



Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Pillar 3 Disclosure

September 30th, 2016



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Introduction

Sumitomo Mitsui Trust Bank (Thai) Public Company Limited (the “Bank”), is incorporated in Thailand. The ultimate parent Company during the financial year/period was Sumitomo Mitsui Trust Holding, Inc. and the Bank’s major shareholders and the immediate parent Company during the year/period is Sumitomo Mitsui Trust Bank, Limited (99.99% shareholding). Both companies were incorporated in Japan. The formation of the Bank was registered with Department of Business Development, Ministry of Commerce on July 7th, 2014. The Bank obtained its banking license on August 14th, 2015, and commenced operating as a bank on October 28th, 2015.

All quantitative disclosures are reported in Million Baht.

1. Scope of Application

With pursuant to the BOT notification no. SorNorSor 04/2556 Re: Disclosure of Capital Maintenance Information for Commercial Banks, the Bank is required to disclose capital maintenance function based on ‘Solo basis’. The Bank discloses this report under the Bank’s website at www.smtb.jp/smtbthai/.

2. Capital

2.1 Capital Structure

In this section, it covers the disclosure of the Bank’s capital structure and capital adequacy.

As of September 30th, 2016, the Bank’s capital component comprises Common Equity Tier 1 (CET1) capital. There is no additional tier 1 capital and tier 2 capital. For regulatory capital, the Bank maintains regulatory capital 19,502.14 Million Baht in total.

Table 1: Capital of Locally-Registered Commercial Banks

Unit: Million Baht

| Item Details | 30 September 2016 | 31 March 2016 |
|---|-------------------|------------------|
| 1. Tier 1 capital: SMTB shall disclose the following: | | |
| 1.1 CET1, comprising of | | |
| 1.1.1 Paid-up capital (common stock) deducted by buyback of common stock | 20,000.00 | 20,000.00 |
| 1.1.2 Other items of owner's equity: | | |
| • Accumulated other comprehensive income | (0.22) | (0.03) |
| • Other items from owner changes | - | - |
| 1.1.3 Items to be deducted from CET1: | | |
| • Total amount of items to be deducted from CET1 e.g. net losses, goodwill, intangible assets, deferred tax asset (DTA), excluding buyback of common stock as specified in 1.1.1. SMTB are not required to elaborate such deductions. | (497.64) | (370.72) |
| Total Tier 1 capital | 19,502.14 | 19,629.25 |
| Total regulatory capital | 19,502.14 | 19,629.25 |

2.2 Capital Adequacy

Risk Management Department carries out monitoring of capital adequacy ratio plans by monitoring the status of risk-weighted asset amounts and capital adequacy ratio on a monthly basis. In particular, Risk Management Department monitors that such events as a significant impact on the capital adequacy ratio have not been occurred. In cases where the required capital levels are reviewed due to changes in the strategic targets, risk profile and external business conditions, Risk Management Department examines the need of revising capital adequacy ratio plans as necessary.

The Bank applies Standardised Approach for credit risk weighted assets calculation as well as market risk weighted assets calculations. For operational risk, the Bank has applied Basic Indicator Approach (BIA) in calculation of operational risk weighted assets.

As of September 30th, 2016, the Bank has total minimum capital requirements for credit risk under Standardised Approach of 1,905.72 Million Baht. The Bank has no capital requirements for both market risk and operational risk.

Table 2: Minimum capital requirement for credit risk classified by type of assets under the SA

Unit: Million Baht

| Minimum capital requirement for credit risk classified by type of assets under the SA | 30 September 2016 | 31 March 2016 |
|--|-------------------|---------------|
| Performing claims: | | |
| 1. Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns | - | - |
| 2. Claims on financial institutions, non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms | 3.47 | 15.16 |
| 3. Claims on corporates, non-central government public sector entities (PSEs) treated as claims on corporate | 1,882.31 | 909.57 |
| 4. Other assets | 19.94 | 23.85 |
| Total minimum capital requirement for credit risk under the SA | 1,905.72 | 948.58 |

Table 3: Minimum capital requirement for market risk for positions in the trading book (Standardised method)

Unit: Million Baht

| Minimum capital requirement for market risk (positions in the trading book) | 30 September 2016 | 31 March 2016 |
|---|-------------------|---------------|
| 1. Standardised method | - | 0.21 |
| Total minimum capital requirement for market risk | - | 0.21 |

