Bank has set aside loans to customers based on the overdue of interest or principal payables according to conditions or time periods as stated in the contracts or as requested by the Bank or make claims to pay back, whichever comes first, including with restructuring debts has followed The Bank of Thailand's Notification No. SOR.NOR.SOR 5/2559 dated June 10,2016 regarding Regulations on Assets classification and Provision of Financial Institution, the additional accordance to monitoring reports of the Bank of Thailand, as Memorandum of the Ministry of Finance, Fiscal Policy office No. GOR KOR 1006/5170 dated March 28, 2013, regarding Regulation on the strategic reorganization of the SME Development Bank.

As at December 31, 2016 and 2015, the Bank has the loans with allowance and loan without allowance as follows:

Unit: Million Baht

	2016		2015	
	Loans and Accrued Interest Receivables Net of Deferred Revenue	% of Loans and Accrued Interest Receivables Net of Deferred Revenue	Loans and Accrued Interest Receivables Net of Deferred Revenue	% of Loan and Accrued Interest Receivables Net of Deferred Revenue
Loans with allowance	89,750.55	95.48	80,691.22	93.62
Loans without allowance	4,249.85	4.52	5,495.35	6.38
Total	94,000.40		86,186.57	

Loans without allowance are debtors or person or corporate who are the debtors of the Bank according to the cabin resolution of the compensation for future damage based on the Memorandum of the Ministry of Finance, Fiscal Policy Office No. GOR KOR 1006/5170 dated March 28, 2013, the strategic plan for rehabilitation of SME Development Bank.

As at December 31, 2016 and 2015, the Bank has loans that being stopped recognizing income in the amount of Baht 17,903.63 million and Baht 23,451.70 million are 19.01% and 27.13% of loans to customers and accrued interest receivables, net from deferred revenue respectively.

5.4.5 Classified by Non-Performing Loans

As at December 31, 2016 and 2015, the Bank had non-performing loans as follows:

Unit: Million Baht

	2016		2015	
	Non-Performing Loans	% of Non-Performing Loans	Non-Performing Loans	% of Non-Performing Loans
Public service accounts project	5,601.82	31.29	6,970.90	29.72
Public sector cooperation and commercial project	12,301.81	68.71	16,480.80	70.28
Total	17,903.63		23,451.70	

5.4.6 Troubled Debts Restructuring

Troubled debts restructuring for the year ended December 31, 2016 and 2015 was set out as follows:

Unit: Million Baht

	2016				
	Outstanding Debt			Transferred Assets	
	No. of Cases	Before Restructuring	After Restructuring	Types Assets	Fair Value
Troubled Debt Restructuring					
Changes of repayment conditions	7,893	13,202.91	12,363.36	-	-
Transfer of assets	28	91.96	40.50	Lands, Premises	51.46
Total	7,921	13,294.87	12,403.86	and buildings	

Unit: Million Baht

	2015				
	Outstanding Debt			Transferred Assets	
	No. of Cases	Before Restructuring	After Restructuring	Types Assets	Fair Value
Troubled Debt Restructuring					
Changes of repayment conditions	14,336	25,317.92	22,553.91	-	-
Transfer of assets	425	2,390.15	1,293.71	Lands, Premises	1,096.44
Total	14,761	27,708.07	23,847.62	and buildings	

5.4.7 Finance Lease Receivable is Hire Purchase Receivable (See Note 5.4.1)

Unit: Million Baht

	2016			
	Amounts Due of the Contracts			
	Not over 1 year	Over 1-5 years.	Over 5 years.	Total
Gross investment of minimum lease payment	397.51	550.45	111.58	1,059.54
<u>Less</u> Unearned finance income				(148.96)
Present value of minimum lease payment				910.58
Allowance for doubtful accounts				(665.54)
Finance lease receivable, net				245.04

Unit: Million Baht

	2015			
	Amounts Due of the Contracts			
	Not over 1 year	Over 1-5 years.	Over 5 years.	Total
Gross investment of minimum lease payment	473.86	846.35	117.16	1,437.37
Less Unearned finance income				(213.57)
Present value of minimum lease payment				1,223.80
Allowance for doubtful accounts				(851.98)
Finance lease receivable, net				371.82

5.5 Allowances for Doubtful Accounts

Unit: Million Baht

	2016						
	Pass	Special Mention	Sub Standard	Doubtful	Doubtful of loss	Allowance In Excess	Total
Beginning balance	33.11	7.42	387.39	470.90	7,296.57	1,435.85	9,631.24
Doubtful accounts	269.12	7.71	(57.37)	36.70	485.35	(417.34)	324.17
Write-off and Bad debt	-	-	(6.85)	(19.49)	(2,369.59)	(143.21)	(2,539.14)
Ending balance	302.23	15.13	323.17	488.11	5,412.33	875.30	7,416.27

Unit: Million Baht

	2015						
	Pass	Special Mention	Sub Standard	Doubtful	Doubtful of loss	Allowance In Excess	Total
Beginning balance	36.81	7.12	166.99	893.37	10,405.58	1,490.62	13,000.49
Doubtful accounts	(3.70)	0.30	220.40	(413.07)	592.13	526.07	922.13
Write-off and Bad debt	-	-	-	(9.40)	(3,701.14)	(580.84)	(4,291.38)
Ending balance	33.11	7.42	387.39	470.90	7,296.57	1,435.85	9,631.24

The calculated table of Allowance for Doubtful Accounts in Note 5.4.4

The Bank set aside allowance for doubtful accounts compliance with the Bank of Thailand Notification No. SOR NOR SOR. 5/2559 dated June 10, 2016 regarding Regulation on Assets Classification and Provision of Financial institutions.

As at December 31, 2016, the Bank had an allowance for doubtful accounts amount of Baht 9,485.38 million, classified on public service accounts project in the amount of Baht 2,069.11 million and public sector and commercial cooperation projects in the amount of Baht 7,416.27 million.

During the year ended December 31, 2016, the Bank adjusted the method of collateral calculation for the type of collateral under TCG. The Bank had to increase its reserve amount of Baht 803.65 million. However, during the period, the Bank adjusted its excess provisions. The Bank want to cancel all excess provisions. (According to the resolution of the Board of Directors' Meeting No.4/2560

held on March 30, 2017) in the amount of Baht 1,260.04 million, and the Bank adjusted its excess provision down in the amount of Baht 384.74 million are 10% reservation of outstanding balance NPL debtors with collateral might collapse (According to the resolution of The Board of Director meeting No.6/2560 held on May 19, 2017) and had its balance of allowance for doubtful accounts in excess in the amount of Baht 875.30 million.

As at December 31, 2015, the Bank had an allowance for doubtful accounts amount of Baht 12,229.02 million, classified on public service project in the amount of Baht 2,597.78 million and public and commercial cooperation projects in the amount of Baht 9,631.24 million

5.6 Properties for Sale, Net

Unit: Million Baht

	2016			
	Beginning Balance	Additions	Disposals	Ending Balance
Assets from debt repayment				
Immovable properties	1,017.96	177.82	(113.97)	1,081.81
Movable properties	131.34	16.42	(25.13)	122.63
Total	1,149.30	194.24	(139.10)	1,204.44
Properties for sale in transit	-	338.83	(2.40)	336.43
Total	1,149.30	533.07	(141.50)	1,540.87
<u>Less</u> Allowance for impairment	(151.22)	(34.77)	15.57	(170.42)
Total properties for sale, Net	998.08	498.30	(125.93)	1,370.45

Unit: Million Baht

	2015			
	Beginning Balance	Additions	Disposals	Ending Balance
Assets from debt repayment				
Immovable properties	1,121.46	151.85	(255.35)	1,017.96
Movable properties	146.65	64.44	(79.75)	131.34
Total	1,268.11	216.29	(335.10)	1,149.30
<u>Less</u> Allowance for impairment	(168.49)	(41.21)	58.48	(151.22)
Total properties for sale, Net	1,099.62	175.08	(276.62)	998.08

As at December 31, 2016 and 2015, the Bank's allowance for impairment of properties for sale incurred from loss on impairment in the amount of Baht 170.42 million and Baht 151.22 million respectively, price estimation was appraised by internal appraisers.

For the year ended December 31, 2016 and 2015, the Bank had a profit from the sale of properties for sale in the amount of Baht 18.78 million and Baht 73.56 million respectively.

