



Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Pillar 3 Disclosure

September 30th, 2021



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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. 4/2556 Re: Capital Disclosure Requirements for Commercial Banks and SorNorSor. 14/2562 Re: Capital Disclosure Requirements for Commercial Banks (No.2), 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. Key Prudential Metrics

Bank of Thailand requires the Bank to disclose the key prudential metrics in respect of both capital and liquidity. The key prudential metrics is reflected the provisioning impact from Thai Financial Reporting Standard No.9 (TFRS 9) which effective on the Bank’s accounting periods beginning from April 1st, 2020.

As of September 30th, 2021, the Bank applies the Expected Credit Loss (ECL) according to TFRS 9. The Bank has adequate provision so there is no impact on the Bank’s capital.

Table 1: Key Prudential Metrics

Item		30 September 2021	31 March 2021
Available capital (unit: million baht)			
1	Common equity tier 1 (CET1)	19,928.50	19,837.44
1A	Fully loaded ECL ^{1/} CET1	19,928.50	19,837.44
2	Tier 1	19,928.50	19,837.44
2A	Fully loaded ECL tier 1	19,928.50	19,837.44
3	Total capital	19,928.50	19,837.44
3A	Fully loaded ECL total capital	19,928.50	19,837.44
Risk-weighted assets (unit: million baht)			
4	Total risk-weighted assets (RWA)	58,098.19	53,346.18
Risk-based capital ratios as a percentage of RWA (%)			
5	CET1 ratio	34.30	37.19
5A	Fully loaded ECL CET1 ratio	34.30	37.19
6	Tier 1 ratio	34.30	37.19
6A	Fully loaded ECL tier 1 ratio	34.30	37.19
7	Total capital ratio	34.30	37.19
7A	Fully loaded ECL total capital ratio	34.30	37.19
Capital buffer ratios a percentage of RWA (%)			
8	Conservation buffer ratio	2.50	2.50
9	Countercyclical buffer ratio	-	-
10	Higher loss absorbency ratio	-	-
11	Total capital buffer ratio (the sum of Item 8 to Item 10)	2.50	2.50
12	Ratio of CET1 available after meeting the commercial bank's minimum capital requirements ^{2/}	25.80	28.69
Liquidity coverage ratio (LCR)			
13	Total high-quality liquid assets (Total HQLA) (unit: million baht)	11,430.46	20,046.95
14	Total net cash outflows (within a 30-day period) (unit: million baht)	6,000.57	6,069.18
15	LCR ratio (%)	190.49	330.31

1/ Expected credit losses according to the Thai Financial Reporting Standard No.9 - Financial Instruments

2/ Ratio of CET1 available after meeting the commercial bank's minimum capital requirements equal to the difference between the CET1 ratio and the minimum total capital ratio requirement of 8.5%.

3. Capital

3.1 Capital Structure

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

As of September 30th, 2021, 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 19,928.50 Million Baht in total.

Table 2: Capital of Locally-Registered Commercial Banks

Unit: Million Baht

Item Details	30 September 2021	31 March 2021
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 Net profits after appropriated	(37.23)	(103.68)
1.1.3 Other items of owner's equity:		
• Accumulated other comprehensive income	(2.06)	(24.13)
• Other items from owner changes	-	-
1.1.4 Items to be deducted from CET1:		
• Total amount of items to be deducted from (e.g. net losses, intangible assets and deferred tax asset)	(32.21)	(34.75)
Total Tier 1 capital	19,928.50	19,837.44
Total regulatory capital	19,928.50	19,837.44

3.2 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 Standardized 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, 2021, the Bank has minimum capital requirement for to absorb each risk under Pillar 1 based on the calculation method specified as above as shown in below table.

Unit: Million Baht

Risk type	Minimum capital requirements
Credit risk	4,812.85
Market risk	25.10
Operational risk	100.40

Table 3: 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 2021	31 March 2021
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	403.98	500.68
3. Claims on corporates, non-central government public sector entities (PSEs) treated as claims on corporate	4,381.92	3,892.24
4. Other assets	26.95	33.60
Total minimum capital requirement for credit risk	4,812.85	4,426.52

Table 4: Minimum capital requirement for market risk (SA)

Unit: Million Baht

Minimum capital requirement for market risk under the SA	30 September 2021	31 March 2021
Interest rate risk	22.08	8.02
Equity position risk	-	-
Foreign exchange rate risk	3.02	1.74
Commodity risk	-	-
Total minimum capital requirement for market risk	25.10	9.76

Table 5: Minimum capital requirement for operational risk (BIA)

Unit: Million Baht

Minimum capital requirement for operational risk	30 September 2021	31 March 2021
1. Basic Indicator Approach	100.40	98.15
Total minimum capital requirement for operational risk	100.40	98.15

Table 6: 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 2021			31 March 2021		
	Capital ratio of the bank	Minimum Capital Requirement Ratio	Minimum Capital Requirement and Capital Buffer Ratio	Capital ratio of the bank	Minimum Capital Requirement Ratio	Minimum Capital Requirement and Capital Buffer Ratio
1. Total Capital Ratio	34.30	8.50	11.000	37.19	8.50	11.000
2. Tier 1 Ratio	34.30	6.00	8.500	37.19	6.00	8.500
3. Common Equity Tier 1 Ratio	34.30	4.50	7.000	37.19	4.50	7.000

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)

No items related to capital to be phased in or phased out under the Basel III guideline.

