



Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

## Pillar 3 Disclosure

September 30<sup>th</sup>, 2019



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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. Sor.Nor.Sor. 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/](http://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 30<sup>th</sup>, 2019, 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 19,418.53 Million Baht in total.

**Table 1: Capital of Locally-Registered Commercial Banks**

Unit: Million Baht

Item Details	30 September 2019	31 March 2019
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	(486.39)	(479.64)
1.1.3 Other items of owner's equity:		
• Accumulated other comprehensive income	2.44	(0.94)
• 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)	(97.52)	(145.93)
<b>Total Tier 1 capital</b>	<b>19,418.53</b>	<b>19,373.49</b>
<b>Total regulatory capital</b>	<b>19,418.53</b>	<b>19,373.49</b>

## 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 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>, 2019, 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	4,349.48
Market risk	93.02
Operational risk	86.49

**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 2019	31 March 2019
<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	84.47	-
2. Claims on financial institutions, non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	248.75	137.40
3. Claims on corporates, non-central government public sector entities (PSEs) treated as claims on corporate	3,987.36	3,914.61
4. Other assets	28.90	14.28
<b>Total minimum capital requirement for credit risk under the SA</b>	<b>4,349.48</b>	<b>4,066.29</b>

**Table 3: Minimum capital requirement for market risk (SA)**

Unit: Million Baht

Minimum capital requirement for market risk (positions in the trading book)	30 September 2019	31 March 2019
1. Standardised method	93.02	37.42
<b>Total minimum capital requirement for market risk</b>	<b>93.02</b>	<b>37.42</b>

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

Unit: Million Baht

Minimum capital requirement for operational risk under the BIA	30 September 2019	31 March 2019
1. Basic Indicator Approach	86.49	76.81
<b>Total minimum capital requirement for operational risk</b>	<b>86.49</b>	<b>76.81</b>

**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 2019			31 March 2019		
	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	36.44	8.50	11.000	39.39	8.50	11.000
2. Tier 1 Ratio	36.44	6.00	8.500	39.39	6.00	8.500
3. Common Equity Tier 1 Ratio	36.44	4.50	7.000	39.39	4.50	7.000

\*Capital buffer requires an additional Common Equity Tier 1 at 0.625 percentage points per annum from 1 January 2016 onwards until reaching 2.50 percentage points on 1 January 2019.

### **3. 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.

## 4. Liquidity Coverage Ratio

### 4.1 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 of Fiscal Year) and March 31<sup>st</sup> (quarter 4 of Fiscal Year) 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'). Per BOT's requirement, the Bank is required to sustain LCR at or above 70% during calendar year 2017, and increasing 10% each subsequent year until 100% :

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

### 4.2 LCR Qualitative Disclosure<sup>1</sup>

Average LCR during quarter ending in September 2019 is 226.25% and in June 2019 is 168.7%, which are above the level required by the Bank of Thailand at 90% for calendar year 2019. 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 2019 is 9,417.8 MTHB, of which is wholly comprised of level 1 HQLA, which is diversified among assets such as bonds issued by Bank of Thailand, 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 2019 is 3,978.9 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 repayment from loan and deposit with major financial institution. 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. This gave rise to net cash flow within the financial group as major contributor to Net COF.

<sup>1</sup> 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 20 and Table 21 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.

### 4.3 LCR Quantitative Disclosure<sup>2</sup>

**Table 6: Average LCR and components**

Unit: MTHB

	30 September 2019 (2019 Q2)	30 September 2018 (2018 Q2)
1. Total HQLA	9,417.8	8,815.3
2. Net COF	3,978.9	4,710.7
3. LCR (%)	226.3%	187.1%
4. Minimum required LCR per BOT (%)	90%	80%

\*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 70% during the calendar year 2017, and increasing 10% each subsequent year until 100%).

\*\*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 7: Average LCR for comparison**

Period	Average LCR	Minimum required LCR per BOT	Remarks
2019 Q2	226.3%	90%	
2019 Q1	168.7%	90%	
2018 Q2	187.1%	80%	For comparison
2018 Q1	146.9%	80%	For comparison

<sup>2</sup> 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 20 and Table 21 already reflected the revision.