5.7 Premises and Equipment, Net

Unit: Million Baht

	2016								
	Cost				Accumulated Depreciation				Premises and Equipment, Net
	Beginning Balance	Additions	Disposals	Ending Balance	Beginning Balance	Depreciation	Disposals	Ending Balance	
Land	274.20	-	-	274.20	-	-	-	-	274.20
Premises	515.98	-	-	515.98	197.26	25.91	-	223.17	292.81
Office equipment	282.69	16.40	(0.03)	299.06	228.90	17.29	(0.02)	246.17	52.89
Furniture	422.51	11.30	-	433.81	295.28	33.85	-	329.13	104.68
Vehicles	2.65	-	(1.92)	0.73	2.64	0.01	(1.92)	0.73	0.00
Total	1,498.03	27.70	(1.95)	1,523.78	724.08	77.06	(1.94)	799.20	724.58

Premises in the amount of Baht 515.98 million comprising of head office in the amount of Baht 498.41 million and branch office in the amount of Baht 17.57 million.

As at December 31, 2016, fixed assets with the number of item to 14,642 items and the book value in the amount of Baht 14,504 are fully depreciated over their approximate useful life but still in use.

Unit: Million Baht

	2015								
	Cost				Accumulated Depreciation				Premises and Equipment, Net
	Beginning Balance	Additions	Disposals	Ending Balance	Beginning Balance	Depreciation	Disposals	Ending Balance	
Land	293.98	-	(19.78)	274.20	-	-	-	-	274.20
Premises	515.06	0.92	-	515.98	170.88	26.38	-	197.26	318.72
Office equipment	287.59	8.81	(13.71)	282.69	226.10	16.29	(13.49)	228.90	53.79
Furniture	411.71	10.80	-	422.51	259.24	36.04	-	295.28	127.23
Vehicles	2.66	-	(0.01)	2.65	2.63	0.01	-	2.64	0.01
Total	1,511.00	20.53	(33.50)	1,498.03	658.85	78.72	(13.49)	724.08	773.95

Premises in the amount of Baht 515.98 million comprising of head office in the amount of Baht 498.41 million and branch office in the amount of Baht 17.57 million.

As at December 31, 2015, fixed assets with the number of item to 12,298 items and the book value in the amount of Baht 12,175 are fully depreciated over their approximate useful life but still in use.

5.8 Assets in Progress

Unit: Million Baht

	2016			
	Beginning Balance	Additions	Disposals	Ending Balance
Computer system	0.99	2.63	-	3.62
Computers	5.85	5.85	-	11.70
Furniture	5.00	10.52	(13.56)	1.96
Total	11.84	19.00	(13.56)	17.28

Unit: Million Baht

	2015			
	Beginning Balance	Additions	Disposals	Ending Balance
Office building renovation	14.63	-	(14.63)	-
Office equipment	1.09	-	(1.09)	-
Computer system	11.58	0.99	(11.58)	0.99
Computers	0.40	5.85	(0.40)	5.85
Furniture	10.62	2.30	(7.92)	5.00
Total	38.32	9.14	(35.62)	11.84

5.9 Advances for Legal Costs, Net

Unit: Million Baht

	2016	2015
Advances for legal costs	165.33	175.23
Less Allowances for doubtful accounts	(165.33)	(175.23)
Advances for legal costs, net	0.00	0.00

5.10 Other Intangible Assets, Net

Unit: Million Baht

	2016								Net
	Cost				Accumulated Amortization				
	Beginning Balance	Additions	Disposals	Ending Balance	Beginning Balance	Additions	Disposals	Ending Balance	
Leasehold rights	5.00	-	-	5.00	0.89	0.49	-	1.38	3.62
Computer system	155.82	0.08	-	155.90	118.81	15.27	-	134.08	21.82
Total	160.82	0.08	-	160.90	119.70	15.76	-	135.46	25.44

Unit: Million Baht

	2015								Net
	Cost				Accumulated Amortization				
	Beginning Balance	Additions	Disposals	Ending Balance	Beginning Balance	Additions	Disposals	Ending Balance	
Leasehold rights	5.00	-	-	5.00	0.70	0.19	-	0.89	4.11
Computer system	143.93	11.89	-	155.82	101.09	17.72	-	118.81	37.01
Total	148.93	11.89	-	160.82	101.79	17.91	-	119.70	41.12

5.11 Other Assets, Net

Unit: Million Baht

	2016	2015
Accrued interest receivables	65.33	57.95
Prepaid expenses	11.54	3.50
Insurance expenses and loan guarantee fees refundable	319.47	309.24
Accounts receivable due to receive refund from TCG.	1.30	-
Accounts receivable properties for sale purchase	160.56	-
Other account receivable and miscellaneous asset	274.12	215.40
	832.32	586.09
<u>Less</u> Allowance for doubtful accounts	(221.22)	(249.75)
Allowance for impairment	(8.01)	(8.01)
Total	603.09	328.33

The Bank set aside allowances for doubtful accounts, insurance expenses and loan guarantee fees refundable at the same rate as the debt's classification.

5.12 Deposits

5.12.1 Classified by Type of Deposit

Unit: Million Baht

	2016	2015
Type of Deposits		
Savings deposits	4,930.82	2,344.88
Time deposits	69,116.98	73,556.79
Negotiable certificates of deposits	84.64	53.00
Total	74,132.44	75,954.67

Time deposits mainly as deposits of state enterprises, Interest rate as The Bank's announcement.

5.12.2 Classified by Currency and Residence of Deposits

Unit: Million Baht

	2016			2015		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Thai Baht	74,132.44	-	74,132.44	75,954.67	-	75,954.67
Total	74,132.44	-	74,132.44	75,954.67	-	75,954.67

5.13 Interbank and Money Markets Items, Net (Liabilities)

These are promissory notes and bills of exchange issued to financial institutions and foreign long-term borrowing as at December 31, 2016 and 2015, amount to Baht 15,327.82 million and Baht 10,455.41 million respectively, interest rate of 0.01 - 3.525% per year.

5.13.1 Domestic Items

Unit: Million Baht

	2016			2015		
	Demand	Time	Total	Demand	Time	Total
Specialized financial institutions	-	10,327.82	10,327.82	-	4,444.26	4,444.26
Other financial institutions	-	5,000.00	5,000.00	-	5,010.00	5,010.00
Total domestic items	-	15,327.82	15,327.82	-	9,454.26	9,454.26

5.13.2 Foreign Items

Unit: Million Baht

	2016			2015		
	Demand	Time	Total	Demand	Time	Total
Euro	-	-	-	-	1,001.15	1,001.15
Total foreign items	-	-	-	-	1,001.15	1,001.15
Total domestic and foreign items	-	15,327.82	15,327.82	-	10,455.41	10,455.41

5.14 Derivatives Liabilities

Fair value and contract amounts, classified by risk types:

Unit: Million Baht

Risk Types	2016			2015		
	Fair Value		Contract	Fair Value		Contract
	Assets	Liabilities	Price	Assets	Liabilities	Price
Exchange rates	0.10	0.01	22.48	0.02	76.47	1,117.92
Total	0.10	0.01	22.48	0.02	76.47	1,117.92

Derivative assets means fair value adjustment as at December 31, 2016 and the price as of the date of buying or selling of derivations and profits from foreign currency value-derivatives adjustment.

Derivative liabilities means fair value adjustment as at December 31, 2016 and the price as of the date of buying or selling derivations and losses from foreign currency value-derivatives adjustment.

5.15 Debts Issued and Borrowing

Unit: Million Baht

	2016			2015		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Promissory notes	116.67	-	116.67	134.61	-	134.61
Loans	175.45	-	175.45	175.45	-	175.45
Total	292.12	-	292.12	310.06	-	310.06

Promissory notes as at December 31, 2016 and 2015 amount of Baht 116.67 million and Baht 134.61 million respectively, borrowings from individuals, juristic persons, state-enterprise and government affairs as promissory notes with interest rates of 0.25 - 2.00% per annum and interest payment at call.

Loans as at December 31, 2016 and 2015, the Bank had Baht 175.45 million borrowing from the Ministry of Finance, transfer of business from Small Industry Finance Office, Department of Industrial Promotion, at 1992 which has capital amount of Baht 250.45 million on October 21, 1992, transfer payment in the Small Industry Finance Corporation total number of shares is 750,000 shares with a par value of 100 baht per share or Baht 75 million, with the remaining outstanding balance of Baht 175.45 million.

5.16 Provisions

As at December 31, 2016 and 2015, The Bank has provisions in the amount of Baht 1,472.39 million and Baht 1,373.23 million respectively, consisting of:

5.16.1 Employee Benefits

The Bank estimate of employee benefits obligations from statutory compensation under the Labor Protection Act. Employee benefits obligations calculated by using the actuarial techniques called the Projected Unit Credit Method. This method uses statistical data as a factor to estimate the present value of the cash flows of the benefits expected future payments including forecasts salaries of employees, turnover rate, rate of increases salaries, discount rate and other.

