Basel III Information

Capital Ratio Information (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

The consolidated capital ratio is calculated using the method stipulated in “Standards for Bank Holding Company to Examine the Adequacy of Its Capital Based on Assets, Etc. Held by It and Its Subsidiaries Pursuant to Article 52-25 of the Banking Act” (Notification No. 20 issued by the Japanese Financial Services Agency in 2006; hereinafter referred to as “the Notification”).
In addition to the method stipulated in the Notification to calculate the consolidated capital ratio (referred to as “International Standard” in the Notification), we have adopted the Advanced Internal Ratings-Based (AIRB) approach for calculating credit risk-weighted asset amounts and the Advanced Measurement Approach (AMA) for calculating the operational risk equivalent amount.
“Consolidated Capital Ratio Information” was prepared principally based on the Notification, and the terms and details in the section may differ from those in other sections of this report.

■ Scope of Consolidation

1. Consolidated Capital Ratio Calculation

- Number of consolidated subsidiaries: 347
  Please refer to “Principal Subsidiaries and Affiliates” on page 122 for their names and business outline.
- Scope of consolidated subsidiaries for calculation of the consolidated capital ratio is based on the scope of consolidated subsidiaries for preparing consolidated financial statements.
- There are no affiliates to which the proportionate consolidation method is applied.

2. Restrictions on Movement of Funds and Capital within Holding Company Group

There are no special restrictions on movement of funds and capital among us and its group companies.

3. Names of companies among subsidiaries of bank-holding companies (other financial institutions), with the Basel Capital Accord required amount, and total shortfall amount

Not applicable.

■ Capital Structure Information (Consolidated Capital Ratio (International Standard))

Regarding the calculation of the capital ratio, certain procedures were performed by KPMG AZSA LLC pursuant to “Treatment of Inspection of the Capital Ratio Calculation Framework Based on Agreed-Upon Procedures” (JICPA Industry Committee Practical Guideline No. 30). The certain procedures performed by the external auditor are not part of the audit of consolidated financial statements. The certain procedures performed on our internal control framework for calculating the capital ratio are based on procedures agreed upon by Sumitomo Mitsui Financial Group and the external auditor and are not a validation of appropriateness of the capital ratio itself or opinion on the internal controls related to the capital ratio calculation.

(Millions of yen, except percentages)

Basel III Template No.	Items	As of March 31, 2018	Amounts excluded under transitional arrangements	As of March 31, 2017	Amounts excluded under transitional arrangements
Common Equity Tier 1 capital: instruments and reserves					
1a+2-1c-26	Directly issued qualifying common share capital plus related capital surplus and retained earnings	8,510,089		8,013,333	
1a	of which: capital and capital surplus	3,096,958		3,095,242	
2	of which: retained earnings	5,552,573		5,036,756	
1c	of which: treasury stock (–)	12,493		12,913	
26	of which: cash dividends to be paid (–)	126,950		105,752	
	of which: other than the above	–		–	
1b	Stock acquisition rights to common shares	2,823		3,206	
3	Accumulated other comprehensive income and other disclosed reserves	1,753,424	–	1,289,962	322,490
5	Adjusted non-controlling interests, etc. (amount allowed to be included in group Common Equity Tier 1)	332		172,277	
	Total of items included in Common Equity Tier 1 capital: instruments and reserves subject to transitional arrangements	–		27,797	
	of which: non-controlling interests and other items corresponding to common share capital issued by consolidated subsidiaries (amount allowed to be included in group Common Equity Tier 1)	–		27,797	
6	Common Equity Tier 1 capital: instruments and reserves (A)	10,266,670		9,506,577	
Common Equity Tier 1 capital: regulatory adjustments					
8+9	Total intangible assets (excluding those relating to mortgage servicing rights)	711,731	–	629,840	157,460
8	of which: goodwill (including those equivalent)	292,318	–	274,818	68,704
9	of which: other intangible assets other than goodwill and mortgage servicing rights	419,413	–	355,022	88,755
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,432	–	3,350	837
11	Net deferred gains or losses on hedges	(67,433)	–	(32,470)	(8,117)
12	Shortfall of eligible provisions to expected losses	66,256	–	63,740	15,935
13	Gain on sale on securitisation transactions	60,215	–	46,740	11,685
14	Gains and losses due to changes in own credit risk on fair valued liabilities	2,646	–	2,761	690
15	Net defined benefit asset	266,468	–	174,987	43,746
16	Investments in own shares (excluding those reported in the Net assets section)	7,981	–	9,135	2,283
17	Reciprocal cross-holdings in common equity	–	–	–	–
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (“Other Financial Institutions”), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (“Non-significant Investment”) (amount above the 10% threshold)	–	–	–	–
19+20+21	Amount exceeding the 10% threshold on specified items	–	–	–	–
19	of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	–	–	–	–
20	of which: mortgage servicing rights	–	–	–	–
21	of which: deferred tax assets arising from temporary differences (net of related tax liability)	–	–	–	–
22	Amount exceeding the 15% threshold on specified items	–	–	–	–
23	of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	–	–	–	–
24	of which: mortgage servicing rights	–	–	–	–
25	of which: deferred tax assets arising from temporary differences (net of related tax liability)	–	–	–	–
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–		–	
28	Common Equity Tier 1 capital: regulatory adjustments (B)	1,049,297		898,087	
Common Equity Tier 1 capital (CET1)					
29	Common Equity Tier 1 capital (CET1) ((A)-(B)) (C)	9,217,372		8,608,490	

(Millions of yen, except percentages)

Basel III Template No.		Items		As of March 31, 2018	Amounts excluded under transitional arrangements	As of March 31, 2017	Amounts excluded under transitional arrangements
Additional Tier 1 capital: instruments							
30	31a	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown		–		–	
	31b	Stock acquisition rights to Additional Tier 1 instruments		–		–	
	32	Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards		599,794		449,897	
		Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities		–		–	
34-35		Adjusted non-controlling interests, etc. (amount allowed to be included in group Additional Tier 1)		224,359		234,697	
33+35		Eligible Tier 1 capital instruments subject to transitional arrangements included in Additional Tier 1 capital: instruments		650,343		812,928	
33		of which: instruments issued by bank holding companies and their special purpose vehicles		650,343		812,928	
35		of which: instruments issued by subsidiaries (excluding bank holding companies' special purpose vehicles)		–		–	
		Total of items included in Additional Tier 1 capital: items subject to transitional arrangements		–		13,015	
		of which: foreign currency translation adjustments		–		13,015	
36		Additional Tier 1 capital: instruments	(D)	1,474,497		1,510,539	
Additional Tier 1 capital: regulatory adjustments							
37		Investments in own Additional Tier 1 instruments		–	–	–	–
38		Reciprocal cross-holdings in Additional Tier 1 instruments		–	–	–	–
39		Non-significant Investments in the Additional Tier 1 capital of Other Financial Institutions, net of eligible short positions (amount above 10% threshold)		–	–	–	–
40		Significant investments in the Additional Tier 1 capital of Other Financial Institutions (net of eligible short positions)		81,640	–	64,035	16,008
		Total of items included in Additional Tier 1 capital: regulatory adjustments subject to transitional arrangements		–		108,814	
		of which: goodwill and others		–		89,162	
		of which: gain on sale on securitisation transactions		–		11,685	
		of which: amount equivalent to 50% of shortfall of eligible provisions to expected losses		–		7,967	
42		Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		–		–	
43		Additional Tier 1 capital: regulatory adjustments	(E)	81,640		172,850	
Additional Tier 1 capital (AT1)							
44		Additional Tier 1 capital ((D)-(E))	(F)	1,392,857		1,337,689	
Tier 1 capital (T1 = CET1 + AT1)							
45		Tier 1 capital (T1 = CET1 + AT1) ((C)+(F))	(G)	10,610,229		9,946,179	
Tier 2 capital: instruments and provisions							
46		Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and its breakdown		–		–	
		Stock acquisition rights to Tier 2 instruments		–		–	
		Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards		993,367		898,911	
		Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities		–		–	
48-49		Adjusted non-controlling interests, etc. (amount allowed to be included in group Tier 2)		49,810		54,539	
47+49		Eligible Tier 2 capital instruments subject to transitional arrangements included in Tier 2: instruments and provisions		625,381		873,116	
47		of which: instruments issued by bank holding companies and their special purpose vehicles		–		–	
49		of which: instruments issued by subsidiaries (excluding bank holding companies' special purpose vehicles)		625,381		873,116	
50		Total of general reserve for possible loan losses and eligible provisions included in Tier 2		75,328		74,104	
50a		of which: general reserve for possible loan losses		75,328		74,104	
50b		of which: eligible provisions		–		–	
		Total of items included in Tier 2 capital: instruments and provisions subject to transitional arrangements		–		197,384	
		of which: unrealized gains on other securities after 55% discount		–		191,125	
		of which: land revaluation excess after 55% discount		–		6,259	
51		Tier 2 capital: instruments and provisions	(H)	1,743,888		2,098,057	

(Millions of yen, except percentages)

Basel III Template No.	Items		As of March 31, 2018	Amounts excluded under transitional arrangements	As of March 31, 2017	Amounts excluded under transitional arrangements
Tier 2 capital: regulatory adjustments						
52	Investments in own Tier 2 instruments		0	–	–	–
53	Reciprocal cross-holdings in Tier 2 instruments		–	–	–	–
54	Non-significant Investments in the Tier 2 capital of Other Financial Institutions, net of eligible short positions (amount above the 10% threshold)		–	–	–	–
55	Significant investments in the Tier 2 capital of Other Financial Institutions (net of eligible short positions)		50,000	–	40,000	10,000
	Total of items included in Tier 2 capital: regulatory adjustments subject to transitional arrangements		–		30,569	
	of which: Tier 2 and deductions under Basel II		–		30,569	
57	Tier 2 capital: regulatory adjustments	(I)	50,000		70,569	
Tier 2 capital (T2)						
58	Tier 2 capital (T2) ((H)-(I))	(J)	1,693,888		2,027,488	
Total capital (TC = T1 + T2)						
59	Total capital (TC = T1 + T2) ((G) + (J))	(K)	12,304,117		11,973,667	
Risk weighted assets						
	Total of items included in risk weighted assets subject to transitional arrangements		–		38,835	
	of which: intangible assets (excluding those relating to mortgage servicing rights)		–		16,711	
	of which: net defined benefit asset		–		12,010	
	of which: significant investments in Tier 2 capital of Other Financial Institutions (net of eligible short positions)		–		7,709	
60	Risk weighted assets	(L)	63,540,277		70,683,540	
Capital ratio (consolidated)						
61	Common Equity Tier 1 risk-weighted capital ratio (consolidated) ((C)/(L))		14.50%		12.17%	
62	Tier 1 risk-weighted capital ratio (consolidated) ((G)/(L))		16.69%		14.07%	
63	Total risk-weighted capital ratio (consolidated) ((K)/(L))		19.36%		16.93%	
Regulatory adjustments						
72	Non-significant Investments in the capital of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)		699,361		729,452	
73	Significant investments in the common stock of Other Financial Institutions that are below the thresholds for deduction (before risk weighting)		617,191		542,985	
74	Mortgage servicing rights that are below the thresholds for deduction (before risk weighting)		–		–	
75	Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)		3,997		24,339	
Provisions included in Tier 2 capital: instruments and provisions						
76	Provisions (general reserve for possible loan losses)		75,328		74,104	
77	Cap on inclusion of provisions (general reserve for possible loan losses)		85,252		84,683	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		–		–	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		288,292		331,220	
Capital instruments subject to transitional arrangements						
82	Current cap on Additional Tier 1 instruments subject to transitional arrangements		650,343		812,928	
83	Amount excluded from Additional Tier 1 due to cap (excess over cap after redemptions and maturities)		79,809		58,050	
84	Current cap on Tier 2 instruments subject to transitional arrangements		813,713		1,017,141	
85	Amount excluded from Tier 2 due to cap (excess over cap after redemptions and maturities)		–		–	

(Millions of yen)

Items	As of March 31, 2018	As of March 31, 2017
Required capital ((L) × 8%)	5,083,222	5,654,683

Overview of RWA (OV1)

(Millions of yen)

OV1: Overview of RWA						
Basel III Template No.		a	b	c	d
		RWA		Minimum capital requirements	
		As of March 31, 2018	As of March 31, 2017	As of March 31, 2018	As of March 31, 2017
1	Credit risk (CR) (excluding counterparty credit risk)	44,008,267		3,691,956	
2	Of which: Standardised Approach (SA)	4,773,898		381,911	
3	Of which: internal ratings-based (IRB) approach	35,686,496		3,026,214	
	Of which: significant investments in commercial entities	–		–	
	Of which: lease residual value	467,926		37,434	
	Other assets	3,079,946		246,395	
4	Counterparty credit risk (CCR)	3,918,579		318,144	
5	Of which: standardised approach for counterparty credit risk (SA-CCR)	–		–	
	Of which: current exposure method (CEM)	1,051,112		88,124	
6	Of which: Expected Positive Exposure (EPE)	–		–	
	Of which: Credit Valuation Adjustment (CVA)	2,252,318		180,185	
	Of which: Central Counterparty (CCP)	172,536		13,802	
	Others	442,610		36,031	
7	Equity positions in banking book under market-based approach	1,134,141		96,175	
	Equity investment in funds (SA)	140,870		11,269	
	Equity investment in funds (IRB)	3,125,588		265,049	
11	Settlement risk	–		–	
12	Securitisation exposures in banking book	817,315		69,249	
13	Of which: IRB ratings-based approach (RBA)	47,692		4,044	
14	Of which: IRB Supervisory Formula Approach (SFA)	184,229		15,622	
15	Of which: Standardised Approach (SA)	12,334		986	
	Of which: Risk weight (RW) 1250% is applied	573,058		48,595	
16	Market risk	2,697,316		215,785	
17	Of which: standardised approach (SA)	1,135,003		90,800	
18	Of which: internal model approaches (IMA)	1,562,313		124,985	
19	Operational risk	3,549,141		283,931	
20	Of which: Basic Indicator Approach	700,718		56,057	
21	Of which: Standardised Approach	–		–	
22	Of which: Advanced Measurement Approach	2,848,423		227,873	
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	1,552,824		131,661	
	RWA subject to transitional arrangements	–		–	
24	Floor adjustment	–		–	
25	Total (after applying scaling factors)	63,540,277		5,083,222	

Credit Quality of Assets

1. Overview of Criteria for Accounting Provisions and Write-Offs

(1) Policies and Methods of Provisions and Write-Offs

For "Policies and Methods of Provisions and Write-Offs," please refer to pages 94 to 98 (Risk Management - 3. Credit Risk Management Methods - (1) Credit Risk Assessment and Quantification, (4) Self-Assessment, Write-Offs and Provisions, Non-Performing Loans Disclosure).

(2) Extent of the Number of Delinquency Days of "Past Due Loans of Three Months or More" that are Allowed Not to Classify Their Loan Category as "Doubtful Assets" or Below (or Not to Judge as Loans to Parties Classified as Potentially Bankrupt Borrowers or Below) and Reasons Thereof

At SMBC, as a core bank of SMBC Group, the delinquency period of past due loans of three months or more that are allowed not to classify loans as doubtful assets or below (or not to judge as loans to parties classified as potentially bankrupt borrowers or below) is generally less than six months, and they are loans to parties that are expected to improve business conditions. If there are any past due loans of six months or more, they shall be in principle classified as loans to potentially bankrupt borrowers or below.

(3) Definition of Loans Whose Loan Terms and Conditions were Restructured

At SMBC, as a core bank of SMBC Group, loans whose loan terms and conditions were restructured are defined as loans with interest rate reduction, deferred payment of interest, deferred repayment of principal amount, abandonment of loans, or other arrangements that are advantageous for the obligors, for the purpose of business rehabilitation or support for the obligors. Obligors with loans whose loan terms and conditions were restructured may not be classified as doubtful assets or below depending on the outlook for business conditions, financial statements and loan terms and conditions. If the borrower category deteriorates due to restructuring of loan terms and conditions, provisions will increase.

