

Liquidity Risk Information (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

Since March 31, 2015, the “Liquidity Coverage Ratio” (hereinafter referred to as “LCR”), the liquidity regulation under the Basel III, has been introduced in Japan. In addition to the application of uniform international standards, SMFG calculates its consolidated LCR using the calculation formula stipulated in the “Criteria for Evaluating the Soundness of Liquidity Status Set Forth by a Bank Holding Company as a Benchmark for Judging the Soundness of Management of Itself and its Subsidiaries, etc., Based on the Provision of Article 52-25 of the Banking Act, and Which Are Also the Criteria to be Referred to for Judging the Soundness of Management in Banks” (Notification No. 62 issued by the Japanese Financial Services Agency in 2014; hereinafter referred to as the “LCR Notification”). Meanwhile, SMFG discloses its liquidity risk management and LCR in compliance with “Matters Related to the Status of the Soundness of Management Concerning Liquidity Separately Specified by the Commissioner of the Japanese Financial Services Agency, Based on the Provision of Article 19-2, Paragraph 1, Item 5 (e) of the Ordinance for Enforcement of the Banking Act, etc.” (Notification No. 7 issued by the Japanese Financial Services Agency in 2015).

■ Disclosure of Liquidity Risk Management

1. Liquidity Risk Management Policy and Procedures

At SMFG, liquidity risk is centrally managed by the Corporate Risk Management Department, which is operated independently of business units engaged in market transactions. The department is responsible for the measurement of funding gaps and monitoring of the risk status through stress tests and other means, in addition to the development and analysis of risk appetite indicators, with a view to maintaining a stable balance between the lending and funding structure. It reports these sets of information to the Management Committee and Board of Directors, etc. In addition, in accordance with SMFG’s “Principal Policy for Group Risk Management,” principle policies of liquidity risk management and important risk-related matters, such as a risk tolerance, are determined by the Management Committee before they are approved by the Board of Directors.

2. Indicators for Assessing Liquidity Risk and Other Liquidity Risk Management

(1) Risk appetite indicator

This indicator demonstrates the degree of deviance from the quantitative risks (e.g. LCR) estimated at the beginning of the fiscal year. SMFG has set three alert levels of deviance to monitor the status of the liquidity risk it exposes.

(2) Maintaining supplementary liquidity

Supplementary liquidity is maintained by holding assets, such as U.S. government bonds, which can be immediately converted to cash in order to smoothly raise the required funds even during market disruption, and these asset holdings are monitored regularly.

(3) Funding gap management

A funding gap is defined as the maturity mismatch between source of funds and use of funds and shows forthcoming funding requirements. SMFG manages this funding gap properly by setting limits on the size of the gap and limiting reliance on short-term funding. These limits are set in place on both a bank-wide basis and individual branch basis, and take into account funding status, cash management planning, economic environments, and individual currency characteristics and other factors. Additionally, funding gap limits are set for individual currencies if necessary. SMFG monitors the funding gap on a daily basis.

(4) Stress tests

Stress tests are designed to ensure the development of a robust liquidity structure to cope with substantial cash outflows in a stress period. The test is regularly carried out by simulating the impact triggered, for example, by deposit outflows or difficulties in money market funding, in order to appraise and manage the amount of funding required when liquidity risk is realized.

(5) Measures against realized liquidity stress

Contingency plans are developed to respond to the liquidity risk when being realized, by creating detailed action plans such as lowering the upper limit for the funding gap, depending on the existing situation (i.e. normal, concerned, or critical) and the respective circumstances.

■ Disclosure of Qualitative Information about Liquidity Coverage Ratio

1. Intra-period Changes in Consolidated LCR

As described in “Disclosure of Quantitative Information about Liquidity Coverage Ratio (Consolidated)” on the following page, the LCR has remained stable with no significant fluctuation following the introduction of the liquidity regulation on March 31, 2015.

2. Assessment of Consolidated LCR

The LCR Notification stipulates that the minimum requirement of LCR for 2016 is set at 70.0% and from 2017 onwards, the LCR is raised in increments of 10.0% in stages, reaching 100.0% in and after 2019 (see table below).

| | 2015 | 2016 | 2017 | 2018 | 2019 onwards |
|--------------------------------------|-------|-------|-------|-------|--------------|
| The minimum requirement of LCR | 60.0% | 70.0% | 80.0% | 90.0% | 100.0% |

Consolidated LCR of SMFG exceeds the minimum requirements of LCR for 2016 (70.0%) and for 2019 onwards (100.0%), having no cause for concern. SMFG does not expect that the future LCR forecasts will differ significantly from the announced ratios. In addition, the actual LCR does not differ significantly from the initial forecast.