For the year ended December 31, 2016 and 2015, the Bank set aside provisions for the benefits of retired employee as part service costs and current service costs in the amount of Baht 346.21 million and Baht 279.19 million respectively, as follows:

	Unit: Million Baht	
	2016	2015
Beginning balance	279.19	245.48
Current service costs *	30.35	24.34
Interest costs *	8.73	17.04
Benefit paid during the year	(22.59)	(7.67)
Actuarial losses based on update assumption	50.53	-
Ending balance	346.21	279.19

* Shown as employee expense in the statement of comprehensive income

Main hypothesis to forecast benefits of retired employees was as follows:

	2016	2015
Rate of salary raise	5.00%	6.50%
Average rate of resignation	0% - 22.00%	3.00%
Discount rate	2.86%	2.36% - 4.56%

5.16.2 Provision for Derivatives

As at December 31, 2016 and 2015, provision for derivatives in the amount of Baht 1,094.04 million. (See Note 5.31.2)

5.16.3 Provision for letter of guarantee

As at December 31, 2016, the Bank has provision for letter of guarantee in the amount of Baht 32.15 million. (Note 5.31.2)

5.17 Accrued Interest Payable

Unit: Million Baht

	2016	2015
Deposits	513.71	592.41
Interbank and money markets items	5.88	7.12
Debt issued - promissory note	8.57	8.52
Total	528.16	608.05

5.18 Grant Fund from the Bureau of the Budget**5.18.1 Project for Debt Moratorium for Minor agriculturists and low-income people whose outstanding debts are less than 500,000 Baht**

On July, 19, 2013, the Bank was allocated a budget of a debt suspension scheme for minor agriculturists and low-income people whose outstanding debts are less than 500,000 Baht, in the amount of Baht 1.67 million, and the operation commenced in April 2013.

In the drawdown of the support fund for debt suspension scheme for minor agriculturists and low-income people whose outstanding debts are less than 500,000 Baht, the Bank gradually recognized the fund as income compensated for training cost of 2,500 Baht each. In the twelve-month period ended December 31, 2016, the Bank has the remaining support fund in the amount of Baht 1.57 Million.

5.18.2 Strategic Development Project for Entrepreneur (Productivity Improvement Loan: PIL)

The Bank has been allocated with the budget for strategic development project for entrepreneur (productivity improvement loan: PIL) in the amount of Baht 205.00 Million. The Project has been started since October 2013, by granting loans to different activities as follows:

- Loan for machine development	45.00	Million Baht
- Loan for work process development	160.00	Million Baht

On 21 November 2013, the Bank was allocated the project budget for 10.00 Million Baht and 14 October 2014, for 92.50 Million Baht, as follows:

- Loan for machine development	22.50	Million Baht
- Loan for work process development	80.00	Million Baht

Disbursement of the grant fund for Strategic Development Project for Entrepreneur (Productivity Improvement Loan: PIL), the Bank gradually recognized the fund as income compensated as follows:

- Loan for machine development in the amount of Baht 15,000.00 each, In the twelve months period ended December 31, 2016, the Bank gradually recognized the fund as income compensated in the amount of Baht 21.48 Million and the remaining grant fund in the amount of Baht 21.48 Million.

- Loan for work process development in the amount of Baht 40,000.00 each, In the twelve months period ended December 31, 2016, no outstanding balance.

5.19 Other Liabilities

Unit: Million Baht

	2016	2015
Accrued expenses	291.92	246.65
Payables-Revenue Department	1.35	1.81
Other payables	225.08	306.78
Insurance	44.41	133.00
Others	288.81	276.00
Total	851.57	964.24

5.20 Share Capital

The Bank was established in accordance to the Act of Small and Medium Enterprise Development Bank of Thailand 2002 which were expected to be effective on December 20, 2002. The Bank received the shares transferred from Small Industry Finance Corporation. Total number of the shares received 28 million shares with a par value of 100 baht per share or Baht 2,800 million.

Registered share capital

As at December 31, 2016 and December 31, 2015, the Bank has total authorized number of the ordinary shares of 300 million shares with a par value of Baht 100 per share, amount of Baht 30,000 million

Issued and paid-up share capital

As at December 31, 2016 and 2015, the Bank had paid-up share capital of 200.07 million shares and 163.81 million shares respectively, with a par value of 100 baht per share, Amount of Baht 20,006.63 million and Baht 16,380.82 million respectively, and the discount on share capital in the amount of Baht 5,251.63 million and Baht 2,625.82 million respectively. The Ministry of Finance held 98.88% and 98.63% respectively of total shares (In according with the resolution of the Bank's annual general shareholders' meeting of year 2014, held on April 21, 2014, on the capital increase of Baht 2,000 million or par value of 100 baht per share. And then, on January 13, 2015, the extraordinary general shareholders' meeting No.1/2015 was changed the par value for public offering from 100 baht per share to 27.58 baht per share, which was the accounting value as of September 30, 2014. On July 15, 2015, the Bank received the first batch of capital increase worth Baht 1,000 million and September 19, 2016, the Bank received the second batch of capital increase worth Baht 1,000 million from the Ministry of Finance or equal to 72.52 million common shares).

5.21 Other Components of Equity

Unit: Million Baht

	2016			2015		
	Beginning Balance	Change during Period	Ending Balance	Beginning Balance	Change during Period	Ending Balance
Revaluation surplus (deficit)						
on investments	25.05	(32.77)	(7.72)	7.34	17.71	25.05
Total	25.05	(32.77)	(7.72)	7.34	17.71	25.05

5.22 Interest Income

Interest income for the year ended December 31, 2016 and 2015 was as follows:

Unit: Million Baht

	2016	2015
Interbank and money market items	95.43	309.96
Investments	234.74	209.84
Loans	3,616.56	3,404.40
Hire-purchase lease	25.84	68.08
Total interest income	3,972.57	3,992.28

5.23 Interest Expenses

Interest expenses for the year ended December 31, 2016 and 2015 were as follows:

Unit: Million Baht

	2016	2015
Deposits	1,223.19	1,919.92
Interbank and money market items	94.51	107.70
Debt issued - promissory note	0.69	0.98
Total interest expenses	1,318.39	2,028.60

5.24 Fees and Service Income, Net

Fees and service income, net for the year ended December 31, 2016 and 2015 were as follows:

Unit: Million Baht

	2016	2015
Fee and service income		
- Acceptance, avals and guarantee	7.44	9.53
- Others	316.94	306.39
Total fees and service income	324.38	315.92
Fees and service expenses	(76.30)	(34.01)
Fees and service income, Net	248.08	281.91

5.25 Gain (Losses) on Trading and Foreign Exchange Transactions, Net

Gains (losses) on trading and foreign exchange transaction for the year ended December 31, 2016 and 2015 were as follows:

Unit: Million Baht

	2016	2015
Gain (losses) on trading and foreign exchange transactions		
- Gain (losses) on foreign exchange transactions	81.27	10.66
Total	81.27	10.66

5.26 Gains (Losses) on financial instrument designated of fair value through profit or loss, net (Fair value option)

Gains (losses) on financial instrument designated of fair value through profit or loss, net (Fair value option) from for the year ended December 31, 2016 and 2015 were as follows:

Unit: Million Baht

	2016	2015
Changes in fair value - net		
- Borrowings	(80.65)	(2.13)
- Other liabilities	0.11	-
Total	(80.54)	(2.13)

5.27 Gains on Investments, Net

Gains on investments, net for the year ended December 31, 2016 and 2015 were as follows:

Unit: Million Baht

	2016	2015
Gains on disposal of		
- Sale investments	42.29	-
Reversal of impairment		
- General investments	15.45	15.88
Total	57.74	15.88

5.28 Impairment loss of loans and debt securities

Bad debts, doubtful accounts and loss on impairment which already included in the gain or loss at the year-ends of December 31, 2016, and 2015, as follows:

	Unit: Million Baht	
	2016	2015
Non public service account		
Loans to customers	324.17	922.13
Loss on troubled debts	12.04	1.18
Total	336.21	923.31
Public service account		
Loans to customers from public service account	74.49	515.84
Total	74.49	515.84
Including bad debts, Doubtful and loss on impairment	410.70	1,439.15

5.29 Remuneration for Important Management

Remuneration for important management are benefits paid to directors and management of the Bank, which consist of remuneration to management is for money such as salaries and related benefits, which include benefits binding in the retirement project and remuneration to directors.