(4) Key Differences in Parameters of Credit Risks Used to Calculate Provisions and Capital Ratio, Respectively

SMBC, as a core bank of SMBC Group, uses Probability of Default and loan-loss ratio as parameters for calculation of provisions.

Probability of Default is calculated based on the actual performance in the past of the deterioration rate for one year from each borrower category to potentially bankrupt borrowers or below (regarding the deterioration rate to potentially bankrupt borrowers, the deterioration transition rates equivalent to three accumulated years from potentially bankrupt borrowers to effectively bankrupt borrowers or below are included). For the PD used to calculate the capital ratio, deterioration to substandard borrowers or below is defined as default, and assuming a long-term average value of the default rate, conservative estimation for some portfolios is conducted, which is the major difference from the Probability of Default used to calculate provisions.

Loan-loss ratio is calculated using the loan-loss amount including direct write-offs and indirect write-offs incurred during the year for each borrower category to the amount of initial existing exposure by borrower category.

For details of parameters used to calculate the capital ratio, please refer to pages 235 to 236 "3. Overview of Internal Rating System (2) Parameter Estimation and Its Validation System."

2. Credit Quality of Assets (CR1)

(Millions of yen)

CR1: Credit quality of assets		As of March 31, 2018			
		a	b	c	d
Item No.		Gross carrying values of: Defaulted exposures	Gross carrying values of: Non-defaulted exposures	Allowances	Net values (a+b–c)
On-balance sheet assets					
1	Loans	712,660	72,812,660	482,264	73,043,056
2	Securities (of which: debt securities)	5,522	18,988,606	–	18,994,128
3	Other on-balance sheet assets (of which: debt-based assets)	5,799	59,162,065	62,432	59,105,432
4	Subtotal (1+2+3)	723,981	150,963,333	544,697	151,142,617
Off-balance sheet assets					
5	Acceptances and guarantees, etc.	7,939	8,701,550	87,594	8,621,895
6	Commitments, etc.	13,508	18,854,794	67,096	18,801,206
7	Subtotal (5+6)	21,447	27,556,345	154,691	27,423,101
Total					
8	Total (4+7)	745,428	178,519,678	699,388	178,565,718

3. Term-End Balance of Exposures by Category and Their Breakdown by Major Type of Assets

(1) Exposure Balance by Type of Assets, Geographic Region and Industry

(Millions of yen)

Category	As of March 31, 2018			
	Loans, commitments and other off-balance sheet exposures except derivatives	Bonds	Others	Total
Domestic operations (excluding offshore banking accounts)	105,435,792	14,838,466	10,784,910	131,059,169
Manufacturing	8,622,976	311,691	2,817,598	11,752,266
Agriculture, forestry, fishery and mining	383,489	4,251	33,127	420,868
Construction	1,154,497	49,254	321,144	1,524,896
Transport, information, communications and utilities	5,936,126	181,049	992,859	7,110,035
Wholesale and retail	5,789,870	259,965	832,307	6,882,143
Financial and insurance	47,550,467	933,232	378,959	48,862,659
Real estate, goods rental and leasing	8,066,088	1,208,487	343,144	9,617,719
Services	4,506,592	404,287	1,074,615	5,985,494
Local municipal corporations	2,678,992	65,751	20,961	2,765,705
Other industries	20,746,690	11,420,496	3,970,193	36,137,379
Overseas operations and offshore banking accounts	46,481,209	4,155,824	2,879,224	53,516,258
Sovereigns	11,236,616	1,830,040	—	13,066,656
Financial institutions	5,331,988	728,389	428,845	6,489,222
C&I companies	24,798,102	180,533	—	24,978,636
Others	5,114,503	1,416,859	2,450,379	8,981,742
Total	151,917,001	18,994,290	13,664,135	184,575,428

Notes: 1. The above amounts are exposures after Credit Risk Mitigation (CRM).
2. The above amounts do not include "securitisation exposures" and "credit RWA under Article 145 of the Notification."
3. "Domestic operations" comprises the operations of us, its domestic consolidated banking subsidiaries (excluding overseas branches) and other domestic consolidated subsidiaries. "Overseas operations" comprises the operations of the overseas branches of domestic consolidated banking subsidiaries and overseas consolidated subsidiaries.

(2) Exposure Balance by Type of Assets and Residual Term

(Millions of yen)

Category	As of March 31, 2018			
	Loans, commitments and other off-balance sheet exposures except derivatives	Bonds	Others	Total
To 1 year	41,938,248	6,650,406	475,934	49,064,590
More than 1 year to 3 years	17,161,498	5,587,944	443,433	23,192,875
More than 3 years to 5 years	13,094,941	1,086,147	434,360	14,615,449
More than 5 years to 7 years	5,084,112	451,333	205,309	5,740,755
More than 7 years	21,489,662	5,218,459	308,768	27,016,890
No fixed maturity	53,148,538	—	11,796,328	64,944,867
Total	151,917,001	18,994,290	13,664,135	184,575,428

Notes: 1. The above amounts are exposures after CRM.
2. The above amounts do not include "securitisation exposures" and "credit RWA under Article 145 of the Notification."
3. "No fixed maturity" includes exposures not classified by residual term.

4. Amounts of Reserves and Write-offs Corresponding to the Term-End Balance of Obligors' Exposures Related to Loans Prescribed in the Provisions of Article 4, Paragraph 2 (Bankrupt and Quasi-Bankrupt Assets), Paragraph 3 (Doubtful Assets) or Paragraph 4 (Substandard Loans) of the Ordinance for Enforcement of the Act on Emergency Measures for the Revitalization of Financial Functions, as well as Breakdown by Each of the Following Categories

(1) By Geographic Region

(Billions of yen)

	Fiscal 2017		
	Term-end balance	Term-end Reserves	Write-offs for the year
Domestic operations (excluding offshore banking accounts)	859.8	285.9	41.0
Overseas operations and offshore banking accounts	191.1	85.4	14.5
Asia	15.8	11.3	4.3
North America	38.1	6.8	2.1
Other regions	137.2	67.3	8.1
Total	1,050.9	371.3	55.5

(2) By Industry

(Billions of yen)

	Fiscal 2017		
	Term-end balance	Term-end Reserves	Write-offs for the year
Domestic operations (excluding offshore banking accounts)	859.8	285.9	41.0
Manufacturing	88.0	37.5	(0.3)
Agriculture, forestry, fishery and mining	9.5	7.7	1.5
Construction	16.8	6.2	(0.1)
Transport, information, communications and utilities	57.7	27.5	(8.3)
Wholesale and retail	110.7	49.7	3.0
Financial and insurance	3.6	3.0	(0.3)
Real estate, goods rental and leasing	68.7	12.1	(0.5)
Services	92.1	39.7	2.1
Other industries	412.7	102.5	43.9
Overseas operations and offshore banking accounts	191.1	85.4	14.5
Financial institutions	2.5	0.4	0.0
C&I companies	91.5	52.6	8.9
Others	97.1	32.4	5.6
Total	1,050.9	371.3	55.5

Notes: 1. Term-end Reserves include partial direct write-offs (direct reduction).
2. "Domestic operations" comprises the operations of SMBC Group (excluding overseas branches) and domestic consolidated subsidiaries. "Overseas operations" comprises the operations of SMBC Group's overseas branches and overseas consolidated subsidiaries, and the term-end balances are calculated based on the obligor's domicile country.

5. Term-End Balance of Exposures by Past Due Periods

(Billions of yen)

Fiscal 2017				
Less than 1 month	1 month or more to less than 2 months	2 months or more to less than 3 months	3 months or more	Total
174.2	61.5	26.3	116.2	378.2

Notes: 1. Bankrupt and Quasi-Bankrupt Assets prescribed in Article 4, Paragraph 2 of the Ordinance for Enforcement of the Act on Emergency Measures for the Revitalization of Financial Functions and doubtful assets prescribed in Paragraph 3 of the said Article are excluded.
2. Items that are not accompanied by deterioration of business conditions/cash flows are excluded.

6. Term-End Balance of Exposures of Obligors Whose Loan Conditions were Restructured for Business Rehabilitation or Support; of Which Amounts of Increased Reserves for Such Exposures and Other Amounts due to the Restructuring of the Loan Conditions

(Billions of yen)

Fiscal 2017		
Term-end balance	Of which: amounts of increased Reserves for such exposures due to the restructuring of the loan conditions	Of which: other amounts
247.9	247.9	0.0

Note: Bankrupt and Quasi-Bankrupt Assets prescribed in Article 4, Paragraph 2 of the Ordinance for Enforcement of the Act on Emergency Measures for the Revitalization of Financial Functions, doubtful assets prescribed in Paragraph 3 of the said Article, and loans past due three months or more prescribed in Paragraph 4 of the said Article are excluded.

Internal Ratings-Based (IRB) Approach

1. Background on Determining the Scope of Application of Internal Ratings-Based (IRB) Approach

When the criteria of materiality defined by us according to business characteristics and business conditions, etc. are met, in principle, the IRB approach is adopted by the unit of our asset class or by the unit of the affiliated group companies. In addition, for the asset class or group companies that meet the quantitative criteria specified by the authorities, the IRB approach is in principle adopted regardless of whether the criteria of materiality are met.

For adopting the IRB approach, the Advanced Internal Ratings-Based (AIRB) approach is in principle adopted. However, for group companies which were judged unnecessary or inappropriate to adopt the AIRB approach in light of the scale, business contents, etc., the Foundation Internal Ratings-Based (FIRB) approach is adopted.

2. Scope

We and the following consolidated subsidiaries have adopted the Advanced Internal Ratings-Based (AIRB) approach for exposures as of March 31, 2009.

(1) Domestic Operations

Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Card Company, Limited and SMBC Guarantee Co., Ltd., Cedyna Financial Corporation

(2) Overseas Operations

Sumitomo Mitsui Banking Corporation Europe Limited, Sumitomo Mitsui Banking Corporation (China) Limited, Banco Sumitomo Mitsui Brasileiro S.A., JSC Sumitomo Mitsui Rus Bank, PT Bank Sumitomo Mitsui Indonesia, Sumitomo Mitsui Banking Corporation Malaysia Berhad, SMBC Leasing and Finance, Inc., SMBC Capital Markets, Inc., SMBC Nikko Capital Markets Limited, SMBC Derivative Products Limited and SMBC Capital Markets (Asia) Limited

SMBC Finance Service Co., Ltd. and Sumitomo Mitsui Finance and Leasing Co., Ltd. have adopted the Foundation Internal Ratings-Based (FIRB) approach.

Note: Directly controlled SPCs and limited partnerships for investment of consolidated subsidiaries using the AIRB approach have also adopted the AIRB approach. Further, the AIRB approach is applied to equity exposures on a group basis, including equity exposures of consolidated subsidiaries applying the standardised approach.

3. Overview of Internal Rating System

(1) Rating Procedures

(A) Corporate Exposures

- "Corporate, sovereign and bank exposures" includes credits to domestic and overseas commercial/industrial (C&I) companies, individuals for business purposes (domestic only), sovereigns, public sector entities, and financial institutions. Business loans such as apartment construction loans are, in principle, included in "retail exposures." However, credits of more than ¥100 million are treated as corporate exposures in accordance with the Notification.
- An obligor is assigned an obligor grade by first assigning a financial grade using a financial strength grading model and data obtained from the obligor's financial statements. The financial grade is then adjusted taking into account the actual state of the obligor's balance sheet and qualitative factors to derive the obligor grade (for details, please refer to "Credit Risk Assessment and Quantification" on pages 94 to 95). Different rating series are used for domestic and overseas obligors — J1 ~ J10 for domestic obligors and G1 ~ G10 for overseas obligors — as shown in the table following page due to differences in actual default rate levels and portfolios' grade distribution. Different Probability of Default (PD) values are applied also.
- In addition to the above basic rating procedure which builds on the financial grade assigned at the beginning, in some cases, the obligor grade is assigned based on the parent company's credit quality or credit ratings published by external rating agencies. The Japanese government, local authorities and other public sector entities with special basis for existence and unconventional financial statements are assigned obligor grades based on their attributes (for example, "local municipal corporations"), as the data on these obligors are not suitable for conventional grading models. Further, credits to individuals for business purposes and business loans

are assigned obligor grades using grading models developed specifically for these exposures.

- PDs used for calculating credit risk-weighted assets are estimated based on the default experience for each grade and taking into account the possibility of estimation errors. In addition to internal data, external data are used to estimate and validate PDs. The definition of default is the definition stipulated in the Notification (an event that would lead to an exposure being classified as "substandard loans," "doubtful assets" or "bankrupt and quasi-bankrupt assets" occurring to the obligor).
- Loss Given Defaults (LGDs) and exposure at default (EAD) used in the calculation of credit risk-weighted assets are estimated based on historical loss experience of credits in default, taking into account the possibility of estimation errors.

Obligor Grade			
Domestic Corporate	Overseas Corporate	Definition	Borrower Category
J1	G1	Very high certainty of debt repayment	Normal Borrowers
J2	G2	High certainty of debt repayment	
J3	G3	Satisfactory certainty of debt repayment	
J4	G4	Debt repayment is likely but this could change in cases of significant changes in economic trends or business environment	
J5	G5	No problem with debt repayment over the short term, but not satisfactory over the mid to long term and the situation could change in cases of significant changes in economic trends or business environment	
J6	G6	Currently no problem with debt repayment, but there are unstable business and financial factors that could lead to debt repayment problems	
J7	G7	Close monitoring is required due to problems in meeting loan terms and conditions, sluggish/unstable business, or financial problems	Borrowers Requiring Caution
J7R	G7R	Borrowers Requiring Caution identified as Substandard Borrowers	Substandard Borrowers
J8	G8	Currently not bankrupt, but experiencing business difficulties, making insufficient progress in restructuring, and highly likely to go bankrupt	Potentially Bankrupt Borrowers
J9	G9	Though not yet legally or formally bankrupt, has serious business difficulties and rehabilitation is unlikely; thus, effectively bankrupt	Virtually Bankrupt Borrowers
J10	G10	Legally or formally bankrupt	Bankrupt Borrowers

- "Specialized lending" is sub-classified into "project finance," "object finance," "commodity finance," "income-producing real estate" (IPRE) and "high-volatility commercial real estate" (HVCRE) in accordance with the Notification. Project finance is financing of a single project, such as a power plant or transportation infrastructure, and cash flows generated by the project are the primary source of repayment. Object finance includes aircraft finance and ship finance, and IPRE and HVCRE include real estate finance (a primary example is non-recourse real estate finance). There were no commodity finance exposures as of March 31, 2018.
- Each SL product is classified as either a facility assigned a PD grade and LGD grade or a facility assigned a grade based primarily on the expected loss ratio, both using grading models and qualitative assessment. The former has the same grading structure as that of corporate, and the latter has ten grade levels as with obligor grades but the definition of each grade differs from that of the obligor grade which is focused on PD.

For the credit risk-weighted asset amount for the SL category, the former facility is calculated in a manner similar to corporate exposures, while the latter facility is calculated by mapping the expected loss-based facility grades to the five categories (hereinafter the "slotting criteria") of the Notification because it does not satisfy the requirements for PD application specified in the Notification.

(B) Retail Exposures

- "Residential mortgage exposures" includes mortgage loans to individuals and some real estate loans in which the property consists of both residential and commercial facilities such as a store or rental apartment units, but excludes apartment construction loans.
- Mortgage loans are rated as follows.

Mortgage loans are allocated to a portfolio segment with similar risk characteristics in terms of default risk determined using loan contract information, results of an exclusive grading model and a borrower category under self-assessment executed in accordance with the financial inspection manual of the Japanese FSA, and recovery risk at the time of default determined using Loan To Value (LTV) calculated based on the assessment value of collateral real estate. PDs and LGDs are estimated based on the default experience for each segment and taking into account the possibility of estimation errors.

Further, the portfolio is subdivided based on the lapse of years from the contract date, and the effectiveness of segmentation in terms of default risk and recovery risk is validated periodically.