Table 4: Minimum capital requirement for operational risk (BIA)

Unit: Million Baht

| Minimum capital requirement for operational risk | 30 September 2016 | 31 March 2016 |
|---|-------------------|---------------|
| 1. Basic Indicator Approach | - | - |
| Total minimum capital requirement for operational risk | - | - |

Table 5: Ratio of total capital to risk-weighted assets, ratio of Tier 1 capital to risk-weighted assets and ratio of Common Equity tier 1 to risk-weighted assets

Below table illustrates the ratio of capital to risk weighted assets, the ratio of Tier 1, capital to risk weighted assets and ratio of Common Equity Tier 1 to risk- weighted assets.

| Ratio | 30 September 2016 | | 31 March 2016 | |
|---|---------------------------|--|---------------------------|--|
| | Capital ratio of the bank | Minimum capital ratio according to the BOT regulations | Capital ratio of the bank | Minimum capital ratio according to the BOT regulations |
| 1. Total capital to risk-weighted assets | 93.38 | 9.125 | 188.79 | 9.125 |
| 2. Tier 1 capital to risk-weighted assets | 93.38 | 6.625 | 188.79 | 6.625 |
| 3. Common equity tier 1 to risk-weighted assets | 93.38 | 5.125 | 188.79 | 5.125 |

3. Risk Exposure and Assessment

The following section describes the information on each risk exposure which includes credit, market and operational risk as well as the techniques which are applied to identify, measure and monitor and control such exposures.

3.1 Qualitative and quantitative disclosure for each type of risk

3.1.1 Disclosure of market risk information

Market risk is the risk of financial loss of the Bank through changes in income and value of assets and liabilities held, including off-balance sheet items, due to fluctuations in various market risk factors, such as interest rates and exchange rates. This section describes information related to market risk management:

1) Market Risk Management

1.1) Market Risk Management Policy

In managing market risk, the Bank ensures the soundness of its business by appropriately controlling risks, and strives to secure reasonable profits which correspond to strategic goals, the sale and nature of its operations and risk profiles through risk management framework. The Board of Directors has delegated responsibility for market risk to Risk Management Committee, which is responsible for the development and implementation of control to address market risk.

The Bank's board of directors resolves ALM master plan and risk management plans as important matters related to market risk under management plans. The ALM Committee resolves basic matters of ALM plans and risk management plans related to market risk regarding company-wide comprehensive risk management for assets and liabilities.

1.2) Market risk Assessment

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

1. Interest rate risk

Interest rate risk arises from the potential for a change in interest rates to have an effect on the interest income of the Bank.

2. Foreign exchange rate risk

Foreign exchange rate risk arises from the potential for an unfavorable fluctuation in foreign exchange rates which causes a result to loss value of an asset or liability denominated in a foreign currency.

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

1.3) Market risk Limit

The appropriate limit to control market risk exposure is determined in a limit review process taking into account of business strategy, capital requirement, liquidity etc. Market risk limit is reviewed and approved by the Board of Directors.

1.4) Market Risk Monitoring and Controlling

The process of market risk control should be established and assigned to the Treasury Department as a Risk Owner. Risk Owner is responsible for controlling and monitoring its own risk and developing progress of risk mitigation by taking into account risks and rewards.

Market risk is required to be appropriately monitored and reported by Risk Management Department, to the Risk Management Committee, ALM Committee, the Executive Committee and the Board of Directors on the status of interest rate risk, on a regular and as-necessary basis. When the monitoring result is addressed as material or unusual, the Risk Management Department shall discuss and escalate the incidents with the relevant departments, and consider the necessity of responding measures and promptly report to the ALM Committee.

Item 4: Market risk exposure

The Bank applies Standardised Approach (SA) to calculate minimum capital requirements. Below is the summary of minimum capital requirements for market risk.

Table 6: Minimum capital requirements for each type of market risk under the Standardised Approach

Unit: Million Baht

| Minimum capital requirements for market risk under the Standardised Approach | 30 September 2016 | 31 March 2016 |
|--|-------------------|---------------|
| Interest rate risk | - | - |
| Equity position risk | - | - |
| Foreign exchange rate risk | - | 0.21 |
| Commodity risk | - | - |
| Total minimum capital requirements | - | 0.21 |

3.1.2 Disclosure of interest rate risk in the banking book¹

Item 6: Interest rate risk exposure in the banking book

Interest rate risk in banking book is defined as the risk of potential loss of earnings and capital caused by changes in market and interest rates that can have adverse effects to the on and off-balance sheet of the bank. Risk Management Department manages interest rate risk in banking book at bank-wide level.