	Unit: Million Baht	
	2016	2015
Short-term benefits		
Remuneration to management	35.17	28.73
Remuneration to directors	6.77	6.21
Benefits after resignation	15.99	23.68
Total	57.93	58.62

5.30 Long-Term leasing contracts

5.30.1 Operating leases The Bank has the lease on land and premises for expanding its branches, including other rental contracts for vehicles and equipments. The Bank has commitment arising from lease agreement to payment as follows:

	Unit: Million Baht			
Types	2016			
	Within 1 year	Over 1-5 years	Over 5 years	Total
Land/Premises	32.36	21.15	-	53.51
Vehicles	52.60	117.63	-	170.23
Office equipment	49.18	0.77	-	49.95
Total	134.14	139.55	-	273.69

Unit: Million Baht

Types	2015			
	Within 1 year	Over 1-5 years	Over 5 years	Total
Land/Premises	32.35	36.10	-	68.45
Vehicles	48.94	134.16	-	183.10
Office equipment	49.18	49.95	-	99.13
Total	130.47	220.21	-	350.68

5.30.2 Service Contract The Bank has made service contract as at December 31, 2016 and 2015 as follows:

Unit: Million Baht

Types	2016			
	Within 1 year	Over 1-5 years	Over 5 years	Total
Service contract	65.03	151.46	-	216.49
Total	65.03	151.46	-	216.49

Unit: Million Baht

Types	2015			
	Within 1 year	Over 1-5 years	Over 5 years	Total
Service contract	10.41	-	-	10.41
Total	10.41	-	-	10.41

5.31 Contingent liabilities and commitment

5.31.1 Contingencies

Unit: Million Baht

	2016	2015
Letters of credit	3.00	15.00
Other contingencies		
Other guarantees	253.17	310.57
Foreign contract		
- Buy	2.12	1,080.32
- Sell	18.01	36.09
Spot buy contract	0.96	-
Spot sell contract	1.39	1.52
Other commitment	275.65	1,428.50
Total	278.65	1,443.50

5.31.2 Litigation

As at December 31, 2016, the Bank has contingent liabilities owing to prosecutions which the exact amount of compensation could not be set. The Bank had 49 lawsuits with the total claims in the amount of Baht 2,180.00 million and US\$ 135.74 million.

In the total 49 lawsuit, The Bank has 3 of them were the case that a commercial bank had filed a charge of derivative default with claims amounting to approximately Baht 1,074.01 million and US\$ 135.74 million. Such prosecutions in the Appeal Court (Note 5.16.2) and 9 of total, the Bank was liable to prosecution under letter of guarantee (LG) amounting to Baht 166.33 million. Such prosecutions during in the civil court, the Appeal Court and Supreme Court (Note 5.16.3) The Bank has set aside provision for estimated losses from such case.

5.32 Related party transaction

As at December 31, 2016 and 2015, the Bank had deposits of Directors and Executive floor staff from administrators to the group in the amount of Baht 4,328.88 million and Baht 1,782.75 million, respectively.

5.33 The fair value of financial instruments

As at December 31, 2016 Fair value hierarchy The Bank's financial assets and financial liabilities are as follows.

Unit: Million Baht

	2016		
	Fair value		
	Level 1	Level 2	Total
Assets instrument			
Assets derivatives-currency	-	0.10	0.10
Available-for-sale securities	1,000.25	-	1,000.25
Total Assets instrument	1,000.25	0.10	1,000.35
Liabilities instrument			
Liabilities derivatives-currency	-	0.01	0.01
Total Liabilities instrument	-	0.01	0.01

Fair Value Hierarchy

Level 1 : quoted market prices in active the liquidity for identical assets or liabilities

Level 2 : the value set by an evaluation technique with a direct and indirect data from the market (observable data) as an important factor in evaluating the fair value

Level 3 : the value set by an evaluation technique with an unobservable data in the market as an important factor in evaluating the fair value

The fair value of the derivatives set at level 2 was a reference price value bought/sold in the market, quoted by the sale representatives, buying/selling prices of other resemble items, or by the simulation of value evaluation from the observable market data, adjusted by the credit risk rate of each trader.

5.34 Public Service Account (PSA)

5.34.1 Summary of public service account

Unit: Million Baht

	2016	2015
Assets and liabilities		
Assets		
Loans to customers from public service account and accrued interest receivable	25,840.18	23,876.66
Total assets	25,840.18	23,876.66
Income and expense		
Revenue from Public Service Account	1,570.14	1,469.13
<u>Less</u> Expenses from public service account	1,572.76	1,647.71
<u>Less</u> Bad debts and losses for impairment of public service account	74.49	515.84
Profit (loss)	(77.11)	(694.42)

5.34.2 Loans to customers from public service account and accrued interest receivable, net

Unit: Million Baht

Project	Brief Project Description	Time	2016	2015
1. Financial assistance program for travel entrepreneurs	Financial assistance to tour operators who have been affected by the economic crisis due to the closure of Suvarnabhumi and Don Mueang International Airport (Resolution cabinet, dated February 17, 2009, April 28, 2009, July 21, 2009, October 13, 2009, March 2, 2010 and June 8, 2010).	May 4, 2009 - December 31, 2010	799.97	1,135.36
2. Loan Program financial assistance to entrepreneurs, business logistics Thailand	Liquidity support to entrepreneurs' logistics. (Resolution cabinet, dated December 8, 2009)	January 19, 2010 - December 31, 2011	286.36	437.39
3. SME POWER loan for a new day	Provide liquidity to entrepreneurs Ratchaprasong and nearby areas have been affected by the incident. Political unrest (Resolution cabinet, dated April 27, 2010 and May 25, 2010)	May 26, 2010 - December 31, 2010	1,503.02	1,840.72
4. SME POWER project for a new day Phase 2	Improvement loans are aligned with the needs of the operators and the Ratchaprasong neighborhood (Resolution cabinet, dated June 8, 2010 and September 28, 2010)	June 8, 2010 - December 31, 2010	836.79	1,117.00

Unit: Million Baht

Project	Brief Project Description	Time	2016	2015
5. SMEs project that export who have been affected by the appreciation of the baht	Liquidity assistance to entrepreneurs to export. (Resolution cabinet dated October 12, 2010).	November 15, 2010 - Unknown	11.96	20.21
6. SME POWER project the flood victims in 2010	Assistance and rehabilitation of those affected flood in 2010 (Resolution cabinet dated October 12, 2010).	November 10, 2010 - April 30, 2011	1,292.60	2,358.28
7. Taxi strong project (Under the Pracha Wiwat project)	Strengthening the taxi operators to have opportunity to own a taxi and replacement. Taxi expired (Resolution cabinet dated January 1, 2011).	February 10, 2011 - Unknown	132.46	199.12
8. Career Thailand Strength-Hawker Stalls entrepreneurs	Opportunities for access to capital target are being held. The target has a better charged. (Resolution cabinet dated January 11, 2011)	February 10, 2011 - Unknown	0.21	0.61
9. SME POWER to help SMEs to get the impact on flooding and a windstorm in 2011	Help entrepreneurs who have been affected by flood and windstorm in 2011. (Resolution cabinet, dated April 4, 2011 and May 3, 2011)	May 19, 2011 - October 31, 2011	936.67	1,179.22
10. SME POWER to help SMEs affected by flooding, windstorm and a landslide in 2011	Assistance to victims of natural disasters 2010 and 2011 (additional). (Resolution cabinet, dated May 3, 2011).	May 19, 2011 - October 31, 2011	218.92	305.26
11. The SME POWER project for a new day Phase 3	Help entrepreneurs Ratchaprasong and neighborhood (For Entrepreneurs The policy has not yet received compensation alternative) (Resolution cabinet, dated May 3, 2011)	May 19, 2011 - June 30, 2011	12.01	18.32
12. Financial assistance program for entrepreneurs in business logistics Thailand-additional	To extend the period of assistance for entrepreneur (Resolution cabinet dated April 12, 2011)	June 6, 2011 - December 31, 2011	280.17	537.45
13. Financial assistance program for entrepreneurs franchise and direct sales	Target to expand coverage business franchising and direct selling. (Resolution cabinet dated April 12, 2011).	June 6, 2011 - December 31, 2011	7.52	15.45
14. Restoration Project SMEs after a catastrophic in 2011	Help entrepreneurs' disaster in 2011 (Resolution cabinet, dated September 20, 2011 and December 13, 2011)	December 14, 2011 - December 31, 2011	732.38	985.00