Internal data are used to estimate and validate PDs and LGDs. The definition of default is the definition stipulated in the Notification.

- “Qualifying revolving retail exposures” includes card loans and credit card balances.
- Card loans and credit card balances are rated as follows.

  Card loans and credit card balances are allocated to a portfolio segment with similar risk characteristics determined based, for card loans, on the credit quality of the loan guarantee company, credit limit, settlement account balance and payment history, and, for credit card balances, on repayment history and frequency of use.

  PDs and LGDs used to calculate credit risk-weighted asset amounts are estimated based on the default experience for each segment and taking into account the possibility of estimation errors.

  Further, the effectiveness of segmentation in terms of default risk and recovery risk is validated periodically.

  Internal data are used to estimate and validate PDs and LGDs. The definition of default is the definition stipulated in the Notification.
- “Other retail exposures” includes business loans such as apartment construction loans and consumer loans such as My Car Loan.
- Business loans and consumer loans are rated as follows.

  a. Business loans are allocated to a portfolio segment with similar risk characteristics in terms of default risk determined using loan contract information, results of exclusive grading model and borrower category under self-assessment executed in accordance with the financial inspection manual of the Japanese FSA, and recovery risk determined based on LTV for business loans.

  PDs and LGDs are estimated based on the default experience for each segment and taking into account the possibility of estimation errors.

  b. Rating procedures for consumer loans depends on whether the loan is collateralized. Collateralized consumer loans are allocated to a portfolio segment using the same standards as for mortgage loans of “Residential Mortgage Exposures.” Uncollateralized consumer loans are allocated to a portfolio segment based on account history. PDs and LGDs are estimated based on the default experience for each segment and taking into account the possibility of estimation errors.

  Further, the effectiveness of segmentation in terms of default risk and recovery risk is validated periodically.

  Internal data are used to estimate and validate PDs and LGDs. The definition of default is the definition stipulated in the Notification.

(C) Equity Exposures

When acquiring equities subject to the PD/LGD approach, issuers are assigned obligor grades using the same rules as those of general credits to C&I companies, sovereigns and financial institutions. The obligors are monitored (for details, please refer to page 96) and their grades are revised if necessary (credit risk-weighted asset amount is set to 1.5 times when they are not monitored individually). In the case there is no credit transaction with the issuer or it is difficult to obtain financial information, internal grades are assigned using ratings of external rating agencies if it is a qualifying investment.

In the case it is difficult to obtain financial information and it is not a qualifying investment, the simple risk weight method under the market-based approach is applied.

(2) Parameter Estimation and Its Validation System

A. PD

This is defined as the probability that obligors could default over one year. PD is estimated as the expected value in the long term regardless of the business cycle using the default rate for each fiscal year based on the historical data for five consecutive fiscal years or more. In principle, the default rate for each fiscal year is measured by the initial number of target obligors as the numerator and the number of defaults occurred during the fiscal year as the denominator.

For assets, ratings, and portfolios applicable to LDP (LDP: Low Default Portfolio), conservative PD is estimated by creating virtual rating transition data based on Monte Carlo simulation and by using the floor value proposed under Basel regulation.

The actual default rates in the past three periods are lower than PD estimate values applied for the respective periods, because the long-term average value including the recession period is estimated, and also because the possibility of estimation errors is taken into account.

Validation consists of two systems: “backtesting” to retrospectively compare and validate the parameter estimated value and the actual value for the respective applicable period, and “pretesting” to validate before applying the parameter for the purpose of complementing the “backtesting.” The overview for each is as follows.

(a) Backtesting

This is to compare the parameter estimated value with the actual value at least once a year, and to validate that the degree of divergence is within the statistically assumed range.

In case of hitting the predetermined excess criteria as a result of validation, reviews shall be taken including revising the estimation method or rating system.

(b) **Pretesting**

This is to compare and validate the estimated value to be applied and the historical value. In the case of hitting the predetermined excess criteria, the estimated value shall be conservatively corrected.

The purpose is to prevent underestimation by making adjustments, if necessary.

B. LGD

This is defined as the ratio of loss amounts after default to the amount of receivable at the time of default. LGD is estimated as a long-term average value calculated based on historical data over seven consecutive fiscal years (for retail, five fiscal years) or more. However, in the case where a high positive correlation with the default rate is observed, LGD shall be in principle the value taking into account the possibility that the loss rate of the recession period will exceed the long-term average value, and it is estimated mainly by one of the following methods.

- By taking into account the influence of the recession period on the interest rate to customers constituting the discount rate for calculating the economic loss to be used for estimation
- By taking into account the influence of the recession period by modeling the relationship between the loss ratio and economic and financial indicators, etc.

For the purpose of estimating LGD using economic loss based on Basel requirement, discount rate is estimated with using recovery cost. The averaged period from the time of default and the termination of recovery is used as discount period.

As for validation, backtesting and pretesting are conducted as in the above A. PD.

C. EAD

This is defined as the amount of exposure at the time of default. EAD is estimated as a long-term average value calculated based on the historical data over seven consecutive fiscal years (for retail, five fiscal years) or more. For estimation, the possibility that the default balance may exceed the latest balance is assumed and taken into account, and is estimated by one of the following methods.

- By estimating the conversion factor that is the ratio of actually drawn amount to the amount associated with undrawn commitments one year before the time of default
- By estimating the conversion factor that is the ratio of the average outstandings of the default borrowers to the average outstandings of the non-default borrowers of the whole limit-type credit subject to the estimation
- By estimating an increased amount by comparing the initial outstandings with ones at the time of default and taking the average for each segment

As for validation, backtesting and pretesting are conducted as in the above A. PD.

4. Percentage of EAD by Asset Class by Type of Approach for Calculating Credit RWA to Total EAD

	As of March 31, 2018
IRB approach	94.17 %
Corporate exposures (Advanced Internal Ratings-Based (AIRB) approach)	78.73 %
Corporate exposures (Foundation Internal Ratings-Based (FIRB) approach)	1.27 %
Retail exposures	8.78 %
Equity exposures	2.43 %
Purchased receivables (AIRB approach)	1.00 %
Purchased receivables (FIRB approach)	0.04 %
Other assets, etc.	1.89 %
SA	5.82 %
Total	100.00 %

5. CR Exposures by Portfolio and PD (CR6)

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2018											
		a	b	c	d	e	f	g	h	i	j	k	l
Item No.	PD scale	On-balance sheet gross exposures	Off-balance sheet exposures pre CCF (Credit Conversion Factor) and pre CRM	Average CCF (%)	EAD post CCF and post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA amounts	RWA density (%)	EL	Eligible provisions
Sovereign exposures (AIRB approach)													
1	0.00 to <0.15	68,167,222	125,318	76.91	70,969,920	0.00	0.4	34.07	3.7	213,320	0.30	219	
2	0.15 to <0.25	317,319	35,948	47.75	319,948	0.17	0.0	33.89	2.6	103,974	32.49	188	
3	0.25 to <0.50	55,549	17,544	47.94	59,366	0.33	0.0	32.71	1.7	20,409	34.37	62	
4	0.50 to <0.75	54	–	–	54	0.55	0.0	35.00	1.0	23	42.70	0	
5	0.75 to <2.50	109,383	60,078	66.65	58,440	2.01	0.0	32.36	2.9	49,689	85.02	391	
6	2.50 to <10.00	58,134	28,997	47.31	22,313	4.05	0.0	31.38	2.7	24,865	111.43	283	
7	10.00 to <100.00	5,023	13,152	52.84	2,298	15.43	0.0	23.46	1.7	2,590	112.67	85	
8	100.00 (Default)	5,691	–	–	5,691	100.00	0.0	52.99	1.0	2,974	52.25	3,016	
9	Subtotal	68,718,379	281,038	65.00	71,438,035	0.01	0.5	34.07	3.7	417,847	0.58	4,246	5,658
Sovereign exposures (FIRB approach)													
1	0.00 to <0.15	10,630	–	–	10,630	0.00	0.0	45.00	4.0	–	0.00	–	
2	0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	
3	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	
4	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	
5	0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	
6	2.50 to <10.00	168	–	–	168	2.58	0.0	45.00	4.2	243	144.51	1	
7	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
8	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
9	Subtotal	10,798	–	–	10,798	0.04	0.0	45.00	4.0	243	2.25	1	2
Bank exposures (AIRB approach)													
1	0.00 to <0.15	2,624,230	581,505	77.15	3,146,406	0.03	0.6	33.42	1.8	411,117	13.06	406	
2	0.15 to <0.25	702,915	167,241	83.68	834,879	0.17	0.2	30.31	1.1	196,553	23.54	431	
3	0.25 to <0.50	124,531	12,565	69.61	117,658	0.34	0.0	32.08	1.4	45,858	38.97	132	
4	0.50 to <0.75	3,204	–	–	3,204	0.55	0.0	35.16	1.6	2,058	64.22	6	
5	0.75 to <2.50	542,118	34,427	74.90	493,919	1.08	0.1	34.91	1.0	334,179	67.65	1,862	
6	2.50 to <10.00	68,625	80,669	33.45	91,369	3.24	0.6	33.59	1.2	89,728	98.20	979	
7	10.00 to <100.00	–	83	20.00	–	–	0.0	–	–	0	–	0	
8	100.00 (Default)	2,661	–	–	2,661	100.00	0.0	98.44	1.0	1,299	48.83	2,620	
9	Subtotal	4,068,287	876,492	74.17	4,690,099	0.29	1.7	33.03	1.5	1,080,795	23.04	6,439	7,994
Bank exposures (FIRB approach)													
1	0.00 to <0.15	2,637	243	100.00	2,881	0.03	0.0	45.00	4.9	1,088	37.77	0	
2	0.15 to <0.25	–	10	100.00	10	0.18	0.0	45.00	5.0	8	85.48	0	
3	0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	
4	0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	
5	0.75 to <2.50	–	–	–	–	–	–	–	–	–	–	–	
6	2.50 to <10.00	1,773	315	100.00	2,089	2.58	0.0	45.00	4.0	3,666	175.49	24	
7	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
8	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
9	Subtotal	4,411	568	100.00	4,980	1.10	0.1	45.00	4.5	4,763	95.64	24	42
Corporate exposures (AIRB approach)													
1	0.00 to <0.15	22,196,795	10,658,246	54.59	32,012,176	0.05	6.8	35.48	2.5	5,766,807	18.01	6,488	
2	0.15 to <0.25	10,819,575	6,450,034	53.60	13,061,831	0.17	6.0	29.39	2.4	3,638,855	27.85	6,655	
3	0.25 to <0.50	4,553,570	2,055,308	54.63	5,150,552	0.34	3.1	28.78	2.5	1,933,386	37.53	5,006	
4	0.50 to <0.75	938,711	68,336	54.33	965,362	0.55	1.4	29.96	2.5	477,409	49.45	1,591	
5	0.75 to <2.50	4,150,918	2,115,541	52.85	3,385,408	1.46	3.8	27.21	3.0	2,232,607	65.94	13,227	
6	2.50 to <10.00	1,310,290	271,399	63.23	1,122,868	3.09	1.5	32.62	3.6	1,277,847	113.80	10,699	
7	10.00 to <100.00	494,124	395,537	55.88	596,149	13.95	0.5	32.63	2.3	916,897	153.80	25,753	
8	100.00 (Default)	197,593	16,194	100.00	192,826	100.00	0.3	48.77	2.1	54,227	28.12	94,047	
9	Subtotal	44,661,581	22,030,599	54.30	56,487,175	0.75	23.7	32.83	2.5	16,298,039	28.85	163,471	196,675

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2018											
		a	b	c	d	e	f	g	h	i	j	k	l
Item No.	PD scale	On-balance sheet gross exposures	Off-balance sheet exposures pre CCF and pre CRM	Average CCF (%)	EAD post CCF and post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA amounts	RWA density (%)	EL	Eligible provisions
Corporate exposures (FIRB approach)													
1	0.00 to <0.15	777,916	28,934	96.05	805,710	0.06	1.6	45.44	2.7	205,774	25.53	250	
2	0.15 to <0.25	347,029	6,838	99.36	353,824	0.17	1.3	45.19	3.4	194,414	54.94	287	
3	0.25 to <0.50	98,751	1,770	99.77	100,517	0.28	0.8	45.79	2.4	55,231	54.94	128	
4	0.50 to <0.75	66,698	2,129	100.00	68,827	0.55	0.5	45.00	2.7	52,840	76.77	170	
5	0.75 to <2.50	83,269	817	100.00	84,087	1.38	0.9	45.00	2.9	92,376	109.85	522	
6	2.50 to <10.00	262,382	3,066	91.77	265,196	2.58	1.4	45.09	3.3	404,402	152.49	3,086	
7	10.00 to <100.00	74,717	59	100.00	74,777	13.94	0.1	60.25	2.5	205,493	274.80	5,867	
8	100.00 (Default)	24,759	–	–	24,759	100.00	0.0	45.00	2.0	–	0.00	11,141	
9	Subtotal	1,735,525	43,614	96.69	1,777,700	2.53	7.0	45.94	2.9	1,210,531	68.09	21,455	12,461
Mid-sized corporations and small-medium enterprises (SMEs) exposures (AIRB approach)													
1	0.00 to <0.15	486,380	14,611	53.22	498,998	0.08	1.1	26.07	2.7	71,166	14.26	107	
2	0.15 to <0.25	1,326,614	96,538	60.69	1,330,684	0.17	4.8	30.73	3.4	385,239	28.95	721	
3	0.25 to <0.50	1,236,338	21,826	55.93	1,205,066	0.30	6.5	32.74	3.7	497,080	41.24	1,221	
4	0.50 to <0.75	887,394	13,866	49.25	838,231	0.55	5.6	31.35	3.5	405,845	48.41	1,469	
5	0.75 to <2.50	2,122,881	124,359	68.45	1,767,292	1.49	24.9	37.29	3.1	1,294,555	73.25	10,244	
6	2.50 to <10.00	1,015,395	131,837	55.37	676,208	2.66	16.1	29.41	4.0	480,886	71.11	5,306	
7	10.00 to <100.00	339,793	2,744	49.96	207,014	17.26	6.0	35.31	2.1	304,012	146.85	15,119	
8	100.00 (Default)	262,978	1,227	100.00	205,651	100.00	4.0	47.01	1.6	29,434	14.31	96,695	
9	Subtotal	7,677,777	407,011	60.47	6,729,149	4.41	69.3	33.05	3.3	3,468,220	51.54	130,885	124,114
Mid-sized corporations and SMEs exposures (FIRB approach)													
1	0.00 to <0.15	4,575	68	100.00	4,643	0.08	0.1	45.00	2.9	1,361	29.31	1	
2	0.15 to <0.25	12,696	54	100.00	12,750	0.17	0.4	45.00	2.9	5,557	43.58	10	
3	0.25 to <0.50	9,265	72	100.00	9,337	0.27	0.4	45.00	2.6	4,547	48.70	11	
4	0.50 to <0.75	9,706	125	100.00	9,832	0.55	0.4	45.00	2.6	6,646	67.59	24	
5	0.75 to <2.50	28,852	965	99.92	29,817	1.61	1.6	45.00	2.9	28,738	96.38	216	
6	2.50 to <10.00	6,091	116	100.00	6,208	2.58	0.3	45.00	2.5	6,697	107.87	72	
7	10.00 to <100.00	2,345	52	100.00	2,397	21.46	0.2	45.00	2.5	4,836	201.72	231	
8	100.00 (Default)	544	6	100.00	551	100.00	0.0	45.00	1.7	–	0.00	248	
9	Subtotal	74,078	1,460	99.95	75,538	2.40	3.7	45.00	2.8	58,385	77.29	816	684
Specialized lending (SL)													
1	0.00 to <0.15	1,744,348	159,449	47.79	1,777,731	0.04	0.2	23.81	3.4	212,294	11.94	180	
2	0.15 to <0.25	1,551,583	496,168	53.75	1,624,615	0.17	0.3	23.23	4.1	455,224	28.02	642	
3	0.25 to <0.50	1,715,293	574,376	57.85	1,444,767	0.35	0.3	26.58	3.8	622,533	43.08	1,344	
4	0.50 to <0.75	160,319	–	–	160,319	0.55	0.0	28.68	3.7	89,793	56.00	252	
5	0.75 to <2.50	796,408	203,735	55.78	751,006	1.36	0.1	29.48	3.8	562,793	74.93	2,833	
6	2.50 to <10.00	192,784	42,326	79.70	118,808	3.49	0.0	30.36	3.6	118,367	99.62	1,203	
7	10.00 to <100.00	74,703	244	47.79	60,921	16.19	0.0	33.49	3.1	109,117	179.11	3,444	
8	100.00 (Default)	52,575	1,148	100.00	42,740	100.00	0.0	56.86	4.0	22,331	52.25	24,306	
9	Subtotal	6,288,017	1,477,449	55.76	5,980,911	1.28	1.2	25.63	3.8	2,192,457	36.65	34,208	34,435
Equity exposures													
1	0.00 to <0.15	3,872,128	–	–	3,872,128	0.04	1.4	90.00	5.0	3,911,909	101.02	–	
2	0.15 to <0.25	210,449	–	–	210,449	0.17	0.5	90.00	5.0	288,416	137.04	–	
3	0.25 to <0.50	22,503	–	–	22,503	0.28	0.2	90.00	5.0	36,736	163.24	–	
4	0.50 to <0.75	4,671	–	–	4,671	0.55	0.1	90.00	5.0	9,575	204.96	–	
5	0.75 to <2.50	8,256	–	–	8,256	1.22	0.1	90.00	5.0	22,777	275.86	–	
6	2.50 to <10.00	10,538	–	–	10,538	2.58	0.0	90.00	5.0	40,108	380.60	–	
7	10.00 to <100.00	19,848	–	–	19,848	10.44	0.0	90.00	5.0	112,310	565.83	–	
8	100.00 (Default)	188	–	–	188	100.00	0.0	90.00	5.0	2,125	1,125.00	–	
9	Subtotal	4,148,585	–	–	4,148,585	0.11	2.5	90.00	5.0	4,423,959	106.63	–	–