3. Composition of High-Quality Liquid Assets

The consolidated high-quality liquid assets held by SMFG that are allowed to be included in the calculation of LCR include deposits with central banks, highly-rated bonds and cash. As described in “Disclosure of Quantitative Information about Liquidity Coverage Ratio (Consolidated)” in the following table, the amount of such high-quality liquid assets exceed the amount of net cash outflows. Meanwhile, currency denominations, categories and location, etc. of the high-quality liquid assets allowed to be included in the calculation have not shown any significant changes. In addition, in respect of major currencies (those of which the aggregate amount of liabilities denominated in a certain currency accounts for 5.0 % or more of SMFG’s total liabilities on the consolidated basis), there is no significant mismatch in currency denomination between the total amount of the high-quality liquid assets allowed to be included in the calculation and the amount of net cash outflows.

4. Other Information Concerning Consolidated LCR

SMFG has not applied “special provisions concerning qualifying operational deposits” prescribed in Article 28 of the LCR Notification and “increased liquidity needs related to market valuation changes on derivative or other transactions simulated through Scenario Approach” prescribed in Article 37 of the same Notification. Meanwhile, SMFG records “cash outflows related to small-sized consolidated subsidiaries,” etc. under “cash outflows based on other contracts” prescribed in Article 59 of the same Notification.

■ Disclosure of Quantitative Information about Liquidity Coverage Ratio (Consolidated)

(In million yen, %, the number of data)

| Item | | Current Quarter (From 2016/1/1 To 2016/3/31) | | Prior Quarter (From 2015/10/1 To 2015/12/31) | |
|--|---|--|----------------------------|--|----------------------------|
| High-Quality Liquid Assets (1) | | | | | |
| 1 | Total high-quality liquid assets (HQLA) | 49,664,698 | | 48,621,338 | |
| Cash Outflows (2) | | TOTAL UNWEIGHTED VALUE | TOTAL WEIGHTED VALUE | TOTAL UNWEIGHTED VALUE | TOTAL WEIGHTED VALUE |
| 2 | Cash outflows related to unsecured retail funding | 49,743,188 | 3,892,979 | 48,865,918 | 3,843,214 |
| 3 | of which, Stable deposits | 15,459,536 | 463,846 | 14,915,420 | 447,463 |
| 4 | of which, Less stable deposits | 34,283,652 | 3,429,132 | 33,950,498 | 3,395,751 |
| 5 | Cash outflows related to unsecured wholesale funding | 55,311,931 | 30,862,377 | 54,687,009 | 31,318,058 |
| 6 | of which, Qualifying operational deposits | — | — | — | — |
| 7 | of which, Cash outflows related to unsecured wholesale funding other than qualifying operational deposits and debt securities | 48,108,832 | 23,659,278 | 47,298,845 | 23,929,893 |
| 8 | of which, Debt securities | 7,203,099 | 7,203,099 | 7,388,165 | 7,388,165 |
| 9 | Cash outflows related to secured funding, etc. | | 64,128 | | 71,137 |
| 10 | Cash outflows related to derivative transactions, etc. funding programs, credit and liquidity facilities | 20,118,571 | 6,911,940 | 20,510,320 | 6,848,060 |
| 11 | of which, Cash outflows related to derivative transactions, etc. | 1,845,259 | 1,845,259 | 1,588,137 | 1,588,137 |
| 12 | of which, Cash outflows related to funding programs | 582,882 | 582,882 | 632,800 | 632,800 |
| 13 | of which, Cash outflows related to credit and liquidity facilities | 17,690,430 | 4,483,799 | 18,289,383 | 4,627,123 |
| 14 | Cash outflows related to contractual funding obligations, etc. | 8,969,609 | 5,828,019 | 8,008,212 | 5,286,320 |
| 15 | Cash outflows related to contingencies | 65,635,893 | 917,321 | 64,204,284 | 919,477 |
| 16 | Total cash outflows | | 48,476,765 | | 48,286,266 |
| Cash Inflows (3) | | TOTAL UNWEIGHTED VALUE | TOTAL WEIGHTED VALUE | TOTAL UNWEIGHTED VALUE | TOTAL WEIGHTED VALUE |
| 17 | Cash inflows related to secured lending, etc. | 4,900,450 | 262,466 | 4,018,112 | 221,480 |
| 18 | Cash inflows related to collection of loans, etc. | 4,372,853 | 2,918,343 | 4,523,449 | 2,985,454 |
| 19 | Other cash inflows | 4,276,699 | 2,210,086 | 3,988,910 | 2,042,753 |
| 20 | Total cash inflows | 13,550,002 | 5,390,895 | 12,530,470 | 5,249,686 |
| Consolidated Liquidity Coverage Ratio (4) | | | | | |
| 21 | Total HQLA allowed to be included in the calculation | | 49,664,698 | | 48,621,338 |
| 22 | Net cash outflows | | 43,085,870 | | 43,036,580 |
| 23 | Consolidated liquidity coverage ratio (LCR) | | 115.2% | | 112.9% |
| 24 | The number of data used to calculate the average value | | 3 | | 3 |

The data following the introduction of the liquidity regulation on March 31, 2015 is available on SMFG’s website.
(http://www.smfg.co.jp/english/investor/financial/basel_3.html)