Unit: Million Baht

Project	Brief Project Description	Time	2016	2015
15. Measures of debt moratorium for small farmers and people with a low income. Debt outstanding under 500,000 baht. (Debtor NPL)	To alleviate the debt burden of the NPL of small farmers and people with low income. A debt consolidation all contracts not exceed 500,000 Baht (Resolution cabinet dated November 15, 2011 and February 7, 2012)	December 25, 2011- September 30, 2014	1.72	2.17
16. Loan Program Development of work process under the project of manufacturing development program	To empower SMEs leverage, productivity and supports financing access of industrial enterprises. As well as reducing the burden of increasing labor costs. (Resolution cabinet, dated April 24, 2012 and January 8, 2013)	June 28, 2015 - December 31, 2015	6,863.48	10,443.71
17. Loan Program to develop machines under the project, manufacturing development program	To empower SMEs leverage, productivity and supports financing access of industrial enterprises. As well as reducing the burden of increasing labor costs. (Resolution cabinet, dated April 24, 2012 and January 8, 2013)	June 28, 2015 - December 31, 2015	139.71	177.39
18. Loan Program for the low-interest loans (Policy Loan)	Help small SMEs experiencing problems with liquidity. Encourage small SMEs to have liquidity for improvement of business and competency (Resolution cabinet dated March 17, 2015, June 16, 2015 and March 9, 2016)	June 16, 2015 - June 30, 2016	11,557.37	2,996.02
Total			25,613.32	23,768.68

Bank use criteria for allocation of the public service account cost according to the memorandum Ref: No. Gor Khor 1006/3327 from Fiscal Policy Office on the subject of approval to allocate public service account cost of Small and Medium Enterprise Development Bank of Thailand dated August 25, 2016.

Interest expense / compensation of finance cost

Deposits/compensation of finance cost = Weighted average finance cost through the accounting period x average loans to customer on accounting period

Non-interest expenses

Employees' Expenses	Allocated using account number
Premises and equipment expenses	Allocated using account number
Directors' remuneration	Allocated using account number
Fees and services	Allocated using account number
Other expenses	Allocated using account number

5.34.3 Asset classification and provisioning policy transactions

Unit: Million Baht

	No. of Cases	Outstanding	Collateral value*	% Use for set aside The Allowance for Doubtful Accounts	Allowance for doubtful Accounts
Pass	20,429	19,074.33	2,825.29	1	153.43
Special mention	1,580	937.16	186.32	2	12.23
Substandard	906	333.11	77.80	100	156.93
Doubtful	1,437	661.99	234.91	100	251.02
Doubtful of loss	10,981	4,606.73	610.85	100	1,495.50
Total	35,333	25,613.32	3,935.17		2,069.11

* Collateral value in the amount of Baht 3,935.17 million was a part of public service account project that received compensation value in the amount of Baht 176.00 million, which hasn't set aside provision. Collateral value was decrease because of the Bank has changed the method of calculate TCG collateral types according to received compensation.

5.34.4 Revenue from public service account

Unit: Million Baht

	2016	2015
Income from loans to customer from public service account		
Interest income from loans to customer from public service account	1,097.64	1,021.83
Fees and service income from loans to customer from public service account	102.97	34.40
Public service account compensated income		
Public service account compensated interest income	369.53	412.90
Public service account compensated finance cost	-	-
Total public service account compensated income from operation expense or Management expense	-	-
Total	1,570.14	1,469.13

5.34.5 Expenses from public service account

Unit: Million Baht

	2016	2015
Public service account interest expenses	534.95	684.72
Public service account fees and services	66.80	39.94
Public service account operation expense	845.80	713.20
Public service account other expenses	125.21	209.85
Total	1,572.76	1,647.71

5.35 Reclassification of accounts

The Bank has reclassification for the statement of financial position as at December 31, 2015 the statement of financial position as at January 1, 2015 (Beginning balance) and statement of profit or loss and other comprehensive income for the year ended December 31, 2015 for comparative purpose have been reclassified to conform to the presentation of the statements of financial position as at December 31, 2016 and statement of profit or loss and other comprehensive income for the year ended December 31, 2016 which is prepared the financial statement and presentation in according with the Bank of Thailand (“BOT”)’s Notification No.SOR.GOR.SOR.1/2559 dated June 29, 2016, regarding the Preparation and Announcement of Financial Statements of Specialized Financial Institutions.

As at December 31, 2015 before the change of Policy Loan project from commercial project to public service accounts in order to be consistent with the classification of public service accounts as at December 31, 2016.

Unit: Million Baht

	As at December 31, 2015		
	Pre - Reclassification	Reclassifying	Reclassified
Statement of financial position			
Loans to customers and accrued interest receivables, net			
Loans to customers	86,127.99	(20,772.66)	65,355.33
Accrued interest receivables	311.25	(88.66)	222.59
Total loans to customers and accrued interest receivables	86,439.24	(20,861.32)	65,577.92
Less deferred revenue	252.67	(30.17)	222.50
Less allowance for doubtful accounts	12,229.02	(2,709.72)	9,519.30
Total loans to customers and accrued interest receivables, net	73,957.55	(18,121.43)	55,836.12
Loans to customers and accrued interest receivable, net of transaction policy			
Loans to customers from public service account			
Portion that is not subject to government compensation for damages	-	15,327.14	15,327.14
Portion that is subject to government compensation for damages	-	5,445.52	5,445.52
Accrued interest receivable from public service account			
Portion that is not subject to government compensation for damages	-	38.17	38.17
Portion that is subject to government compensation for damages	-	50.49	50.49
Total loans to customers from public service account and accrued interest receivable, net	-	20,861.32	20,861.32
Less deferred revenue from public service account	-	30.17	30.17
Less allowance for doubtful accounts from public service account	-	2,709.72	2,709.72
Total loans to customers from public service account and accrued interest receivable, net	-	18,121.43	18,121.43
	73,957.55	-	73,957.55

Unit: Million Baht

Statement of financial position	As at January 1, 2015		
	Pre - Reclassification	Reclassifying	Reclassified
Loans to customers and accrued interest receivable, net			
Loans to customers	84,985.86	(28,157.32)	56,828.54
Accrued interest receivable	300.91	(179.88)	121.03
Total loans to customers and accrued interest receivable	85,286.77	(28,337.20)	56,949.57
Less deferred revenue	367.13	(45.05)	322.08
Less allowance for doubtful accounts	15,092.59	(2,092.10)	13,000.49
Total loans to customers and accrued interest receivable, net	69,827.05	(26,200.05)	43,627.00
Loans to customers and interest receivable, net of transaction policy			
Loans to customers from public service account			
Portion that is not subject to government compensation for damages	-	20,939.55	20,939.55
Portion that is subject to government compensation for damages	-	7,217.77	7,217.77
Accrued interest receivable from public service account			
Portion that is not subject to government compensation for damages	-	45.26	45.26
Portion that is subject to government compensation for damages	-	134.62	134.62
Total loans to customers from public service account and accrued interest receivable	-	28,337.20	28,337.20
Less deferred revenue from public service account	-	45.05	45.05
Less allowance for doubtful accounts from public service account	-	2,092.10	2,092.10
Total loans to customers from public service account and accrued interest receivable, net	-	26,200.05	26,200.05
	69,827.05	-	69,827.05

Unit: Million Baht

	For the year ended December 31, 2015		
	Pre - Reclassification	Reclassifying	Reclassified
Statement of profit or loss and other comprehensive income			
Interest income	5,427.01	(1,434.73)	3,992.28
Interest expenses	2,713.32	(684.72)	2,028.60
Fees and services income	350.32	(34.40)	315.92
Fees and service expense	73.95	(39.94)	34.01
Revenue from public service account	-	1,469.13	1,469.13
Employee' Expenses	947.66	(511.78)	435.88
Directors' remuneration	6.21	(3.35)	2.86
Premises and equipment expenses	366.78	(198.07)	168.71
Other	388.58	(209.85)	178.73
Expenses from public service account	-	1,647.71	1,647.71
	10,273.83	-	10,273.83

As at December 31, 2015 before the change of Policy Loan project from commercial project public service accounts in order to be consistent with the classification of public service accounts as at December 31, 2016.