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2018											
		a	b	c	d	e	f	g	h	i	j	k	l
Item No.	PD scale	On-balance sheet gross exposures	Off-balance sheet exposures pre CCF and pre CRM	Average CCF (%)	EAD post CCF and post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA amounts	RWA density (%)	EL	Eligible provisions
Purchased receivables (corporates) (the amount equivalent to default risks) (AIRB approach)													
1	0.00 to <0.15	983,853	44,762	99.99	1,017,578	0.05	3.6	35.16	1.3	104,854	10.30	213	
2	0.15 to <0.25	332,316	44,072	87.58	363,873	0.17	3.6	32.90	1.3	85,306	23.44	219	
3	0.25 to <0.50	99,760	68,714	98.42	163,014	0.36	8.3	44.23	1.5	72,557	44.50	246	
4	0.50 to <0.75	14,747	29,991	100.00	43,153	0.59	3.9	56.24	1.0	30,631	70.98	145	
5	0.75 to <2.50	76,713	102,062	91.26	164,126	1.51	16.5	48.61	1.2	150,419	91.64	1,152	
6	2.50 to <10.00	5,636	19,652	100.00	23,899	3.03	3.8	58.36	1.0	29,578	123.76	393	
7	10.00 to <100.00	23,528	2,825	100.00	25,367	13.36	0.4	37.66	1.0	36,947	145.64	1,411	
8	100.00 (Default)	4,016	260	100.00	4,201	100.00	0.1	80.11	1.0	525	12.50	3,366	
9	Subtotal	1,540,572	312,341	95.04	1,805,215	0.71	40.6	37.70	1.3	510,821	28.29	7,147	4,550
Purchased receivables (corporates) (the amount equivalent to dilution risks) (AIRB approach)													
1	0.00 to <0.15	593,602	116,625	99.99	710,216	0.06	0.4	39.42	1.0	95,949	13.50	196	
2	0.15 to <0.25	238,937	64,726	97.43	302,005	0.17	0.3	37.45	1.4	79,808	26.42	202	
3	0.25 to <0.50	84,015	24,921	100.00	108,937	0.29	0.1	38.61	1.0	37,823	34.72	122	
4	0.50 to <0.75	11,266	10,463	100.00	21,729	0.55	0.1	49.44	1.1	13,128	60.41	59	
5	0.75 to <2.50	73,619	34,149	89.66	104,238	1.45	0.4	42.29	1.0	85,067	81.60	647	
6	2.50 to <10.00	1,736	31,479	100.00	33,215	2.65	0.2	62.92	1.0	47,786	143.86	545	
7	10.00 to <100.00	7,098	2,437	100.00	9,536	11.14	0.0	42.66	1.0	16,239	170.29	471	
8	100.00 (Default)	151	112	100.00	264	100.00	0.0	47.75	1.0	33	12.50	126	
9	Subtotal	1,010,428	284,914	98.17	1,290,143	0.40	1.8	39.92	1.1	375,839	29.13	2,371	2,702
Purchased receivables (corporates) (the amount equivalent to default risks) (FIRB approach)													
1	0.00 to <0.15	51,118	234	100.00	50,507	0.05	0.3	45.00	1.8	19,755	39.11	51	
2	0.15 to <0.25	4,898	790	70.27	5,376	0.18	0.0	45.00	1.8	5,247	97.59	9	
3	0.25 to <0.50	2,393	1,671	100.00	4,020	0.31	0.0	45.00	1.8	1,890	47.02	5	
4	0.50 to <0.75	3,621	2,330	100.00	5,895	0.58	0.1	45.00	2.9	5,495	93.21	15	
5	0.75 to <2.50	3,511	5,015	100.00	8,265	1.05	0.4	45.00	2.3	9,463	114.49	52	
6	2.50 to <10.00	11,815	215	100.00	11,887	2.58	0.2	45.00	2.4	23,956	201.51	184	
7	10.00 to <100.00	2,987	–	–	2,987	26.33	0.0	45.00	4.8	8,956	299.75	354	
8	100.00 (Default)	200	–	–	194	100.00	0.0	45.00	1.1	0	0.00	87	
9	Subtotal	80,548	10,258	97.70	89,135	1.64	1.3	45.00	2.1	74,764	83.87	760	810
Purchased receivables (corporates) (the amount equivalent to dilution risks) (FIRB approach)													
1	0.00 to <0.15	41,923	3,763	93.75	45,451	0.04	0.0	84.74	1.4	9,896	21.77	16	
2	0.15 to <0.25	2,825	3,291	100.00	6,116	0.18	0.0	58.64	1.4	2,773	45.35	6	
3	0.25 to <0.50	136	2,201	100.00	2,338	0.32	0.0	45.00	1.0	884	37.83	3	
4	0.50 to <0.75	402	272	100.00	674	0.58	0.0	76.35	1.7	863	128.00	2	
5	0.75 to <2.50	4,576	488	100.00	5,065	0.96	0.0	88.82	1.1	6,995	138.10	41	
6	2.50 to <10.00	3,989	240	100.00	4,229	2.61	0.0	79.06	1.6	9,145	216.23	86	
7	10.00 to <100.00	1,039	–	–	1,039	26.33	0.0	45.00	1.0	2,432	234.08	123	
8	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
9	Subtotal	54,891	10,258	97.70	64,915	0.73	0.2	80.08	1.4	32,992	50.82	280	337
Purchased receivables (retail) (the amount equivalent to default risks)													
1	0.00 to <0.15	4,726	–	–	4,718	0.06	1.3	60.89	–	1,539	32.62	3	
2	0.15 to <0.25	3,221	–	–	3,220	0.19	0.3	65.00	–	1,047	32.51	4	
3	0.25 to <0.50	9,606	–	–	9,562	0.30	1.7	49.87	–	3,190	33.36	15	
4	0.50 to <0.75	604	–	–	604	0.63	0.1	63.69	–	316	52.44	2	
5	0.75 to <2.50	2,009	18	100.00	1,994	1.21	0.7	54.81	–	1,735	87.04	14	
6	2.50 to <10.00	12	2	100.00	14	3.14	0.0	65.00	–	27	197.60	0	
7	10.00 to <100.00	1	–	–	1	26.56	0.0	52.04	–	2	150.79	0	
8	100.00 (Default)	21	–	–	19	100.00	0.0	27.86	–	53	272.39	5	
9	Subtotal	20,201	21	100.00	20,134	0.42	4.3	55.76	–	7,912	39.29	45	48

(Millions of yen, %, the number of data in thousands, years)

CR6: IRB - CR exposures by portfolio and PD range		As of March 31, 2018											
		a	b	c	d	e	f	g	h	i	j	k	l
Item No.	PD scale	On-balance sheet gross exposures	Off-balance sheet exposures pre CCF and pre CRM	Average CCF (%)	EAD post CCF and post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA amounts	RWA density (%)	EL	Eligible provisions
Purchased receivables (retail) (the amount equivalent to dilution risks) (AIRB approach)													
1	0.00 to <0.15	405	0	100.00	405	0.07	0.0	86.89	3.7	251	61.97	0	
2	0.15 to <0.25	1,991	–	–	1,991	0.18	0.0	99.89	3.2	2,154	108.16	3	
3	0.25 to <0.50	53	0	100.00	53	0.27	0.0	47.55	4.5	42	78.02	0	
4	0.50 to <0.75	96	–	–	96	0.55	0.0	100.00	4.3	263	272.82	0	
5	0.75 to <2.50	15	1	100.00	17	0.87	0.0	94.21	2.3	30	175.83	0	
6	2.50 to <10.00	113	18	100.00	132	2.66	0.0	69.82	3.5	324	245.12	2	
7	10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	
8	100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	
9	Subtotal	2,676	21	100.00	2,697	0.30	0.0	95.38	3.4	3,066	113.66	7	8
Qualifying revolving retail exposures (QRRE)													
1	0.00 to <0.15	60,794	172,036	7.02	232,831	0.08	6,746.5	69.25		8,053	3.45	128	
2	0.15 to <0.25	258,257	109,606	7.24	367,864	0.19	3,479.5	70.37		26,482	7.19	491	
3	0.25 to <0.50	297,081	297,923	7.81	595,005	0.43	7,740.5	61.18		71,847	12.07	1,559	
4	0.50 to <0.75	232,333	369,070	60.47	601,404	0.51	6,058.6	74.06		102,236	16.99	2,308	
5	0.75 to <2.50	560,936	59,252	20.80	620,189	1.55	1,259.5	78.17		256,303	41.32	7,487	
6	2.50 to <10.00	836,700	184,263	13.74	1,020,964	4.72	3,274.2	75.22		876,927	85.89	35,818	
7	10.00 to <100.00	33,790	4,017	16.85	37,807	47.55	141.5	73.21		66,147	174.95	13,100	
8	100.00 (Default)	71,709	4,905	100.00	76,614	100.00	192.6	78.16		72,691	94.87	59,884	
9	Subtotal	2,351,604	1,201,076	33.80	3,552,680	4.47	28,893.2	72.33		1,480,691	41.67	120,779	89,131
Residential mortgage exposures													
1	0.00 to <0.15	–	–	–	75,902	0.04	7.7	40.70		16,848	22.19	14	
2	0.15 to <0.25	–	–	–	2,108	0.17	0.2	63.26		921	43.67	2	
3	0.25 to <0.50	7,682,449	12,935	100.00	7,696,120	0.29	471.8	28.43		1,164,045	15.12	6,419	
4	0.50 to <0.75	1,004,639	2,074	100.00	1,006,714	0.60	55.5	30.44		274,505	27.26	1,869	
5	0.75 to <2.50	1,167,124	3,603	100.00	1,096,658	1.03	82.9	36.86		530,081	48.33	4,373	
6	2.50 to <10.00	–	–	–	–	–	–	–		–	–	–	
7	10.00 to <100.00	48,445	1,615	100.00	45,383	22.95	3.9	31.87		81,296	179.13	3,296	
8	100.00 (Default)	108,824	168	100.00	108,992	100.00	8.4	30.95		26,811	24.59	33,736	
9	Subtotal	10,011,483	20,397	100.00	10,031,880	1.59	630.7	29.70		2,094,510	20.87	49,711	33,682
Other retail exposures													
1	0.00 to <0.15	21,127	2,422	98.96	23,525	0.07	–	61.85		2,745	11.67	10	
2	0.15 to <0.25	97,719	–	–	97,719	0.17	–	35.69		12,639	12.93	59	
3	0.25 to <0.50	372,939	4,325	99.27	377,233	0.38	–	39.45		89,699	23.77	560	
4	0.50 to <0.75	138,075	1,895	100.00	139,970	0.61	–	45.02		51,448	36.75	400	
5	0.75 to <2.50	1,176,450	508,853	99.97	1,685,196	1.51	–	50.78		988,941	58.68	13,139	
6	2.50 to <10.00	54,834	154,610	100.00	209,444	3.55	–	47.71		142,107	67.84	3,496	
7	10.00 to <100.00	19,876	4,623	100.00	24,500	22.80	–	50.46		26,596	108.55	2,832	
8	100.00 (Default)	65,578	1,115	100.00	66,693	100.00	–	52.98		93,642	140.40	35,337	
9	Subtotal	1,946,602	677,847	99.97	2,624,284	4.10	–	48.19		1,407,820	53.64	55,837	33,076
Total (all portfolios)		154,406,453	27,635,372	59.40	170,824,061	0.77	29,682.4	35.65	–	35,143,661	20.57	598,491	546,416

6. Effect on Credit RWA of Credit Derivatives Used as CRM Techniques (CR7)

(Millions of yen)

CR7: IRB – Effect on credit RWA of credit derivatives used as CRM techniques		As of March 31, 2018	
		a	b
Item No.	Portfolio	Pre-credit derivatives credit RWA	Actual credit RWA
1	Sovereign exposures - FIRB	243	243
2	Sovereign exposures - AIRB	315,559	315,559
3	Bank exposures - FIRB	4,763	4,763
4	Bank exposures - AIRB	1,046,365	1,046,365
5	Corporate exposures (excluding SL) - FIRB	1,268,916	1,268,916
6	Corporate exposures (excluding SL) - AIRB	19,797,293	19,796,917
7	SL - FIRB	552,198	552,198
8	SL- AIRB	2,289,154	2,289,154
9	Retail - QRRE	1,480,691	1,480,691
10	Retail - Residential mortgage exposures	2,094,510	2,094,510
11	Retail - Other retail exposures	1,407,820	1,407,820
12	Equity - FIRB	171,058	171,058
13	Equity - AIRB	5,387,041	5,387,041
14	Purchased receivables - FIRB	107,757	107,757
15	Purchased receivables - AIRB	897,638	897,638
16	Total	36,821,014	36,820,637

7. Backtesting of Probability of Default (PD) per Portfolio (CR9)

(%, the number of data)