1) Interest Rate Risk Management

1.1) Interest Rate Risk Management Policy

Interest rate risk identification covers both on and off-balance sheet, and also both internal and external factors such as changes in economic and market conditions, changes in rules and regulation. The Board of Directors has delegated responsibility for operational risk to Risk Management Committee, which is responsible for the development and implementation of control to address interest rate risk.

1.2) Interest Rate Risk Assessment

The Risk Management Department measures interest rate risk properly with appropriate measurement method that corresponds to scale and natures of business activities and risk profile.

The Bank uses re-pricing gap analysis provides an estimated measure of the Banking book sensitivity to interest rates change by distributing interest rate sensitive assets, liabilities and off balance sheet positions into time bands based on re-pricing schedule.

1.3) Interest Rate Risk Limit

The appropriate limit to control interest rate risk is determined in a limit review process taking into account of business strategy, capital requirement, and liquidity. Market risk limit is reviewed and approved by the Board of Directors.

1.4) Interest Rate Risk Monitoring and Controlling

The process of interest rate risk control is established and assigned to the Treasury Department as a Risk Owner. Risk Owner is responsible for controlling and monitoring its own risk and developing progress of risk mitigation by taking into account risks and rewards.

Interest rate risk is monitored and reported by Risk Management Department, to the Risk Management Committee, the ALM Committee, the Executive Committee and the Board of Directors on the status of interest rate risk, on a regular and as-necessary basis. When the monitoring result is addressed as material or unusual, the Risk Management Department shall discuss and escalate the incidents with the relevant departments, and consider the necessity of responding measures and promptly report to the ALM Committee.

Below is the result of changes in interest rate to net earnings by applying the change of 100 bps according to the Bank of Thailand requirements.

¹ Refer to Bank of Thailand Notification Re: Supervisory Guidelines on Interest Rate Risk in the Banking Book for Financial Institutions

Table 7: The effect of changes in interest rates* to net earnings

Unit: Million Baht

| Currency | 30 September 2016 | 31 March 2016 |
|--|------------------------|------------------------|
| | Effect to net earnings | Effect to net earnings |
| Baht | 85.17 | 125.67 |
| USD | 0.14 | - |
| EURO | - | - |
| Others | - | - |
| Total effect from changes in interest rate | 339.20 | 125.67 |
| % of anticipated net interest income for the next one year | 25.15% | 32.85% |

* Use the percentage changes in interest rates of 100 bps.

4. Additional disclosure of capital information under the BCBS guideline (Composition of capital disclosure requirements)

Key features of financial instruments to be included in the capital

No financial instruments to be included in the capital.

Disclosure of capital in transitional period under the Basel III guideline (Transitional period)

Details of the items related to capital to be phased in or phased out under the Basel III guideline.

Table 8: Disclosure of capital in transition period under Basel III guideline

Unit: Million Baht

| Value of capital, inclusions, adjustments and deductions for the period of September 2016 | | Net amount of item to be included in or deducted from capital under the Basel III |
|---|--|---|
| In case of locally-registered bank | | |
| <u>Tier 1 capital :</u> | | |
| <u>Common equity tier 1 (CET1)</u> | | |
| 1.1 | Items eligible for inclusion in CET1 | 19,999.78 |
| 1.2 | <u>adjusted by</u> regulatory adjustment to CET1 | - |
| 1.3 | <u>Less</u> deduction from CET1 | (497.64) |
| | Net CET1 | 19,502.14 |
| <u>Additional tier 1</u> | | |
| 1.4 | Items eligible for inclusion in Additional tier 1 | - |
| 1.5 | <u>Less</u> Items to be deducted from Additional tier 1 | - |
| | Net Additional tier 1 | - |
| | Total Tier 1 capital (CET1+ Additional tier 1) | 19,502.14 |
| <u>Tier 2 capital :</u> | | |
| 1.6 | Items eligible for inclusion in Tier 2 capital | - |
| 1.7 | <u>Less</u> deduction from Tier 2 capital | - |
| | Total Tier 2 capital | - |
| | Total capital (Tier 1 and Tier 2 capital) of locally-registered commercial bank | 19,502.14 |