Unit: Million Baht

	As at December 31, 2015		
	Pre - Reclassification	Reclassifying	Reclassified
Statement of financial position			
Loans to customers and accrued interest receivable, net			
Loans to customers	86,127.99	(23,768.68)	62,359.31
Accrued interest receivable	311.25	(107.98)	203.27
Total loans to customers and accrued interest receivable	86,439.24	(23,876.66)	62,562.58
<u>Less</u> deferred revenue	252.67	(30.17)	222.50
<u>Less</u> allowance for doubtful accounts	12,229.02	(2,597.78)	9,631.24
Total loans to customers and accrued interest receivable, net	73,957.55	(21,248.71)	52,708.84
Loans to customers and interest receivable, net of transaction policy			
Loans to customers from public service account			
Portion that is not subject to government compensation for damages	-	18,323.16	18,323.16
Portion that is subject to government compensation for damages	-	5,445.52	5,445.52
Accrued interest receivable from public service account			
Portion that is not subject to government compensation for damages	-	42.17	42.17
Portion that is subject to government compensation for damages	-	65.81	65.81
Total loans to customers from public service account and accrued interest receivable	-	23,876.66	23,876.66
<u>Less</u> deferred revenue from public service account	-	30.17	30.17
<u>Less</u> allowance for doubtful accounts from public service account	-	2,597.78	2,597.78
Total loans to customers from public service account and accrued interest receivable, net	-	21,248.71	21,248.71
	73,957.55	-	73,957.55

5.36 Approval of financial statements

This financial statements have authorized to issue by managing director date May 19, 2017

Board of Directors Directory

Board of Directors 2002

No.	Name	Position
1	Mr. Manu Leopairote	Chairperson
2	Mr. Utid Tamwatin	Vice Chairperson
3	Mr. Bunphot Hongthong	Director
4	Mr. Chanchai Musikanisakorn	Director
5	Mrs. Sumonman Kalayasiri	Director
6	Mr. Uttama Sawanayon	Director
7	Mr. Santi Wilatsakdanon	Director
8	Mr. Yongyos Palanitisena	Director
9	Mr. Teerawat Thanyalakpark	Director
10	Mr. Samran Phuanantanon	Director and Secretary

Board of Directors 2005

No.	Name	Position
1	Mr. Manu Leopairote	Chairperson
2	Mr. Utid Tamwatin	Vice Chairperson
3	Mr. Sakthip Krailerk	Director
4	Mr. Chakramon Phasukavanich	Director
5	Mrs. Sumonman Kalayasiri	Director
6	Mr. Uttama Sawanayon	Director
7	Mrs. Anchalee Chavanich	Director
8	Prof.Dr. Phisut Chalakornkun	Director
9	Mr. Kiattipong Noiiaiboon	Director
10	Mr. Teerawat Thanyalakpark	Director
11	Mr. Chotisak Asapaviriya	Director and Secretary

Board of Directors 2003

No.	Name	Position
1	Mr. Manu Leopairote	Chairperson
2	Mr. Utid Tamwatin	Vice Chairperson
3	Mrs. Sumonman Kalayasiri	Director
4	Mr. Chanchai Musikanisakorn	Director
5	Mr. Uttama Sawanayon	Director
6	Mr. Santi Wilatsakdanon	Director
7	Mr. Teerawat Thanyalakpark	Director
8	Mr. Yongyos Palanitisena	Director
9	Mr. Chotisak Asapaviriya	Director and Secretary

Board of Directors 2006

No.	Name	Position
1	Mr. Chakramon Phasukavanich	Chairperson
2	Mr. Somchai Sujjapongse	Vice Chairperson
3	Mr. Damri Sukhotanang	Director
4	Mr. Thevan Vichitakul	Director
5	Mr. Sutsak Laohachewin	Director
6	Mr. Sorasit Soontornkes	Director
7	Mr. Pongsak Chewcharat	Director and Secretary

Board of Directors 2004

No.	Name	Position
1	Mr. Manu Leopairote	Chairperson
2	Mr. Utid Tamwatin	Vice Chairperson
3	Mr. Sakthip Krailerk	Director
4	Mr. Chakramon Phasukavanich	Director
5	Mrs. Sumonman Kalayasiri	Director
6	Mr. Uttama Sawanayon	Director
7	Mrs. Anchalee Chavanich	Director
8	Prof.Dr. Phisut Chalakornkun	Director
9	Mr. Kiattipong Noiiaiboon	Director
10	Mr. Teerawat Thanyalakpark	Director
11	Mr. Chotisak Asapaviriya	Director and Secretary

Board of Directors 2007

No.	Name	Position
1	Mr. Chakramon Phasukavanich	Chairperson
2	Mr. Somchai Sujjapongse	Vice Chairperson
3	Mr. Thevan Vichitakul	Director
4	Mr. Damri Sukhotanang	Director
5	Mr. Sutsak Laohachewin	Director
6	Mr. Somchai Kuvijitsuwan	Director
7	Ms. Wilaiporn Liwagasemsan	Director
8	Mr. Kongkrit Hiranyakit	Director
9	Ms. Ladawan Thanathanit	Director
10	Mrs. Sukanya Chantrapannik	Director
11	Mr. Pongsak Chewcharat	Director and Secretary

Board of Directors 2008

No.	Name	Position
1	Mr. Pongpanu Svetarundra	Chairperson
2	Mr. Phichit Akrathit	Director
3	Mr. Vudhibhongse Vibulyawongse	Director
4	Mr. Sakarindr Bhumiratana	Director
5	Mr. Tanit Sorat	Director
6	Mr. Pramode Vidtayasuk	Director
7	Dr. Ekniti Nitithanprapas	Director
8	Mr. Vichaya Vitheethum	Director
9	Mr. Poonnis Sakuntanaga	Director
10	Mr. Pongsak Chajiamjan	Senior Executive Vice President, Acting President, Officiate as Director and Secretary

Board of Directors 2009

No.	Name	Position
1	Mr. Pongpanu Svetarundra	Chairperson
2	Mr. Poonnis Sakuntanaga	Director
3	Dr. Ekniti Nitithanprapas	Director
4	Mr. Pramode Vidtayasuk	Director
5	Dr. Sakarindr Bhumiratana	Director
6	Mr. Vichaya Vitheethum	Director
7	Mr. Vudhibhongse Vibulyawongse	Director
8	Dr. Tanit Sorat	Director
9	Mr. Adul Laohapol	Director
10	Mr. Boonsak Chiempricha	Director
11	Mr. Soros Sakornvisava	Director and Secretary

Board of Directors 2010

No.	Name	Position
1	Mr. Pongpanu Svetarundra	Chairperson
2	Mr. Poonnis Sakuntanaga	Director
3	Mr. Pramode Vidtayasuk	Director
4	Dr. Sakarindr Bhumiratana	Director
5	Mr. Vudhibhongse Vibulyawongse	Director
6	Dr. Tanit Sorat	Director
7	Mr. Adul Laohapol	Director
8	Mr. Boonsak Chiempricha	Director
9	Mr. Soros Sakornvisava	Director and Secretary

Board of Directors 2011

No.	Name	Position
1	Dr. Naris Chaiyasoot	Chairperson
2	Mr. Pichai Chunhavajira	Director
3	Mr. Witoon Simachokedee	Director
4	Mr. Anusorn Muttaraid	Director
5	Mr. Udom Wongviwatchai	Director
6	Mr. Vudhibhongse Vibulyawongse	Director
7	Mr. Sommai Khowkachaporn	Director
8	Mrs. Wanee Thasanamontien	Director
9	Mr. Adul Laohapol	Director
10	Mr. Jirayut Rungsrithong	Director
11	Mr. Soros Sakornvisava	Director and Secretary

Board of Directors 2012

No.	Name	Position
1	Dr. Naris Chaiyasoot	Chairperson
2	Mr. Pichai Chunhavajira	Director
3	Mr. Witoon Simachokedee	Director
4	Mr. Vudhibhongse Vibulyawongse	Director
5	Mr. Udom Wongviwatchai	Director
6	Mrs. Wanee Thasanamontien	Director
7	Mr. Anusorn Muttaraid	Director
8	Mr. Sommai Khowkachaporn	Director
9	Mr. Adul Laohapol	Director
10	Mr. Jirayut Rungsrithong	Director
11	Mr. Pongsak Chajiamjan	Senior Executive Vice President, Acting President, Officiate as Director and Secretary

Board of Directors 2013

No.	Name	Position
1	Dr. Naris Chaiyasoot	Chairperson
2	Witoon Simachokedee, Ph.D.	Director
3	Mr. Pichai Chunhavajira	Director
4	Mr. Kritsda Udyanin	Director
5	Somchai Harnhirun, Ph.D.	Director
6	Patima Jeerapaet, Ph.D.	Director
7	Mr. Vitaya Suriyawong	Director
8	Mr. Anusorn Muttaraid	Director
9	Mr. Jirayut Rungsrithong	Director
10	Miss Parichatara L.Sirivong	Senior Executive Vice President, Acting President, Officiate as Director and Secretary