CR9: IRB - Backtesting of PD per portfolio													
a	b	c					d	e	f		g	h	i
Portfolio	PD Range	External rating equivalent					Weighted average PD (EAD weighted)	Arithmetic average PD (by obligors)	Number of obligors		Number of defaulted obligors in the year	Of which: number of new defaulted obligors in the year	Average historical annual default rate (5 years)
		S&P	Moody's	Fitch	R&I	JCR			As of March 31, 2017	As of March 31, 2018			
Corporates	0.00 to < 0.05	AAA~A+	Aaa~A1	AAA~A+	AAA~A-	AAA~A-	0.00%	0.02%	–	482	0	0	0.00%
	0.05 to < 0.10	A~A-	A2~A3	A~A-	BBB+~BBB-	BBB+~BBB-	0.06%	0.07%	–	5,643	2	0	0.04%
	0.10 to < 0.50	BBB+~BB	Baa1~Ba2	BBB+~BB	to BB+	to BB+	0.21%	0.25%	–	13,688	18	0	0.09%
	0.50 to < 2.50	BB-~B	Ba3~B2	BB-~B	to BB+	to BB+	0.96%	1.25%	–	18,893	28	1	0.29%
	2.50 to < 100.00	to B-	to B3	to B-	to BB+	to BB+	5.86%	6.32%	–	34,510	1,358	9	6.00%
Qualifying revolving retail	0.00 to < 0.05						–	–	–	–	–	–	–
	0.05 to < 0.10						0.08%	0.08%	–	4,624,194	3,449	1,189	0.07%
	0.10 to < 0.50						0.28%	0.23%	–	2,015,548	3,236	497	0.16%
	0.50 to < 2.50						1.18%	0.74%	–	3,686,275	15,099	1,851	0.51%
	2.50 to < 100.00						6.64%	7.36%	–	599,074	42,519	2,827	6.00%
Residential mortgage	0.00 to < 0.05						–	–	–	–	–	–	–
	0.05 to < 0.10						–	–	–	–	–	–	–
	0.10 to < 0.50						0.29%	0.29%	–	720,211	787	11	0.14%
	0.50 to < 2.50						0.87%	0.88%	–	264,510	1,054	1	0.49%
	2.50 to < 100.00						19.20%	20.08%	–	7,449	600	0	10.81%
Other retail	0.00 to < 0.05						0.03%	0.03%	–	807	0	0	0.00%
	0.05 to < 0.10						–	–	–	–	–	–	–
	0.10 to < 0.50						0.32%	0.32%	–	54,167	72	8	0.19%
	0.50 to < 2.50						1.22%	1.23%	–	168,418	1,287	72	0.64%
	2.50 to < 100.00						5.83%	5.59%	–	34,268	1,191	56	3.74%

Notes: 1. IRB model presented in this table covers all models used within the scope of regulatory consolidation.
2. Applicable portfolios of each IRB model take into account the portfolio classification under Basel Capital Accord. "Corporates" include "Sovereign," "Financial entities," "Specialized lending," "Equity (PD/LGD method)" and "Purchased receivables (corporates)," and "Residential mortgage" and "Other retail" include "Purchased receivables (retail)." Therefore, the same classifications are used in this table.
3. A maximum of ten categories of obligor rating in the internal rating system are consolidated into five categories as PD categories.
4. For the external ratings associated with, external ratings equivalent to the PD of non-Japanese companies mainly are listed in the columns of S&P, Moody's, and Fitch, and external ratings equivalent to the PD of Japanese companies mainly are listed in the columns of R&I and JCR.
5. The number of obligors of "Qualifying revolving retail," "Residential mortgage" and "Other retail" states the number of receivables.
6. The proportion of credit risk-weighted assets subject to the IRB approach is that "Corporates" accounts for 82.51 percent, "Qualifying revolving retail" accounts for 3.67 percent, "Residential mortgage" accounts for 7.77 percent, and "Other retail" accounts for 4.31 percent.

8. SL (Slotting Criteria Approach) and Equity Exposures (Market-Based Approach, etc.) (CR10)

(Millions of yen, except percentages)

CR10: IRB - SL (slotting criteria approach) and equity exposures (market-based approach, etc.)		As of March 31, 2018									
a	b	c	d	e	f	g	h	i	j	k	l
SL (slotting criteria approach)											
Other than high-volatility commercial real estate (HVCRE)											
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount (EAD)					Credit RWA amount	Expected losses
					PF	OF	CF	IPRE	Total		
Strong	Less than 2.5 years	19,945	401	50%	13,732	—	—	6,404	20,137	10,068	—
	Equal to or more than 2.5 years	14,996	13,228	70%	12,418	3,627	—	5,287	21,333	14,933	85
Good	Less than 2.5 years	10,834	27,550	70%	36,175	—	—	2,209	38,384	26,869	153
	Equal to or more than 2.5 years	35,767	585	90%	34,536	—	—	1,511	36,047	32,442	288
Satisfactory		35,415	1,360	115%	13,270	—	—	22,795	36,065	41,475	1,009
Weak		47	350	250%	262	47	—	—	309	774	24
Default		4,874	—	—	3,282	—	—	1,592	4,874	—	2,437
Total		121,882	43,475	—	113,677	3,674	—	39,800	157,153	126,563	3,999
HVCRE											
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	RW					Exposure amount (EAD)	Credit RWA amount	Expected losses
Strong	Less than 2.5 years	6,752	4,028	70%					8,677	6,074	34
	Equal to or more than 2.5 years	5,507	17,688	95%					13,960	13,262	55
Good	Less than 2.5 years	31,122	16,770	95%					39,136	37,179	156
	Equal to or more than 2.5 years	80,441	14,202	120%					87,512	105,014	350
Satisfactory		168,459	10,768	140%					173,606	243,048	4,860
Weak		1,787	3,851	250%					4,676	11,690	374
Default		—	—	—					—	—	—
Total		294,070	67,310	—					327,569	416,270	5,832
Equity exposures (market-based approach, etc.)											
Equity exposures subject to market-based approach											
Categories		On-balance sheet amount	Off-balance sheet amount	RW					Exposure amount (EAD)	Credit RWA amount	
Simple risk weight method –listed shares		25,093	—	300%					25,093	75,280	
Simple risk weight method –unlisted shares		117,759	8,715	400%					121,924	487,697	
Internal models approach		184,951	20,949	277%					205,900	571,163	
Total		327,804	29,664	—					352,918	1,134,141	
Equity exposures subject to 100% risk weight											
Equity exposures subject to 100% risk weight pursuant to the provisions of Article 166, Paragraph 1 of the Notification No. 19 issued by the Japan Financial Service Agency in 2006		—	—	100%					—	—	

9. Credit Risk-Weighted Assets under Article 145 of the Notification

Exposures under Article 145 of the Notification include investments to funds. In the case of such exposures, in principle, each underlying asset of the fund is assigned an obligor grade to calculate the asset's credit risk-weighted asset amount and the amounts are totaled to derive the credit risk-weighted asset amount of the fund. When equity exposures account for more than half of the underlying assets of the fund, or it is difficult to directly calculate the credit risk-weighted asset amount of individual underlying assets, the credit risk-weighted asset amount of the fund is calculated using the simple majority adjustment method, in which credit risk-weighted assets are calculated using a risk weight of 400% (when the risk-weighted average of individual assets underlying the portfolio is less than 400%) or a risk weight of 1250% (in other cases).

(Millions of yen)

Calculation method	As of March 31, 2018
Exposure under Article 145 of the Notification	1,317,837

Standardised Approach

1. Scope

The following consolidated subsidiaries have adopted the standardised approach for exposures as of March 31, 2018 (i.e. consolidated subsidiaries not listed in the "Internal Ratings-Based (IRB) Approach: 1. Scope" on page 233).

(1) Consolidated Subsidiaries Planning to Adopt Phased Rollout of the AIRB Approach

SMBC Aviation Capital Limited and SMBC Consumer Finance Co., Ltd.

(2) Consolidated Subsidiaries Planning to Adopt Phased Rollout of the FIRB Approach

Currently, there are no subsidiaries applicable.

(3) Other Consolidated Subsidiaries

These are consolidated subsidiaries judged not to be significant in terms of credit risk management based on the type of business, scale, and other factors. These subsidiaries will adopt the standardised approach on a permanent basis.

2. Credit Risk-Weighted Asset Calculation Methodology

A 100% risk weight is applied to claims on corporates in accordance with Article 45 of the Notification, and risk weights corresponding to country risk scores published by the Organization for Economic Co-operation and Development (OECD) are applied to claims on sovereigns and financial institutions.

3. CR Exposure and Credit Risk Mitigation (CRM) Effects (CR4)

(Millions of yen)

CR4: SA – CR exposure and CRM effects		As of March 31, 2018					
		a	b	c	d	e	f
Item No.		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		Credit RWA amount	RWA density
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
1	Cash	16,048	–	16,048	–	0	0.00%
2	Government of Japan and Bank of Japan (BOJ)	2,470,922	–	2,470,922	–	0	0.00%
3	Foreign central governments and foreign central banks	1,150,561	–	1,150,561	–	9	0.00%
4	Bank for International Settlements, etc.	–	–	–	–	–	–
5	Local governments of Japan	1,570	–	1,570	–	0	0.00%
6	Foreign non-central government public sector entities (PSEs)	31,310	–	31,310	–	1,337	4.27%
7	Multilateral development banks (MDBs)	5,454	–	5,454	–	0	0.00%
8	Japan Finance Organization for Municipalities (JFM)	–	–	–	–	–	–
9	Government- affiliated agencies of Japan	17,675	–	17,675	–	1,767	10.00%
10	The three local public corporations	6,977	–	6,977	–	0	0.01%
11	Banks entities and financial instruments business operators engaged in Type I Financial Instruments Business	510,984	4,797	510,984	2,398	134,872	26.27%
12	Corporates	3,043,686	225,151	3,043,686	102,874	3,138,389	99.74%
13	SMEs and retail	1,048,482	1,006,652	1,048,482	769,972	1,363,841	75.00%
14	Residential mortgage loans	88,014	–	88,014	–	30,805	35.00%
15	Real estate acquisition activities	–	–	–	–	–	–
16	Past due loans (three months or more),etc. (excluding residential mortgage loans)	76,914	869	76,914	869	102,814	132.18%
17	Past due loans (three months or more) (residential mortgage loans)	59	–	59	–	59	100.00%
18	Bills in the course of collection	–	–	–	–	–	–
19	Guaranteed by credit guarantee associations, etc.	–	–	–	–	–	–
20	Guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	–	–	–	–	–	–
21	Investments, etc. (excluding significant investments)	–	–	–	–	–	–
22	Total	8,468,662	1,237,470	8,468,662	876,114	4,773,898	51.08%

4. CR Exposures by Asset Classes and Risk Weights (CR5)

(Millions of yen)

CR5: SA – CR exposures by asset classes and risk weights		As of March 31, 2018										
		a	b	c	d	e	f	g	h	i	j	k
Item No.	Risk weight / Asset classes	CR exposure amounts (post-CCF and CRM)										
		0%	10%	20%	35%	50%	75%	100%	150%	250%	1250%	Total
1	Cash	16,048	–	–	–	–	–	–	–	–	–	16,048
2	Government of Japan and BOJ	2,470,922	–	–	–	–	–	–	–	–	–	2,470,922
3	Foreign central governments and foreign central banks	1,150,511	–	49	–	–	–	–	–	–	–	1,150,561
4	Bank for International Settlements, etc.	–	–	–	–	–	–	–	–	–	–	–
5	Local governments of Japan	1,570	–	–	–	–	–	–	–	–	–	1,570
6	Foreign non-central government PSEs	24,621	–	6,688	–	–	–	–	–	–	–	31,310
7	MDBs	5,454	–	–	–	–	–	–	–	–	–	5,454
8	JFM	–	–	–	–	–	–	–	–	–	–	–
9	Government- affiliated agencies of Japan	–	17,675	–	–	–	–	–	–	–	–	17,675
10	The three local public corporations	6,973	–	3	–	–	–	–	–	–	–	6,977
11	Banks and financial instruments business operators engaged in Type I Financial Instruments Business	–	–	488,165	–	22,122	–	3,095	–	–	–	513,382
12	Corporates	3,886	–	5,356	–	–	–	3,137,317	–	–	–	3,146,560
13	SMEs and retail	–	–	–	–	–	1,818,455	–	–	–	–	1,818,455
14	Residential mortgage loans	–	–	–	88,014	–	–	–	–	–	–	88,014
15	Real estate acquisition activities	–	–	–	–	–	–	–	–	–	–	–
16	Past due loans (three months or more), etc. (excluding residential mortgage loans)	57	–	91	–	13,654	–	–	63,979	–	–	77,783
17	Past due loans (three months or more) (residential mortgage loans)	–	–	–	–	–	–	59	–	–	–	59
18	Bills in the course of collection	–	–	–	–	–	–	–	–	–	–	–
19	Guaranteed by credit guarantee associations, etc.	–	–	–	–	–	–	–	–	–	–	–
20	Guaranteed by REVIC of Japan, etc.	–	–	–	–	–	–	–	–	–	–	–
21	Investments, etc. (excluding significant investments)	–	–	–	–	–	–	–	–	–	–	–
22	Total	3,680,047	17,675	500,355	88,014	35,777	1,818,455	3,140,472	63,979	–	–	9,344,777

Note: As the sum of the respective risk weight of the original obligor and the original obligee are applied for the risk weight for loan participation transactions by a bank adopting the SA, the credit RWA amount calculated by summing up the exposure amount multiplied by the corresponding risk weights in the above table does not match with the credit RWA amount shown in column e of CR4 (SA-CR exposure and CRM effects).

Credit Risk Mitigation (CRM) Techniques

1. Overview of Risk Characteristics, Risk Management Policy, Risk Management Procedures and Risk Management System

In calculating credit risk-weighted asset amounts, We take into account credit risk mitigation (CRM) techniques. Specifically, amounts are adjusted for eligible financial or real estate collateral, guarantees, and credit derivatives. The methods and scope of these adjustments and methods of management are as follows.

(1) Scope and Management

A. Collateral (Eligible Financial or Real Estate Collateral)

SMBC designates deposits and securities as eligible financial collateral, and land and buildings as eligible real estate collateral.

Real estate collateral is evaluated by taking into account its fair value, appraisal value, and current condition, as well as our lien position. Real estate collateral must maintain sufficient collateral value in the event security rights must be exercised due to delinquency. However, during the period from acquiring the rights to exercising the rights, the property may deteriorate or suffer damage from earthquakes or other natural disasters, or there may be changes in the lien position due to, for example, attachment or establishment of liens by a third party. Therefore, the regular monitoring of collateral is implemented according to the type of property and the type of security interest.

B. Guarantees and Credit Derivatives

Guarantors are sovereigns, municipal corporations, credit guarantee corporations and other public entities, financial institutions, and C&I companies. Counterparties to credit derivative transactions are mostly domestic and overseas banks and securities companies.

Credit risk-weighted asset amounts are calculated taking into account credit risk mitigation of guarantees and credit derivatives acquired from entities with sufficient ability to provide protection such as sovereigns, municipal corporations and other public sector entities of comparable credit quality, and financial institutions and C&I companies with sufficient credit ratings.

(2) Concentration of Credit Risk and Market Risk under Credit Risk Mitigation Techniques

There is a framework in place for controlling concentration of risk in obligors with large exposures which includes large exposure limit lines, risk concentration monitoring, and reporting to the Credit Risk Committee (please refer to pages 93 to 98). Further, exposures to these obligors are monitored on a group basis, taking into account risk concentration in their parent companies in cases that exposures to the obligors are guaranteed by the parent companies for risk mitigation.

In addition, when marketable financial products (for example, credit derivatives) are used as credit risk mitigants, market risk generated by these products is controlled by setting upper limits.

As credit risk mitigation techniques, eligible real estate collateral and guarantees have shown a certain effect.

2. Credit Risk Mitigation Techniques (CR3)

(Millions of yen)

CR3: CRM techniques		As of March 31, 2018				
		a	b	c	d	e
Item No.		Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	45,660,454	27,382,601	13,034,567	8,743,128	5,312
2	Securities (of which: Debt securities)	18,024,738	969,389	258,935	63,312	—
3	Other on-balance sheet assets (of which: debt-based assets)	58,895,107	210,324	5,620	154,070	—
4	Total (1+2+3)	122,580,301	28,562,315	13,299,124	8,960,511	5,312
5	Of which: defaulted	512,629	251,536	91,471	5,594	—

Counterparty Credit Risk

1. Overview of Risk Characteristics

Counterparty credit risk is actualized when counterparties become default in a condition where derivative transactions, etc. have a positive value, and risks fluctuate according to the credit quality of counterparties and related market indicators.

2. Risk Management Policy and Procedures

(1) Risk Management Policy

For counterparty credit risks, credit limits are set according to the frameworks of credit management in each SMBC Group company. For transactions with CCP, credit risks are managed after validating the financial base and the default management process, etc.