5. Liquidity Coverage Ratio

5.1 Liquidity Coverage Ratio and Disclosure Standard

In pursuant of BOT Circular number Sor.Nor.Sor. 2/2561: Liquidity Coverage Ratio Disclosure Standards, the Bank must disclose its Liquidity Coverage Ratio (LCR) under requirements for subsidiary of foreign banks whose financial years end on March 31st, the disclosure date is based on September 30th (quarter 2) and March 31st (quarter 4) for first and second half of the year respectively. The disclosed LCR, HQLA and Net COF are calculated by averaging outstanding at the end of each month within the reported quarter. The LCR is a measure of the Bank's ability to cover its own short-term obligated cash payment with its liquid assets under crisis situation. It is measured as a ratio of outstanding HQLA (High Quality Liquid Asset) over Net COF (Net Cash Outflow within 30 days under liquidity stressed scenario, as defined in BOT Circular number Sor.Nor.Sor. 9/2558: Guideline on Liquidity Ratio 'LCR') and subsequent update per BOT Circular number Sor.Nor.Sor. 4/2563: Re: Guidelines on Liquidity Coverage Ratio (LCR) (No.2). Per BOT's requirement, the Bank is required to sustain LCR at or above 100% during calendar year 2020 onward:

$$LCR = \frac{HQLA}{Net\ COF}$$

5.2 LCR Qualitative Disclosure¹

Average LCR during quarter ending in September 2021 is 208.8% and in June 2021 is 325.7%, which are above the level required by the Bank of Thailand at 100%. LCR is composed of two main components as follows:

High-quality Liquid Assets (HQLA)

HQLA refers to assets that are highly liquid (easily converted to cash without major loss of value), low risk, not volatile (value has low correlation to overall economic condition), and not encumbered. LCR recognizes HQLA in 3 levels; level 1, which is highest in quality and most liquid asset, and can be included without a limit or a haircut (such as Thai Government Bond and cash), level 2A and 2B which are relatively stable but not to the same degree as level 1 and are faced with larger haircut and maybe limited in amount that can be counted toward HQLA. the Bank of Thailand require compliance with Operational Requirement for HQLA which tests for the characteristics above, as well as the haircut to be applied for each type.

The Bank's average HQLA at the end of quarter ending in September 2021 is 12,224.6 MTHB, of which is wholly comprised of level 1 HQLA, which is diversified among assets such as bonds issued by Bank of Thailand and Ministry of Finance, and deposit at the Bank of Thailand or other major financial institutions.

Net Cash Outflow (Net COF)

Net Cash Outflow (Net COF) is the Bank's total obligated outflow within 30 calendar days from both on and off-balance sheet. It is calculated by Cash Outflow subtracted by the smaller between Cash Inflow and 75% of Cash Outflow. Each type of Cash Outflow and Inflow are subjected to runoff rate under stressed scenario per Bank of Thailand's regulation.

Average Net COF at the end of quarter ending in September 2021 is 5,857.1 MTHB. The major sources of Cash Outflow include deposit outflow, and net cash flow within the financial group. The major sources of Cash Inflow include loan repayment. One of the Bank's major funding source is foreign currency loan from parent bank, which is then swapped to local currency to minimize market risk. The arising derivative, and net cash flow within the financial group are major contributor to Net COF.

¹ The Bank revised LCR ratio as of January 2019 to May 2020 to redefine Financial Business-related counterparty for purpose of LCR Reporting. The average LCR in Table 7 and Table 8 already reflected the revision.

Other Disclosure

Along with LCR, the Bank also employ industry standard tools to monitor and manage its liquidity risks, such as Liquidity Gap, Funding Concentration, monitoring of various market and liquidity indicators, and will continuously improve its risk management tools and techniques to align with global best practice and the Bank's business plan to achieve safe and profitable business.

5.3 LCR Quantitative Disclosure²

Table 7: Average LCR and components

Unit: Million Baht

	30 September 2021 (2021 Q2)	30 September 2020 (2020 Q2)
1. Total HQLA	12,224.6	9,051.4
2. Net COF	5,857.1	4,834.3
3. LCR (%)	208.8%	187.9%
4. Minimum required LCR per BOT (%)	100%	100%

*Per Bank of Thailand's circular (Sor.Nor.Sor. 9/2558: Guideline on Liquidity Ratio 'LCR', the Bank is required to sustain LCR at or above 100% during calendar year 2020 onward).

**Per Bank of Thailand's circular (Sor.Nor.Sor. 2/2561: Liquidity Coverage Ratio Disclosure Standards, subsidiaries of foreign banks whose financial years ends on March 31st, the disclosure date is based on September 30th (quarter 2) for first half of the year, and March 31st (quarter 4) for second half of the year.

Table 8: Average LCR for comparison

Period	Average LCR	Minimum required LCR per BOT	Remarks
2021 Q2	208.8%	100%	
2021 Q1	325.7%	100%	
2020 Q2	187.9%	100%	For Comparison
2020 Q1	177.7%	100%	For Comparison

² The Bank revised LCR ratio as of January 2019 to May 2020 to redefine Financial Business-related counterparty for purpose of LCR Reporting. The average LCR in Table 7 and Table 8 already reflected the revision.