Board of Directors 2014

No.	Name	Position
1	Mrs. Salinee Wangtal	Chairperson
2	Mrs. Saowanee Kamolbutr	Director
3	Mr. Atsadang Chiewthada	Director
4	Mr. Vitaya Suriyawong	Director
5	Mrs. Pankanitta Boonkrong	Director
6	Mr. Lavaron Sangsnit	Director
7	Mr. Anusorn Muttaraid	Director
8	Somchai Harnhirun, Ph.D	Director
9	Mr. Vichit Kornvityakoon	Director
10	Miss Parichatara L.Sirivong	Senior Executive Vice President, Acting President, Officiate as Director and Secretary

Board of Directors 2015

No.	Name	Position
1	Mrs. Salinee Wangtal	Chairperson
2	Mrs. Saowanee Kamolbutr	Director
3	Mr. Atsadang Chiewthada	Director
4	Mrs. Pankanitta Boonkrong	Director
5	Mr. Lavaron Sangsnit	Director
6	Mr. Anusorn Muttaraid	Director
7	Somchai Harnhirun, Ph.D	Director
8	Mr. Vitaya Suriyawong	Director
9	Mr. Vichit Kornvityakoon	Director
10	Seree Nonthasoot, Ph.D.	Director
11	Mr. Praphaisith Tankeyura	Director
12	Mr. Supot Arevart	President, Director and Secretary
13	Mrs. Intira Phokpoonyarak	Senior Executive Vice President, Acting President, Officiate as Director and Secretary (31 Aug - 30 Oct 2015)
14	Mr. Woramit Krutto	Senior Executive Vice President, Acting President, Officiate as Director and Secretary (2 Nov - 31 Dec 2015)



Branches Directory

Head Office

310 SME Bank Tower
Phahonyothin Rd., Samsen-Nai,
Phayathai, Bangkok 10400
Tel. 0 2265 3000
Fax. 0 2265 4000

Phahonyothin Office

310 SME Bank Tower
Phahonyothin Rd., Samsen-Nai,
Phayathai, Bangkok 10400
Tel. 0 2265 4944-58
Fax. 0 2270 0488
E-mail: Phahonyothinoffice@smebank.co.th

District office 1

7/1-4 Chiangmai-Lampang Rd.,
Changphueak, Mueang,
Chiangmai 50300
Tel. 053 413 103-5, 053 412 975,
053 413 010, 053 218 038-9
Fax. 053 413 112
E-mail: Chiangmai@smebank.co.th

Chiangmai Branch

7/1-4 Chiangmai-Lampang Rd.,
Changphueak, Mueang,
Chiangmai 50300
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053 413 010, 053 218 038-9
Fax. 053 413 112
E-mail: Chiangmai@smebank.co.th

Maehongson Branch

21 Kumlumprapas Rd., Jongkam,
Mueang, Maehongson 58000
Tel. 053 614 500-2
Fax. 053 614 503
E-mail: Maehongson@smebank.co.th

Lamphun Branch

416 Charoenrat Rd., Nai Mueang,
Mueang, Lamphun 51000
Tel. 053 533 114, 053 533 095,
053 532 925
Fax. 053 531 470
E-mail: Lamphun@smebank.co.th

District office 2

450/29-32 Mu 13, Phaholyothin Rd.,
Rob Viang, Mueang, Chiangrai 57000
Tel. 053 718 504, 053 714 096,
053 714 501
Fax. 053 711 915
E-mail: Phitsanulok@smebank.co.th

Chiangrai Branch

450/29-32 Mu 13, Phaholyothin Rd.,
Rob Viang, Mueang, Chiangrai 57000
Tel. 053 718 504, 053 714 096,
053 714 501 Fax. 053 711 915
E-mail: Chiangrai@smebank.co.th

Phayao Branch

286/22 Phaholyothin Rd.,Maetum,
Mueang, Phayao 56000
Tel. 054 480 222-3 Fax. 054 485 989
E-mail: Phayao@smebank.co.th

Maesai Branch

825/2 Mu 3, Phaholyothin Rd.,
Viang Phang Kam, Maesai,
Chiangrai 57000
Tel. 053 734 494-6
Fax. 053 734 497
E-mail: Maesai@smebank.co.th

District office 3

292-294 Lampang-Ngaw
Super-Highway Rd., Pra Baht,
Mueang, Lampang 52000
Tel. 054 821 549-53
Fax. 054 821 548
E-mail: Lampang@smebank.co.th

Lampang Branch

292-294 Lampang-Ngaw
Super-Highway Rd., Pra Baht,
Mueang, Lampang 52000
Tel. 054 821 549-53
Fax. 054 821 548
E-mail: Lampang@smebank.co.th

Phrae Branch

303/20-21 Mu 7, Na Juck, Mueang,
Phrae 54000
Tel. 054 533 997, 054 628 010-2
Fax. 054 533 996
E-mail: Phrae@smebank.co.th

Nan Branch

226/6 Mu 6, Dutai, Mueang Nan,
Nan 55000
Tel. 054 772 500-2
Fax. 054 772 503
E-mail: Nan@smebank.co.th

District office 4

642, 644 Charoensuk Rd., Nai Mueang,
Mueang, Kamphaengphet 62000
Tel. 055 773 205-8
Fax. 055 773 209
E-mail: Kamphaengphet@smebank.co.th

Kamphaengphet Branch

642, 644 Charoensuk Rd., Nai Mueang,
Mueang, Kamphaengphet 62000
Tel. 055 773 205-8
Fax. 055 773 209
E-mail: Kamphaengphet@smebank.co.th

Sukhothai Branch

1, 1/2-3 Jarod Withee Thong Rd.,
Thani, Mueang, Sukhothai 64000
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E-mail: Sukhothai@smebank.co.th

Tak Branch

17/26 Asia Rd., Maesot, Maesot,
Tak 63110
Tel. 055 506 971-2
Fax. 055 506 970
E-mail: Tak@smebank.co.th

District office 5

838 Mittraphap Rd., Nai Mueang,
Mueang, Phitsanulok 65000
Tel. 055 221 575-6
Fax. 055 304 554
E-mail: Phitsanulok@smebank.co.th

Phitsanulok Branch

838 Mittraphap Rd., Nai Mueang,
Mueang, Phitsanulok 65000
Tel. 055 221 575-6
Fax. 055 304 554
E-mail: Phitsanulok@smebank.co.th

Phichit Branch

42/1-42/2 Ratkasemautid Rd.,
Nai Mueang, Mueang, Phichit 66000
Tel. 056 616 550-2
Fax. 056 616 553
E-mail: Phichit@smebank.co.th

Phetchabun Branch

4/13-14 Samakkeechai Rd.,
Nai Mueang, Mueang,
Phetchabun 67000
Tel. 056 720 821-2, 056 720 922
Fax. 056 713 187
E-mail: Phetchabun@smebank.co.th

Uttaradit Branch

20/22-23 Jessadabodinoun Rd.,
Tha It, Mueang, Uttaradit 53000
Tel. 055 411 872-3
Fax. 055 411 874
E-mail: Uttaradit@smebank.co.th

District office 6

919/28, 111 Mu 10, Phahonyothin Rd.,
Nakhonsawan Tok,
Mueang Nakhonsawan,
Nakhonsawan 60000
Tel. 056 220 877-8, 056 232 976,
056 231 336
Fax. 056 220 879
E-mail: Nakhonsawan@smebank.co.th

Nakhonsawan Branch

919/28, 111 Mu 10, Phahonyothin Rd.,
Nakhonsawan Tok,
Mueang Nakhonsawan,
Nakhonsawan 60000
Tel. 056 220 877-8, 056 232 976,
056 231 336
Fax. 056 220 879
E-mail: Nakhonsawan@smebank.co.th

Uthaitхани Branch

137 Terbsiri Rd., Uthaimai,
Mueang,Uthaitхани 61000
Tel. 056 571 401-3
Fax. 056 571 404
E-mail: Uthaitхани@smebank.co.th

Chainat Branch

68/3-4 Phomprasert Rd., Nai Mueang,
Mueang, Chainat 17000
Tel. 056 416 741-3, 056 414 023,
056 414 050
Fax. 056 416 744
E-mail: Chainat@smebank.co.th

District office 7

497/1-3 Mu 2, Mittraphap Rd., Sila,
Mueang, Khonkaen 40000
Tel. 043 343 580-3, 043 393 889
Fax. 043 393 888
E-mail: Khonkaen@smebank.co.th

Khonkaen Branch

497/1-3 Mu 2, Mittraphap Rd., Sila,
Mueang, Khonkaen 40000
Tel. 043 343 580-3, 043 393 889
Fax. 043 393 888
E-mail: Khonkaen@smebank.co.th