(2) Policy on Collateral Security and Impact of Deterioration of Our Credit Quality

Collateralized derivative is a CRM technique in which collateral is delivered or received regularly in accordance with replacement cost. The Group conducts collateralized derivative transactions as necessary, thereby reducing credit risk. In the event our credit quality deteriorates, however, the counterparty may demand additional collateral, but its impact is deemed to be insignificant.

(3) Netting

Netting is another CRM technique, and “close-out netting” is the main type of netting. In close-out netting, when a default event, such as bankruptcy, occurs to the counterparty, all claims against, and obligations to, the counterparty, regardless of maturity and currency, are netted out to create a single claim or obligation. Close-out netting is applied to foreign exchange and swap transactions covered under a master agreement with a net-out clause or other means of securing legal effectiveness, and the effect of CRM is taken into account only for such claims and obligations.

3. Amount of Counter Party Credit Risk (CCR) Exposure by Approach (CCR1)

(Millions of yen)

CCR1: Amount of CCR exposure by approach		As of March 31, 2018					
		a	b	c	d	e	f
Item No.		Replacement cost	PFE	Effective EPE (EEPE)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR	—	—		1.4	—	—
	CEM	1,490,810	2,249,561			3,740,371	1,051,112
2	Expected exposure method (IMM)			—	—	—	—
3	Simple approach for CRM					5,658,971	312,840
4	Comprehensive approach for CRM					3,178,754	129,770
5	Exposure fluctuation estimation model					—	—
6	Total						1,493,723

4. CVA Capital Charge (CCR2)

(Millions of yen)

CCR2: CVA risk capital charge		As of March 31, 2018	
		a	b
Item No.		EAD post-CRM	RWA (Amount calculated by dividing CVA capital charge by 8%)
1	Total portfolios subject to the advanced CVA capital charge	—	—
2	(i) VaR component (including the 3×multiplier)		—
3	(ii) Stressed VaR component (including the 3×multiplier)		—
4	Total portfolios subject to the standardised CVA capital charge	3,353,374	2,252,318
5	Total subject to the CVA capital charge	3,353,374	2,252,318

5. CCR Exposures by Regulatory Portfolio and Risk Weights (CCR3)

(Millions of yen)

CCR3: CCR exposures by regulatory portfolio and risk weights		As of March 31, 2018								
		a	b	c	d	e	f	g	h	i
		Credit equivalent amounts (post-CRM)								
Item No.	Risk weight / Regulatory porfolio	0%	10%	20%	50%	75%	100%	150%	Others	Total
1	Government of Japan and BOJ	163,953	–	–	–	–	–	–	–	163,953
2	Foreign central governments and foreign central banks	–	–	–	–	–	–	–	–	–
3	Bank for International Settlements, etc.	–	–	–	–	–	–	–	–	–
4	Local governments of Japan	6,979	–	–	–	–	–	–	–	6,979
5	Foreign non-central government PSEs	–	–	–	–	–	–	–	–	–
6	MDBs	–	–	–	–	–	–	–	–	–
7	JFM	–	–	–	–	–	–	–	–	–
8	Government- affiliated agencies of Japan	–	–	–	–	–	–	–	–	–
9	The three local public corporations	–	–	–	–	–	–	–	–	–
10	Banks and financial instruments business operators engaged in Type I Financial Instruments Business	974,127	–	403,048	1,953	–	383	–	–	1,379,513
11	Corporates	4,083,144	–	7,868	–	–	245,565	–	–	4,336,577
12	SMEs and retail	–	–	–	–	171,452	–	–	–	171,452
13	Other than the above	–	–	–	–	–	21,264	–	–	21,264
14	Total	5,228,204	–	410,916	1,953	171,452	267,214	–	–	6,079,742

6. IRB Approach – CCR Exposures by Portfolio and PD Scale (CCR4)

(Millions of yen, %, the number of data in thousands, years)

CCR4: IRB - CCR exposures by portfolio and PD scale		As of March 31, 2018						
		a	b	c	d	e	f	g
Item No.	PD scale	EAD post-CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA	RWA density (%)
Sovereign exposures (AIRB approach)								
1	0.00 to <0.15	156,313	0.00	0.5	22.69	1.2	150	0.09
2	0.15 to <0.25	31,027	0.16	0.0	23.76	0.6	4,405	14.20
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	0	0.55	0.0	35.00	1.0	0	42.70
5	0.75 to <2.50	118	1.69	0.0	35.00	3.1	107	91.45
6	2.50 to <10.00	51	2.60	0.0	34.93	1.0	42	81.22
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	187,511	0.02	0.5	22.88	1.1	4,706	2.50
Sovereign exposures (FIRB approach)								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—
Bank exposures (AIRB approach)								
1	0.00 to <0.15	3,160,226	0.03	13.9	18.87	1.0	210,607	6.66
2	0.15 to <0.25	741,034	0.16	4.3	16.49	0.9	121,970	16.45
3	0.25 to <0.50	972	0.34	0.0	34.97	1.5	432	44.45
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	61,064	0.96	0.0	5.01	0.0	6,088	9.97
6	2.50 to <10.00	121,139	4.11	0.1	0.38	0.0	1,372	1.13
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	4,084,436	0.19	18.4	17.69	1.0	340,471	8.33
Bank exposures (FIRB approach)								
1	0.00 to <0.15	737	0.09	0.0	45.00	1.2	193	26.18
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	737	0.09	0.0	45.00	1.2	193	26.18

(Millions of yen, %, the number of data in thousands, years)

CCR4: IRB - CCR exposures by portfolio and PD scale		As of March 31, 2018						
		a	b	c	d	e	f	g
Item No.	PD scale	EAD post-CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity	Credit RWA	RWA density (%)
Corporate exposures (AIRB approach)								
1	0.00 to <0.15	1,125,009	0.04	47.0	38.35	2.2	171,663	15.25
2	0.15 to <0.25	378,409	0.16	23.8	29.78	3.4	130,581	34.50
3	0.25 to <0.50	91,512	0.29	9.3	31.24	3.3	40,672	44.44
4	0.50 to <0.75	16,474	0.55	3.0	34.24	2.4	9,392	57.01
5	0.75 to <2.50	86,968	2.04	3.9	16.18	1.3	35,695	41.04
6	2.50 to <10.00	32,765	2.99	1.5	32.10	4.0	37,083	113.17
7	10.00 to <100.00	10,342	11.68	1.8	33.42	1.5	14,559	140.77
8	100.00 (Default)	419	100.00	0.0	48.38	3.2	52	12.50
9	Subtotal	1,741,901	0.34	90.7	34.83	2.5	439,701	25.24
Corporate exposures (FIRB approach)								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	941	2.58	0.0	45.00	3.7	1,603	170.30
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	941	2.58	0.0	45.00	3.7	1,603	170.30
Mid-sized corporations and SMEs exposures (AIRB approach)								
1	0.00 to <0.15	8,050	0.08	2.9	35.00	2.5	1,559	19.37
2	0.15 to <0.25	14,954	0.17	5.2	34.16	2.9	4,533	30.31
3	0.25 to <0.50	10,642	0.29	3.5	34.28	3.0	4,293	40.34
4	0.50 to <0.75	8,806	0.55	3.5	35.00	3.1	4,821	54.74
5	0.75 to <2.50	8,880	1.33	6.3	34.39	2.9	6,231	70.16
6	2.50 to <10.00	5,630	2.58	0.9	34.99	4.2	5,203	92.41
7	10.00 to <100.00	694	12.28	0.3	35.00	3.0	951	137.08
8	100.00 (Default)	228	100.00	0.2	50.40	4.1	28	12.50
9	Subtotal	57,887	1.19	23.1	34.61	3.0	27,623	47.71
Mid-sized corporations and SMEs exposures (FIRB approach)								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—

(Millions of yen, %, the number of data in thousands, years)

CCR4: IRB - CCR exposures by portfolio and PD scale		As of March 31, 2018						
		a	b	c	d	e	f	g
Item No.	PD scale	EAD post-CRM	Average PD (%)	Number of counterparties	Average LGD (%)	Average maturity	Credit RWA	RWA density (%)
SL								
1	0.00 to <0.15	99,975	0.04	0.2	20.90	4.8	15,582	15.58
2	0.15 to <0.25	202,540	0.16	0.4	23.82	4.9	65,072	32.12
3	0.25 to <0.50	72,588	0.36	0.3	25.28	4.8	34,680	47.77
4	0.50 to <0.75	168	0.55	0.0	34.24	2.7	97	58.01
5	0.75 to <2.50	43,064	1.46	0.1	27.14	4.4	32,318	75.04
6	2.50 to <10.00	4,203	4.13	0.0	39.91	4.9	6,372	151.60
7	10.00 to <100.00	469	17.00	0.0	35.17	4.3	924	197.03
8	100.00 (Default)	1,928	100.00	0.0	68.76	4.8	1,007	52.25
9	Subtotal	424,938	0.81	1.1	24.10	4.8	156,055	36.72
Equity exposures								
1	0.00 to <0.15	—	—	—	—	—	—	—
2	0.15 to <0.25	—	—	—	—	—	—	—
3	0.25 to <0.50	—	—	—	—	—	—	—
4	0.50 to <0.75	—	—	—	—	—	—	—
5	0.75 to <2.50	—	—	—	—	—	—	—
6	2.50 to <10.00	—	—	—	—	—	—	—
7	10.00 to <100.00	—	—	—	—	—	—	—
8	100.00 (Default)	—	—	—	—	—	—	—
9	Subtotal	—	—	—	—	—	—	—
Other retail exposures								
1	0.00 to <0.15	—	—	—	—		—	—
2	0.15 to <0.25	—	—	—	—		—	—
3	0.25 to <0.50	—	—	—	—		—	—
4	0.50 to <0.75	—	—	—	—		—	—
5	0.75 to <2.50	—	—	—	—		—	—
6	2.50 to <10.00	—	—	—	—		—	—
7	10.00 to <100.00	—	—	—	—		—	—
8	100.00 (Default)	—	—	—	—		—	—
9	Subtotal	—	—	—	—		—	—
Total (sum of portfolios)		6,498,356	0.27	134.0	23.01	1.6	970,354	14.93

7. Composition of Collateral for CCR Exposure (CCR5)

(Millions of yen)

CCR5: Composition of collateral for CCR exposure		As of March 31, 2018					
Item No.		a	b	c	d	e	f
		Collateral used in derivative transactions				Collateral used in securities financing transactions (SFTs)	
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash (domestic currency)	20,250	191,880	—	116,006	7,050,517	7,905,030
2	Cash (other currencies)	521	162,951	—	368,536	2,747,648	1,436,126
3	Domestic sovereign debt	277	796	—	27,963	6,492,040	7,481,005
4	Other sovereign debt	4,217	3,498	—	4,544	1,185,978	2,669,201
5	Government agency debt	50	—	—	—	264,077	—
6	Corporate bonds	11,574	—	—	—	48,602	70,898
7	Equity securities	5,674	—	—	—	605,426	40,877
8	Other collateral	—	—	—	—	35,732	—
9	Total	42,567	359,126	—	517,052	18,430,024	19,603,140

8. Credit Derivative Transaction Exposures (CCR6)

(Millions of yen)

CCR6: Credit derivative transaction exposures		As of March 31, 2018	
Item No.		a	b
		Protection bought	Protection sold
Notionals			
1	Single-name credit default swaps	444,503	719,100
2	Index credit default swaps	66,000	120,834
3	Total return swaps	—	—
4	Credit options	—	—
5	Other credit derivatives	—	—
6	Total notionals	510,503	839,934
Fair values			
7	Positive fair value (asset)	387	12,996
8	Negative fair value (liability)	8,034	2,660

9. Exposures to Central Counterparties (CCR8)

(Millions of yen)

CCR8: Exposures to central counterparties (CCP)		As of March 31, 2018	
		a	b
Item No.		EAD to CCP (post-CRM)	RWA
1	Exposures to qualifying central counterparties (QCCPs) (total)		125,935
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	2,574,667	51,493
3	(i) OTC derivatives	1,335,139	26,702
4	(ii) Exchange-traded derivatives	1,215,202	24,304
5	(iii) SFTs	24,324	486
6	(iv) Netting sets where cross-product netting has been approved	—	—
7	Segregated initial margin	—	
8	Non-segregated initial margin	134,883	2,697
9	Pre-funded default fund contributions	136,695	71,744
10	Unfunded default fund contributions	—	—
11	Exposures to non-QCCPs (total)		46,601
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	183,077	44,374
13	(i) OTC derivatives	4,428	4,428
14	(ii) Exchange-traded derivatives	178,616	39,913
15	(iii) SFTs	32	32
16	(iv) Netting sets where cross-product netting has been approved	—	—
17	Segregated initial margin	—	
18	Non-segregated initial margin	10,843	2,227
19	Pre-funded default fund contributions	—	—
20	Unfunded default fund contributions	—	—

Securitisation Transactions

1. Overview of Risk Characteristics

Securitisation exposures have, in addition to credit risk and market risk, the following intrinsic risks, which are properly managed based on the nature of each risk.

(1) Dilution Risk

Means the risk of a decrease in purchased receivables due to cancellation or termination of the original contract for the purchased receivables, or netting of debts between the original obligor and the original obligee.

(2) Servicer Risk

A. Commingling Risk

Means the risk of uncollectible funds, which should be collected from the underlying assets, due to the bankruptcy of the servicer before the delivery of the funds collected from the obligor of the receivables.

B. Performance Risk

Means the risk of difficulty in maintenance and collection due to the servicer's failure to properly and accurately perform its clerical duties and procedures.

(3) Liquidity Risk

Means the risk that cash flows related to the underlying assets may be insufficient for paying the principal and interest of the securitisation exposure due to a timing mismatch between the securitisation conduit's receipt of the cash flows related to the underlying assets and payment of the securitisation exposure of the principal and interest, etc.

(4) Fraud Risk

Means the risk of a decrease in or complete loss of the receivables subject to collection due to a fraud, prejudicial or other malicious act by a customer or a third-party obligor.

2. Overview of Risk Management Policy and Procedures

Definition of securitisation exposure has been clarified in order to properly identify, measure, evaluate and report risks, and a risk management department, independent of business units, has been established to centrally manage risks from recognizing securitisation exposures to measuring, evaluating and reporting risks.

Securitisation transactions are subject to the following policies.

- Undertake those which allow separate assessment of underlying short-term assets by making credit decisions on individual underlying assets.
- Undertake those which cover short-term receivables, etc., by creating a framework mainly to estimate the default rate of the underlying assets based on the historical loan-loss ratio and ensure that they have sufficient subordination.
- Undertake others such as those requiring special management by implementing additional management, such as an analysis of the market environment. Particularly, with respect to securitisation transactions backed by retail loans whose creditworthiness is relatively inferior, such as subprime loans in the U.S., the Group deals only with transactions that are sufficiently structured by taking into account not only the above policies, but others such as the underlying asset selection criteria of the originator and the average life.

The Group shall basically not conduct resecuritisation transactions.

Its policy is to conduct securitisation transactions by verifying effectiveness in mitigating credit risk through the use of the asset transfer type or synthetic type securitisation transactions covering domestic and foreign exposures and using them as underlying exposures if securitisation transactions are used as an approach for credit risk mitigation.

The Group takes one of the following positions for securitisation transactions.

- Originator (a direct or indirect originator of underlying assets or a sponsor of an ABCP conduit or a similar program that acquires exposures from third-party entities)
- Investor
- Others (for example, provider of swap for preventing a mismatch between the dividend on trust beneficiary rights and cash flows generated by underlying assets on which the rights are issued)

3. Name of Securitisation Conduit and Whether or Not It Possesses Securitisation Exposure Related to Securitisation Transactions, as well as Names of Subsidiaries and Affiliated Companies of us Which Hold Securitisation Exposures Related to Securitisation Transactions Conducted by us and we Engage in the Management of the Company or Provides Advice

In order to undertake securitisation transactions related to third-party assets, the Group mainly uses a special purpose company (SPC) as a securitisation conduit.

