



Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

## Pillar 3 Disclosure

September 30<sup>th</sup>, 2024



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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 7<sup>th</sup>, 2014. The Bank obtained its banking license on August 14<sup>th</sup>, 2015, and commenced operating as a bank on October 28<sup>th</sup>, 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/](http://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 1<sup>st</sup>, 2020.

**Table 1: Key Prudential Metrics**

Item		30 September 2024	31 March 2024
<b>Available capital (unit: million baht)</b>			
1	Common equity tier 1 (CET1)	20,698.72	20,516.66
1A	Fully loaded ECL <sup>1/</sup> CET1	20,698.72	20,516.66
2	Tier 1	20,698.72	20,516.66
2A	Fully loaded ECL tier 1	20,698.72	20,516.66
3	Total capital	20,873.25	20,932.05
3A	Fully loaded ECL total capital	20,873.25	20,932.05
<b>Risk-weighted assets (unit: million baht)</b>			
4	Total risk-weighted assets (RWA)	77,294.39	77,263.74
<b>Risk-based capital ratios as a percentage of RWA (%)</b>			
5	CET1 ratio	26.78	26.55
5A	Fully loaded ECL CET1 ratio	26.78	26.55
6	Tier 1 ratio	26.78	26.55
6A	Fully loaded ECL tier 1 ratio	26.78	26.55
7	Total capital ratio	27.00	27.09
7A	Fully loaded ECL total capital ratio	27.00	27.09
<b>Capital buffer ratios a percentage of RWA (%)</b>			
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 <sup>2/</sup>	18.50	18.59
<b>Liquidity coverage ratio (LCR)</b>			
13	Total high-quality liquid assets (Total HQLA) (unit: million baht)	14,998.08	16,547.23
14	Total net cash outflows (within a 30-day period) (unit: million baht)	7,143.13	6,416.69
15	LCR ratio (%)	209.97	257.88

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

2/ CET1 ratio remaining after maintaining the minimum capital is not necessarily equal to the difference between CET1 ratio in items no.5 with minimum CET1 ratio requirement at 4.5% since CET1 ratio may be included in minimum Tier 1 ratio requirement at 6% and/or minimum total capital ratio requirement at 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 30<sup>th</sup>, 2024, the Bank's capital component comprises Common Equity Tier 1 (CET1) capital 20,698.72 Million Baht, there is no additional tier 1 capital. And Tier 2 capital is 174.53 Million Baht. The Bank maintains regulatory capital 20,873.25 Million Baht in total.

**Table 2: Capital of Locally-Registered Commercial Banks**

Unit: Million Baht

Item Details	30 September 2024	31 March 2024
1. Tier 1 capital	20,698.72	20,516.66
1.1 CET1	20,698.72	20,516.66
1.1.1 Paid-up capital (common stock) deducted by buyback of common stock	20,000.00	20,000.00
1.1.2 Legal reserves	61.60	39.73
1.1.3 Net profits after appropriated	1,031.96	1,032.87
1.1.4 Other items of owner's equity:		
• Accumulated other comprehensive income	(53.86)	(101.33)
• Other items from owner changes	-	-
1.1.5 Items to be deducted from CET1:		
• Total amount of items to be deducted from (e.g. net losses, intangible assets, deferred tax asset and other)	(340.98)	(454.61)
2. Tier 2 capital	174.53	415.39
2.1 General provision	174.53	415.39
<b>Total regulatory capital</b>	<b>20,873.25</b>	<b>20,932.05</b>

Based on the BOT notification no. SorNorSor 22/2562 Re: Guidelines on Holding of Minimum Provisions for Financial Institutions and Financial Business Groups, the Bank shall hold the minimum provision (provision floor) at 1.00% or 851.53 Million Baht at the end of September 30<sup>th</sup>, 2024. However, the Bank has shortfall provision by 174.53 Million Baht which will be deducted from CET1 and treat this shortage as general provision.

#### 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 30<sup>th</sup>, 2024, 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.

Risk type	Unit: Million Baht
	Minimum capital requirements
Credit risk	6,364.44
Market risk	73.98
Operational risk	131.60

**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 2024	31 March 2024
<b>Performing claims:</b>		
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	440.13	369.61
3. Claims on corporates, non-central government public sector entities (PSEs) treated as claims on corporate	5,913.11	5,992.66
4. Other assets	11.20	10.68
<b>Total minimum capital requirement for credit risk</b>	<b>6,364.44</b>	<b>6,372.95</b>

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

Unit: Million Baht		
Minimum capital requirement for market risk under the SA	30 September 2024	31 March 2024
Interest rate risk	0.15	0.20
Equity position risk	-	-
Foreign exchange rate risk	73.83	63.34
Commodity risk	-	-
<b>Total minimum capital requirement for market risk</b>	<b>73.98</b>	<b>63.54</b>

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

Unit: Million Baht		
Minimum capital requirement for operational risk	30 September 2024	31 March 2024
1. Basic Indicator Approach	131.60	130.93
<b>Total minimum capital requirement for operational risk</b>	<b>131.60</b>	<b>130.93</b>

**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 2024			31 March 2024		
	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	27.00	8.50	11.00	27.09	8.50	11.00
2. Tier 1 Ratio	26.78	6.00	8.50	26.55	6.00	8.50
3. Common Equity Tier 1 Ratio	26.78	4.50	7.00	26.55	4.50	7.00

#### **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 31<sup>st</sup>, the disclosure date is based on September 30<sup>th</sup> (quarter 2) and March 31<sup>st</sup> (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 the reporting periods:

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

### 5.2 LCR Qualitative Disclosure

Average LCR during quarter ending in September 2024 is 224.8% and in June 2024 is 206.2%, 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 2024 is 15,602.7 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 2024 is 6,948.2 MTHB. The major sources of Cash Outflow include deposit outflow, interbank borrowing, and net cash flow within the financial group. The major sources of Cash Inflow include loan repayment from interbank and customer. 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.

#### 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 liquidity indicators for internal and external factors, 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 Disclosure

**Table 7: Average LCR and components**

Unit: Million Baht

	30 September 2024 (2024 Q2)	30 September 2023 (2023 Q2)
1. Total HQLA	15,602.7	13,995.7
2. Net COF	6,948.2	7,461.3
3. LCR (%)	224.8%	189.4%
4. Minimum required LCR per BOT (%)	100%	100%

\*Per Bank of Thailand's circular (Sor.Nor.Sor. 9/2558: Guideline on Liquidity Ratio 'LCR' and subsequent updates, the Bank is required to sustain LCR at or above 100% during reported periods).

\*\*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
2024 Q2	224.8%	100%	
2024 Q1	206.2%	100%	
2023 Q2	189.4%	100%	For Comparison
2023 Q1	174.7%	100%	For Comparison