Chumphae Branch

1207, 1208 Mu 15, Maliwan Rd.,
Chumphae, Chumphae,
Khonkaen 40130
Tel. 043 313 091-2, 043 384 091
Fax. 043 311 323
E-mail: Chumpae@smebank.co.th

Chaiyaphum Branch

69/23-24 Niwedrut Rd., Nai Mueang,
Mueang, Chaiyaphum 36000
Tel. 044 813 334-6
Fax. 044 813 337
E-mail: Chaiyaphum@smebank.co.th

Loei Branch

87/13 Maliwan Rd., Kudpong,
Mueang, Loei 42000
Tel. 042 833 785-7
Fax. 042 833 788
E-mail: Loei@smebank.co.th

District office 8

751/10-11 Mittraphap Rd.,
Nai Mueang, Mueang,
Nakhonratchasima 30000
Tel. 044 262 418-20,
044 251 050-51
Fax. 044 262 418
E-mail: Nakhonratchasima@smebank.co.th

Nakhonratchasima Branch

751/10-11 Mittraphap Rd.,
Nai Mueang, Mueang,
Nakhonratchasima 30000
Tel. 044 262 418-20,
044 251 050-51
Fax. 044 262 418
E-mail: Nakhonratchasima@smebank.co.th

Pakchong Branch

71/4 Mittraphap Rd., Pakchong,
Pakchong, Nakhonratchasima 30130
Tel. 044 313 142, 044 313 555,
044 313 135
Fax. 044 313 546
E-mail: Pakchong@smebank.co.th

Buriram Branch

37/41-42 Thani Rd., Nai Mueang,
Mueang, Buriram 31000
Tel. 044 625 536-8
Fax. 044 625 535
E-mail: Buriram@smebank.co.th

District office 9

499/3-4 Mu 7, Robmueang Rd.,
Makkang, Mueang, Udonthani 41000
Tel. 042 211 844-6
Fax. 042 211 847
E-mail: Udonthani@smebank.co.th

Udonthani Branch

499/3-4 Mu 7, Robmueang Rd.,
Makkang, Mueang, Udonthani 41000
Tel. 042 211 844-6
Fax. 042 211 847
E-mail: Udonthani@smebank.co.th

Nongkhai Branch

899/1-2 Mu 5, Nongkhai - Poanpisai Rd.,
Phochai, Mueang, Nongkhai 43000
Tel. 042 414 111-3
Fax. 042 414 114
E-mail: Nongkhai@smebank.co.th

Nongbualamphu Branch

3/1-2 Wiriyothin Rd., Nongbua,
Mueang, Nongbualamphu 39000
Tel. 042 312 400, 042 312 700,
042 312 800
Fax. 042 312 875
E-mail: Nongbualamphu@smebank.co.th

District office 10

228/8 Charoenmueang Rd.,
Thatchoengchum, Mueang,
Sakonkakhon 47000
Tel. 042 730 960-2, 042 716 534
Fax. 042 716 764
E-mail: Sakonkakhon@smebank.co.th

Sakonkakhon Branch

228/8 Charoenmueang Rd.,
Thatchoengchum, Mueang,
Sakonkakhon 47000
Tel. 042 730 960-2, 042 716 534
Fax. 042 716 764
E-mail: Sakonkakhon@smebank.co.th

Sawangdaendin Branch

909 Mu 11, Sawangdaendin,
Sawangdaendin, Sakonkakhon 47110
Tel. 042 722 515-7
Fax. 042 722 518
E-mail: Sawangdaendin@smebank.co.th

Nakhonphanom Branch

764/1 Suntorvichit Rd., Nai Mueang,
Mueang, Nakhonphanom 48000
Tel. 042 516 340-2
Fax. 042 516 343
E-mail: Nakhonphanom@smebank.co.th

District office 11

199/1 Pitak Phanom Khet Rd.,
Mukdahan, Mueang, Mukdahan 49000
Tel. 042 630 928-30
Fax. 042 612 889
E-mail: Mukdahan@smebank.co.th

Mukdahan Branch

199/1 Pitak Phanom Khet Rd.,
Mukdahan, Mueang, Mukdahan 49000
Tel. 042 630 928-30
Fax. 042 612 889
E-mail: Mukdahan@smebank.co.th

Yasothon Branch

85/3-4 Rattana Khet Rd.,
Nai Mueang, Mueang, Yasothon 35000
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Fax. 045 715 554
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Kalasin Branch

1/8 Kudyangsamakkee Rd.,
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Fax. 043 812 424
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043 514 775, 043 519 538-9
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District office 13

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Kanchanaburi Branch

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Phranakhonsiyutthaya Branch

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Yala Branch

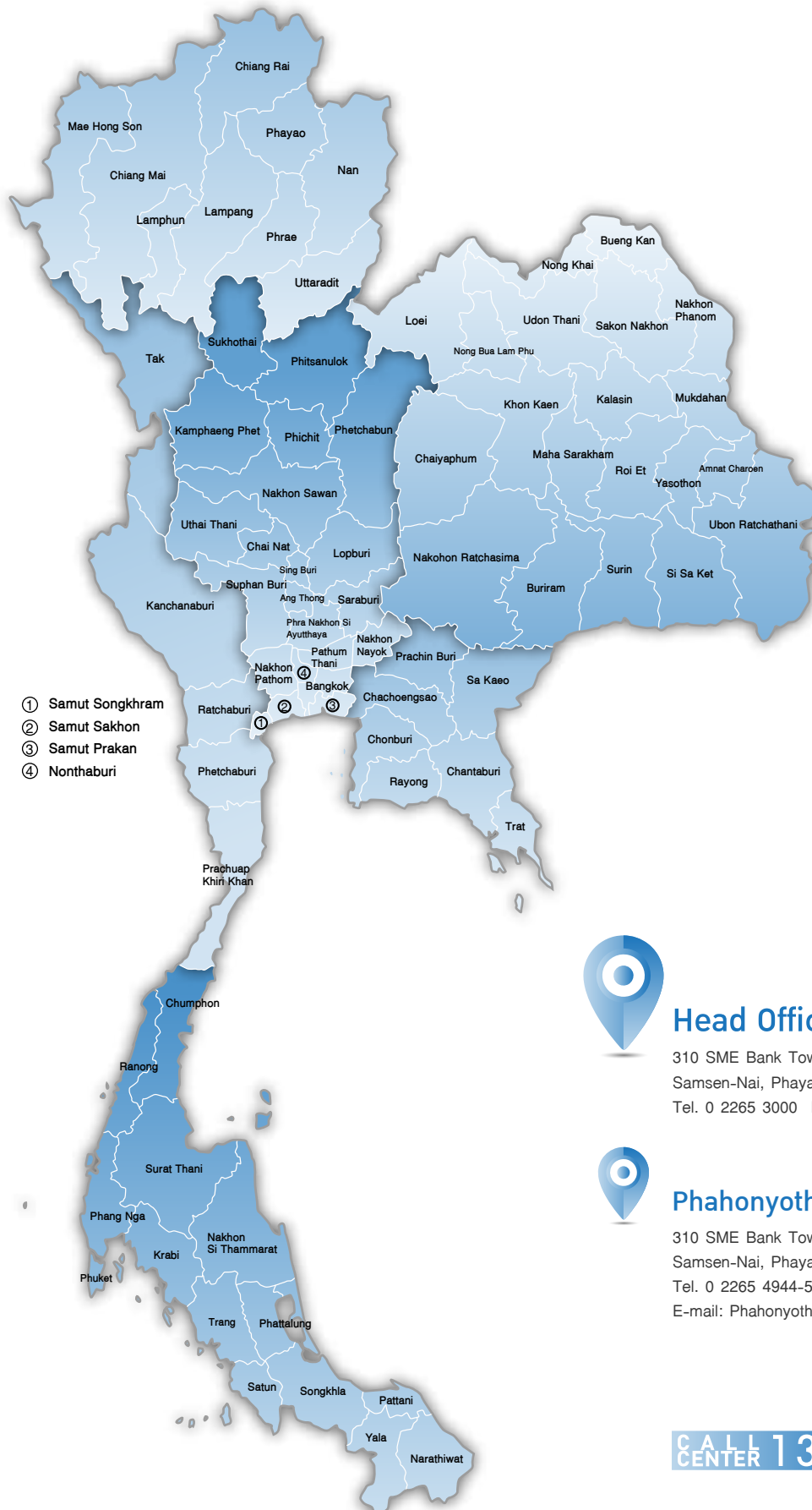
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