- Manhattan Asset Funding Company LLC
- Chelsea Capital Corporation
- Forest Corporation
- Spur Funding Corporation

Excluding consolidated subsidiaries, subsidiaries or affiliated companies holding securitisation exposures related to the security transactions conducted by the Holding Company Group are as follows:

- NEC Capital Solutions Limited
- THE MINATO BANK, LTD.

4. Name of Securitisation Conduit that Provides Non-Contractual Credit Enhancement, etc. and Impacts on Capital by Such Non-Contractual Credit Enhancement, etc. for Each Securitisation Conduit

Not applicable.

5. Accounting Policy on Securitisation Transactions

The recognition of the generation and extinguishment of financial assets and financial liabilities associated with securitisation transactions and the valuation and accounting treatment thereof are mainly governed by the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10).

6. Names of Qualifying External Ratings Agencies

In order to apply the rating-based approach under the IRB approach or standardised approach or to calculate an amount of market risk associated with specific risk, the risk weights are determined by mapping the ratings of qualifying rating agencies to the risk weights stipulated in the Notification. The qualifying rating agencies are Rating and Investment Information, Inc. (R&I), Japan Credit Rating Agency, Ltd. (JCR), Moody's Investors Service, Inc. (Moody's), S&P Global Ratings (S&P), and Fitch Ratings Ltd. (Fitch).

When more than one rating is available for an exposure, the second smallest risk weight is used, in accordance with the Notification.

7. Securitisation Exposures in the Banking Book (SEC1)

(Millions of yen)

SEC1: Securitisation exposures in the banking book		As of March 31, 2018								
		a	b	c	d	e	f	g	h	i
Item No.	Type of underlying asset	Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal
1	Retail (total) - of which	412,410	–	412,410	533,449	–	533,449	655,834	–	655,834
2	Residential mortgage	412,410	–	412,410	–	–	–	31,574	–	31,574
3	Credit card	–	–	–	39,497	–	39,497	296,940	–	296,940
4	Other retail exposures	–	–	–	493,951	–	493,951	327,319	–	327,319
5	Re-securitisation	–	–	–	–	–	–	–	–	–
6	Wholesale (total) - of which	17,722	101,189	118,911	771,531	–	771,531	886,361	230,748	1,117,110
7	Loans to corporates	17,722	101,189	118,911	20,296	–	20,296	685,765	220,973	906,738
8	Commercial mortgage	–	–	–	–	–	–	1,100	–	1,100
9	Lease and receivables	–	–	–	745,635	–	745,635	132,870	9,775	142,645
10	Other wholesale	–	–	–	5,600	–	5,600	66,626	–	66,626
11	Re-securitisation	–	–	–	–	–	–	–	–	–

8. Securitisation Exposures in the Trading Book (SEC2)

(Millions of yen)

SEC2: Securitisation exposures in the trading book		As of March 31, 2018								
Item No.	Type of underlying asset	a	b	c	d	e	f	g	h	i
		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal
1	Retail (total) - of which	—	—	—	—	—	—	10,624	—	10,624
2	Residential mortgage	—	—	—	—	—	—	—	—	—
3	Credit card	—	—	—	—	—	—	6,611	—	6,611
4	Other retail exposures	—	—	—	—	—	—	4,013	—	4,013
5	Re-securitisation	—	—	—	—	—	—	—	—	—
6	Wholesale (total) - of which	—	—	—	—	—	—	3,855	—	3,855
7	Loans to corporates	—	—	—	—	—	—	17	—	17
8	Commercial mortgage	—	—	—	—	—	—	—	—	—
9	Lease and receivables	—	—	—	—	—	—	3,838	—	3,838
10	Other wholesale	—	—	—	—	—	—	—	—	—
11	Re-securitisation	—	—	—	—	—	—	—	—	—

9. Securitisation Exposures in the Banking Book and Associated Regulatory Capital Requirements (Bank Acting as Originator or as Sponsor) (SEC3)

(Millions of yen)

SEC3: Securitisation exposures in the banking book and associated capital regulatory requirements (bank acting as originator or sponsor) (1/2)		As of March 31, 2018							
		a	b	c	d	e	f	g	h
Item No.		Total	Traditional securitisation (subtotal)	Securitisation	Retail underlying	Wholesale	Re-securitisation	Senior	Non-senior
Exposure values (by RW bands)									
1	≤20% RW	1,805,620	1,707,334	1,707,334	922,711	784,622	—	—	—
2	>20% to 50% RW	3,333	2,387	2,387	—	2,387	—	—	—
3	>50% to 100% RW	2,426	2,144	2,144	—	2,144	—	—	—
4	>100% to <1250% RW	184	—	—	—	—	—	—	—
5	1250% RW	24,737	23,246	23,246	23,147	99	—	—	—
Exposure values (by regulatory approach)									
6	IRB RBA (including IAA)	73,071	73,071	73,071	73,071	—	—	—	—
7	IRB SFA	1,738,493	1,638,794	1,638,794	849,640	789,154	—	—	—
8	Securitisation exposures subject to SA	—	—	—	—	—	—	—	—
9	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	24,737	23,246	23,246	23,147	99	—	—	—
Credit RWA amounts (by regulatory approach)									
10	IRB RBA (including IAA)	5,115	5,115	5,115	5,115	—	—	—	—
11	IRB SFA	100,661	92,354	92,354	32,226	60,128	—	—	—
12	SA	—	—	—	—	—	—	—	—
13	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	309,222	290,585	290,585	289,345	1,239	—	—	—
Capital charge after cap (by regulatory approach)									
14	IRB RBA (including IAA)	433	433	433	433	—	—	—	—
15	IRB SFA	8,536	7,831	7,831	2,732	5,098	—	—	—
16	SA	—	—	—	—	—	—	—	—
17	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	26,222	24,641	24,641	24,536	105	—	—	—

(Millions of yen)

SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements (bank acting as originator or sponsor) (2/2)		As of March 31, 2018						
		i	j	k	l	m	n	o
Item No.		Synthetic securitisation (subtotal)	Securitisation	Retail underlying	Wholesale	Re-securitisation	Senior	Non-senior
Exposure values (by RW bands)								
1	≤20% RW	98,285	98,285	—	98,285	—	—	—
2	>20% to 50% RW	946	946	—	946	—	—	—
3	>50% to 100% RW	281	281	—	281	—	—	—
4	>100% to <1250% RW	184	184	—	184	—	—	—
5	1250% RW	1,490	1,490	—	1,490	—	—	—
Exposure values (by regulatory approach)								
6	IRB RBA (including IAA)	—	—	—	—	—	—	—
7	IRB SFA	99,698	99,698	—	99,698	—	—	—
8	SA	—	—	—	—	—	—	—
9	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	1,490	1,490	—	1,490	—	—	—
Credit RWA amounts (by regulatory approach)								
10	IRB RBA (including IAA)	—	—	—	—	—	—	—
11	IRB SFA	8,306	8,306	—	8,306	—	—	—
12	SA	—	—	—	—	—	—	—
13	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	18,637	18,637	—	18,637	—	—	—
Capital requirement values (by regulatory approach)								
14	IRB RBA (including IAA)	—	—	—	—	—	—	—
15	IRB SFA	704	704	—	704	—	—	—
16	SA	—	—	—	—	—	—	—
17	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	1,580	1,580	—	1,580	—	—	—

10. Securitisation Exposures in the Banking Book Associated Capital Requirements (Bank Acting as Investor) (SEC4)

(Millions of yen)

SEC4: Securitisation exposures in the banking book and associated capital requirements (bank acting as investor) (1/2)		As of March 31, 2018							
		a	b	c	d	e	f	g	h
Item No.		Total	Traditional securitisation (subtotal)	Securitisation	Retail underlying	Wholesale	Re-securitisation	Senior	Non-senior
Exposure values (by RW bands)									
1	≤20% RW	1,721,862	1,510,845	1,510,845	635,543	875,301	—	—	—
2	>20% to 50% RW	301	301	301	—	301	—	—	—
3	>50% to 100% RW	28,573	28,573	28,573	20,291	8,282	—	—	—
4	>100% to <1250% RW	600	600	600	—	600	—	—	—
5	1250% RW	21,606	1,875	1,875	—	1,875	—	—	—
Exposure values (by regulatory approach)									
6	IRB RBA (including IAA)	345,204	345,204	345,204	264,534	80,670	—	—	—
7	IRB SFA	1,400,220	1,189,203	1,189,203	385,988	803,215	—	—	—
8	SA	5,912	5,912	5,912	5,312	600	—	—	—
9	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	21,606	1,875	1,875	—	1,875	—	—	—
Credit RWA amounts (by regulatory approach)									
10	IRB RBA (including IAA)	42,577	42,577	42,577	28,948	13,628	—	—	—
11	IRB SFA	83,567	82,324	82,324	27,683	54,641	—	—	—
12	SA	6,084	6,084	6,084	3,984	2,100	—	—	—
13	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	270,086	23,449	23,449	—	23,449	—	—	—
Capital charge after cap (by regulatory approach)									
14	IRB RBA (including IAA)	3,610	3,610	3,610	2,454	1,155	—	—	—
15	IRB SFA	7,086	6,981	6,981	2,347	4,633	—	—	—
16	SA	486	486	486	318	168	—	—	—
17	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	22,873	1,958	1,958	—	1,958	—	—	—

(Millions of yen)

SEC4: Securitisation exposures in the banking book and associated capital requirements (bank acting as investor) (2/2)		As of March 31, 2018						
		i	j	k	l	m	n	o
Item No.		Synthetic securitisation (subtotal)	Securitisation	Retail underlying	Wholesale	Re-securitisation	Senior	Non-senior
Exposure values (by RW bands)								
1	≤20% RW	211,017	211,017	—	211,017	—	—	—
2	>20% to 50% RW	—	—	—	—	—	—	—
3	>50% to 100% RW	—	—	—	—	—	—	—
4	>100% to <1250% RW	—	—	—	—	—	—	—
5	1250% RW	19,730	19,730	—	19,730	—	—	—
Exposure values (by regulatory approach)								
6	IRB RBA (including IAA)	—	—	—	—	—	—	—
7	IRB SFA	211,017	211,017	—	211,017	—	—	—
8	SA	—	—	—	—	—	—	—
9	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	19,730	19,730	—	19,730	—	—	—
Credit RWA amounts (by regulatory approach)								
10	IRB RBA (including IAA)	—	—	—	—	—	—	—
11	IRB SFA	1,242	1,242	—	1,242	—	—	—
12	SA	—	—	—	—	—	—	—
13	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	246,636	246,636	—	246,636	—	—	—
Capital charge after cap (by regulatory approach)								
14	IRB RBA (including IAA)	—	—	—	—	—	—	—
15	IRB SFA	105	105	—	105	—	—	—
16	SA	—	—	—	—	—	—	—
17	1250% RW pursuant to Article 247, Paragraph 1 of the Notification or Article 225, Paragraph 1 of the Bank Holding Company Equity Capital Adequacy Notification	20,914	20,914	—	20,914	—	—	—

Equity Exposures

1. Overview of Risk Management Policy and Procedures

Securities in the banking book are properly managed, for example, by setting upper limits on the allowable amount of risk under the market or credit risk management framework selected according to their holding purpose and risk characteristics.

For securities held as “available-for-sale securities,” the upper limits are also set in terms of price fluctuation risk and default risk.

Regarding stocks of subsidiaries, assets and liabilities of subsidiaries are risk-managed on a consolidated basis. As for stocks of affiliates, risks related to gains and losses from investments are recognized separately. As in each case maximum allowable amount of risk is managed individually, risks as stocks are not measured.

The limits are established within the “risk capital limit” of SMBC group, taking into account the financial and business situations of the subsidiaries and affiliates.

2. Valuation of Securities and Other Significant Accounting Policies

Stocks of non-consolidated subsidiaries and affiliates not accounted for by the equity method are carried at amortized cost using the moving-average method. Available-for-sale securities with market prices (including foreign stocks) are carried at their average market prices during the final month of the fiscal year. Securities other than these securities are carried at their market prices at the end of the fiscal year under review (cost of securities sold is calculated using primarily the moving-average method), and those with no available market prices are carried at cost using the moving-average method.

Net unrealized gains (losses) on available-for-sale securities and net of income taxes are reported as a component of “net assets.”

Market Risk

1. Scope

The following approaches are used to calculate market risk equivalent amounts.

(1) Internal Models Method

General market risk of SMBC, Sumitomo Mitsui Banking Corporation Europe Limited, Sumitomo Mitsui Banking Corporation (China) Limited, SMBC Capital Markets, Inc., SMBC Nikko Capital Markets Limited, SMBC Derivative Products Limited, and SMBC Capital Markets (Asia) Limited

(2) Standardized Measurement Method

- Specific risk
- General market risk of consolidated subsidiaries other than SMBC, Sumitomo Mitsui Banking Corporation Europe Limited, Sumitomo Mitsui Banking Corporation (China) Limited, SMBC Capital Markets, Inc., SMBC Nikko Capital Markets Limited, SMBC Derivative Products Limited, and SMBC Capital Markets (Asia) Limited
- A portion of general market risk of SMBC

2. Market Risk under standardised approach (MR1)

(Millions of yen)

MR1: Market risk under standardised approach		
		As of March 31, 2018
Item No.		RWA (Amounts calculated by dividing risk equivalent amounts by 8%)
1	Interest rate risk (general and specific)	467,888
2	Equity risk (general and specific)	166,758
3	Foreign exchange risk	20,640
4	Commodity risk	0
	Options	
5	Simplified approach	—
6	Delta-plus method	298,703
7	Scenario approach	—
8	Specific risk related to securitisation exposures	181,012
9	Total	1,135,003

3. IMA values for trading portfolios (MR3)

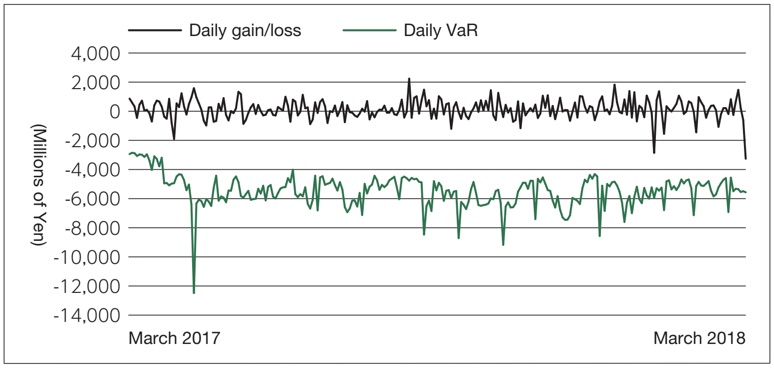
(Millions of yen)

MR3: IMA values for trading portfolios		
		Fiscal 2017
Item No.		
	VaR (holding period of 10 business days, one-sided confidence level of 99%)	
1	Maximum value	24,051
2	Average value	17,066
3	Minimum value	9,356
4	Period end	17,606
	Stressed VaR (holding period of 10 business days, one-sided confidence level of 99%)	
5	Maximum value	45,773
6	Average value	25,283
7	Minimum value	13,672
8	Period end	20,254
	Incremental risk value (one-sided confidence level of 99.9%)	
9	Maximum value	—
10	Average value	—
11	Minimum value	—
12	Period end	—
	Comprehensive risk value (one-sided confidence level of 99.9%)	
13	Maximum value	—
14	Average value	—
15	Minimum value	—
16	Period end	—
17	Floor (modified standardized measurement method)	—

Note: The VaR and the stressed VaR are calculated using the historical simulation method. Specifically, they are calculated on a daily basis, assuming a one-sided confidence level of 99.0% and a one-day holding period, based on profit and loss simulation on a scenario-specific basis generated from historical data (the full valuation method, in principle), and they are adjusted to a 10-day holding period using the square root of time method. Under this method, the VaR and the stressed VaR use observation periods of four years immediately preceding, and 12 months including the stress period, respectively.

4. Backtesting results by the internal models approach (MR4)

The status of backtesting of trading for Fiscal 2017 is as follows. "Daily gain/loss" represents the actual gain/loss incurred, and "Daily VaR" represents the daily VaR calculated using the risk measurement model with a one-day holding period. In the past 250 business days, the number of times loss exceeded VaR was 0, and the VaR model (one-sided confidence level of 99.0%) is considered to have sufficient accuracy.



Interest Rate Risk in the Banking Book

1. Overview of Risk Management Policy and Procedures

Interest rate risk in the banking book is the risk to the present value of a bank's assets and liabilities and/or the future earnings (interest income) from the rate-sensitive instruments when interest rates change. SMBC Group recognizes interest rate risk as a significant risk and manages it in an integrated manner, together with other market risks (equity position risk, etc.) (For details, please refer to pages 98 to 99). Interest rate risk management is conducted using basis point value (BPV) as a measure of the risk, which denotes the change of present value given a basis point rise in the interest rate. Appropriate limits on BPVs are set for each significant subsidiary including SMBC according to its capital and business plan, and BPVs are monitored daily for risk management. BPVs are managed not only by changing the balance and term structures of assets and liabilities, but also by using hedging instruments such as interest rate swaps and futures.

2. Calculation Method of Interest Rate Risk

Interest rate risk in the banking book is measured based on the future cash flows of the bank's assets and liabilities. Especially, the method of recognizing the dates for maturity of demand deposits (current accounts and ordinary deposit accounts that can be withdrawn at any time) and the method of estimating the time of cancellation prior to maturity of time deposits and mortgage loans affect the risk significantly. Key assumptions for measuring interest rate risk of such instruments are as follows.

Method of recognizing the maturity of demand deposits

The amount of the bank's core deposits is identified as the amount of demand deposits expected to be left with the bank after 5 years (with 50% of the lowest balance during the past 5 years as the upper limit). The maturity of the core deposits is regarded to be 5 years (2.5 years on average). The maturity of the bank's demand deposits are recognized with 5 years as the maximum term (the average is 0.8 year).

Method of estimating the time of cancellation prior to maturity of time deposits and mortgage loans

Cash flows of mortgage loans tend to be different from the initial scheduled ones, as customers may exercise their prepayment options to redeem early in a bonus month or as time passes. Similarly, fixed-term deposits may be canceled prior to maturity. For such instruments, interest rate risk is managed by using statistical models to estimate cash flows for each instrument, considering the seasonality, elapsed years, interest rate levels at the effective time, etc. These models are validated and reviewed regularly.

3. Interest Rate Risk

Table IRRBB1 shows changes in economic value of equity (ΔEVE) and net interest income (ΔNII) in the banking book, simulated based on a set of prescribed interest rate shock scenarios.

As stipulated under the Pillar 2 of Basel Framework (Supervisory Review Process), in order to identify banks that may have taken too large interest rate risk, the Japan FSA applies "materiality test" as comparing the bank's ΔEVE with 15% of its Tier 1 capital, under a set of prescribed interest rate shock scenarios. The measurement result of SMBC Group's ΔEVE shows that the economic value of equity declines when interest rates rise and the maximum change amount is under the prescribed parallel shock up scenario. SMBC Groups' ΔEVE is not larger than 15% of our Tier 1 capital.

As for ΔNII, net interest income declines under the prescribed parallel shock up scenario and increased under the parallel shock down scenario. Due to the assumption of zero floor on the interest rate of customer's deposits in JPY, which limits reduction of the funding cost when interest rate down, the change amount is larger under the parallel shock down scenario.

The measurement scope, the definition of each figure and the calculation assumption are as follows.

Scope

The consolidated subsidiaries of SMBC

- ΔEVE is calculated by simple aggregation of the decrease in economic value for all currencies.
- ΔNII is calculated by simple aggregation of the change amount of interest income for each currency in which the total amount of interest rate-sensitive assets and liabilities is 5% or more of the total.

Definition of Each Figure and Calculation Assumption

- ΔEVE

  Decrease in economic value (EVE, Economic Value on Equity) against interest rate shock (excluding the credit spread).
- ΔNII

  Decrease in 1 year interest income (NII, Net Interest Income) under each the interest rate shock. It is calculated under the constant balance sheet, which means that the balance sheet does not change through a year. In each simulation, we do not allow negative interest rate for domestic yen deposits and loans in any scenario.

(Millions of yen)

IRRBB1: Interest rate risk

Item No.		a	b	c	d
		⊿EVE		⊿NII	
		As of March 31, 2018	As of March 31, 2017	As of March 31, 2018	As of March 31, 2017
1	Parallel up	450,833		(298,916)	
2	Parallel down	0		446,481	
3	Steepener	234,602			
4	Flattener	14,509			
5	Short rate up	69,880			
6	Short rate down	236			
7	Maximum	450,833		446,481	
		e		f	
		As of March 31, 2018		As of March 31, 2017	
8	Tier 1 capital	10,610,229			

Note: Interest rate shocks of deposits with central banks is considered to be the same with the standardized interest rate shocks when calculating ⊿NII.

Operational Risk

1. Operational Risk Equivalent Amount Calculation Methodology

Sumitomo Mitsui Financial Group adopted the Advanced Measurement Approach (AMA) for exposures as of March 31, 2008. The following consolidated subsidiaries have also adopted the AMA, and the remaining consolidated subsidiaries have adopted the Basic Indicator Approach (BIA).

Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Card Company, Limited, The Japan Research Institute, Limited, Sumitomo Mitsui Finance and Leasing Co., Ltd., SMBC Finance Service Co., Ltd., SMBC Guarantee Co., Ltd., SMBC Center Service Co., Ltd., SMBC Delivery Service Co., Ltd., SMBC Green Service Co., Ltd., SMBC International Business Co., Ltd., SMBC Loan Administration and Operations Service Co., Ltd., Sumitomo Mitsui Banking Corporation Europe Limited, Sumitomo Mitsui Banking Corporation (China) Limited, SMBC Nikko Securities Inc., Cedyna Financial Corporation and SMBC Consumer Finance Co., Ltd.

2. Outline of the AMA

For the “Outline of the AMA,” please refer to pages 101 to 103.

3. Usage of Insurance to Mitigate Risk

Sumitomo Mitsui Financial Group had not taken measures to mitigate operational risk through insurance coverage for exposures.

Reconciliation of Regulatory Capital Elements Back to the Balance Sheet (As of March 31, 2017 and 2018)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

(Millions of yen)

Items	Consolidated balance sheet as in published financial statements: As of March 31, 2018	Consolidated balance sheet as in published financial statements: As of March 31, 2017	Cross-reference to Appended Table	Reference # of Basel III common disclosure template under the Composition of Capital Disclosure (Basel III Template)
(Assets)				
Cash and due from banks	53,732,582	46,865,538		
Call loans and bills bought	1,881,879	1,872,144		
Receivables under resale agreements	827,892	899,897		
Receivables under securities borrowing transactions	8,337,700	8,760,390		
Monetary claims bought	4,730,770	4,420,377		
Trading assets	5,585,591	6,755,428	7-a	
Money held in trust	1,482	3,439		
Securities	25,712,709	24,631,792	3-b, 7-b	
Loans and bills discounted	72,945,934	80,237,322	7-c	
Foreign exchanges	2,166,190	1,723,867		
Lease receivables and investment assets	2,329,431	2,395,597		
Other assets	8,005,807	7,355,845		
Tangible fixed assets	3,475,131	3,101,642		
Intangible fixed assets	865,584	946,506	3-a	
Net defined benefit asset	383,418	314,922	4	
Deferred tax assets	27,609	63,001	5-a	
Customers' liabilities for acceptances and guarantees	8,575,499	8,090,111		
Reserve for possible loan losses	(536,088)	(646,215)		
Total assets	199,049,128	197,791,611		
(Liabilities)				
Deposits	116,477,534	117,830,210		
Negotiable certificates of deposit	11,220,284	11,880,937		
Call money and bills sold	1,190,928	2,088,019		
Payables under repurchase agreements	5,509,721	2,715,752		
Payables under securities lending transactions	7,186,861	7,444,655		
Commercial paper	2,384,787	2,311,542		
Trading liabilities	4,402,110	4,704,931	7-d	
Borrowed money	10,829,248	10,786,713	9-a	
Foreign exchanges	865,640	683,252		
Short-term bonds	1,256,600	1,125,600		
Bonds	9,057,683	8,129,232	9-b	
Due to trust account	1,328,271	1,180,976		
Other liabilities	6,348,202	6,880,273		
Reserve for employee bonuses	84,046	77,375		
Reserve for executive bonuses	3,861	3,045		
Net defined benefit liability	39,982	59,110		
Reserve for executive retirement benefits	2,026	2,347		
Reserve for point service program	22,244	21,744		
Reserve for reimbursement of deposits	17,765	15,464		
Reserve for losses on interest repayment	144,763	156,775		
Reserve under the special laws	2,397	1,745		
Deferred tax liabilities	455,234	335,908	5-b	
Deferred tax liabilities for land revaluation	30,539	31,596	5-c	
Acceptances and guarantees	8,575,499	8,090,111		
Total liabilities	187,436,236	186,557,325		
(Net assets)				
Capital stock	2,338,743	2,337,895	1-a	
Capital surplus	758,215	757,346	1-b	
Retained earnings	5,552,573	5,036,756	1-c	
Treasury stock	(12,493)	(12,913)	1-d	
Total stockholders' equity	8,637,039	8,119,085		
Net unrealized gains on other securities	1,688,842	1,542,308		
Net deferred gains or losses on hedges	(68,543)	(42,077)	6	
Land revaluation excess	37,097	38,109		
Foreign currency translation adjustments	36,906	65,078		
Remeasurements of defined benefit plans	59,121	9,034		
Total accumulated other comprehensive income	1,753,424	1,612,453		3
Stock acquisition rights	2,823	3,482	2, 8-a	
Non-controlling interests	1,219,604	1,499,264	8-b	
Total net assets	11,612,892	11,234,286		
Total liabilities and net assets	199,049,128	197,791,611		

Note: The regulatory scope of consolidation is the same as the accounting scope of consolidation.

(Appended Table)

1. Stockholders' equity

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Capital stock	2,338,743	2,337,895		1-a
Capital surplus	758,215	757,346		1-b
Retained earnings	5,552,573	5,036,756		1-c
Treasury stock	(12,493)	(12,913)		1-d
Total stockholders' equity	8,637,039	8,119,085		

(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Directly issued qualifying common share capital plus related capital surplus and retained earnings	8,637,039	8,119,085	Stockholders' equity attributable to common shares (before adjusting national specific regulatory adjustments (earnings to be distributed))	
of which: capital and capital surplus	3,096,958	3,095,242		1a
of which: retained earnings	5,552,573	5,036,756		2
of which: treasury stock (–)	12,493	12,913		1c
of which: other than the above	—	—		
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as equity under applicable accounting standards and the breakdown	—	—	Stockholders' equity attributable to preferred shares with a loss absorbency clause upon entering into effectively bankruptcy	31a

2. Stock acquisition rights

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Stock acquisition rights	2,823	3,482		2
of which: Stock acquisition rights issued by bank holding company	2,823	3,206		

(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Stock acquisition rights to common shares	2,823	3,206		1b
Stock acquisition rights to Additional Tier 1 instruments	—	—		31b
Stock acquisition rights to Tier 2 instruments	—	—		46

3. Intangible assets

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Intangible fixed assets	865,584	946,506		3-a
Securities	25,712,709	24,631,792		3-b
of which: goodwill attributable to equity-method investees	27,520	33,029		

Income taxes related to above	181,373	192,234	

(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Goodwill (including those equivalent)	292,318	343,523		8
Other intangible assets other than goodwill and mortgage servicing rights	419,413	443,777	Software and other	9
Mortgage servicing rights	—	—		
Amount exceeding the 10% threshold on specified items	—	—		20
Amount exceeding the 15% threshold on specified items	—	—		24
Mortgage servicing rights that are below the thresholds for deduction (before risk weighting)	—	—		74

4. Net defined benefit asset

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Net defined benefit asset	383,418	314,922		4

Income taxes related to above	116,950	96,187	

(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Net defined benefit asset	266,468	218,734		15

5. Deferred tax assets

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Deferred tax assets	27,609	63,001		5-a
Deferred tax liabilities	455,234	335,908		5-b
Deferred tax liabilities for land revaluation	30,539	31,596		5-c

Tax effects on other intangible assets	181,373	192,234	
Tax effects on net defined benefit asset	116,950	96,187	

(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,432	4,188	This item does not agree with the amount reported on the consolidated balance sheet due to offsetting of assets and liabilities.	10
Deferred tax assets arising from temporary differences (net of related tax liability)	3,997	24,339	This item does not agree with the amount reported on the consolidated balance sheet due to offsetting of assets and liabilities.	
Amount exceeding the 10% threshold on specified items	—	—		21
Amount exceeding the 15% threshold on specified items	—	—		25
Deferred tax assets arising from temporary differences that are below the thresholds for deduction (before risk weighting)	3,997	24,339		75

6. Deferred gains or losses on derivatives under hedge accounting

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Net deferred gains or losses on hedges	(68,543)	(42,077)		6

(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Net deferred gains or losses on hedges	(67,433)	(40,588)	Excluding those items whose valuation differences arising from hedged items are recognized as "Accumulated other comprehensive income"	11

7. Items associated with investments in the capital of financial institutions

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Trading assets	5,585,591	6,755,428	Including trading account securities and derivatives for trading assets	7-a
Securities	25,712,709	24,631,792		7-b
Loans and bills discounted	72,945,934	80,237,322	Including subordinated loans	7-c
Trading liabilities	4,402,110	4,704,931	Including trading account securities sold and derivatives for trading liabilities	7-d

(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Investments in own capital instruments	7,981	11,419		
Common Equity Tier 1 capital	7,981	11,419		16
Additional Tier 1 capital	—	—		37
Tier 2 capital	0	—		52
Reciprocal cross-holdings in the capital of banking, financial and insurance entities	—	—		
Common Equity Tier 1 capital	—	—		17
Additional Tier 1 capital	—	—		38
Tier 2 capital	—	—		53
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (“Other Financial Institutions”), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (“Non-significant Investment”) (amount above the 10% threshold)	699,361	729,452		
Common Equity Tier 1 capital	—	—		18
Additional Tier 1 capital	—	—		39
Tier 2 capital	—	—		54
Non-significant investments in the capital of Other Financial Institutions that are below the thresholds for deductions (before risk weighting)	699,361	729,452		72
Significant investments in the capital of Other Financial Institutions, net of eligible short positions	748,831	673,029		
Amount exceeding the 10% threshold on specified items	—	—		19
Amount exceeding the 15% threshold on specified items	—	—		23
Additional Tier 1 capital	81,640	80,044		40
Tier 2 capital	50,000	50,000		55
Significant investments in the common stocks of Other Financial Institutions that are below the thresholds for deductions (before risk weighting)	617,191	542,985		73

8. Non-controlling interests

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Stock acquisition rights	2,823	3,482		8-a
Non-controlling interests	1,219,604	1,499,264		8-b

(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Amount allowed to be included in group Common Equity Tier 1	332	172,277		5
Qualifying Additional Tier 1 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—		30-31ab-32
Amount allowed to be included in group Additional Tier 1	224,359	234,697		34-35
Qualifying Tier 2 instruments plus related capital surplus issued by special purpose vehicles and other equivalent entities	—	—		46
Amount allowed to be included in group Tier 2	49,810	54,539		48-49

9. Other capital instruments

(1) Consolidated balance sheet (Millions of yen)

Consolidated balance sheet items	As of March 31, 2018	As of March 31, 2017	Remarks	Ref. No.
Borrowed money	10,829,248	10,786,713		9-a
Bonds	9,057,683	8,129,232		9-b

(2) Composition of capital (Millions of yen)

Composition of capital disclosure	As of March 31, 2018	As of March 31, 2017	Remarks	Basel III Template No.
Directly issued qualifying Additional Tier 1 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	599,794	449,897		32
Directly issued qualifying Tier 2 instruments plus related capital surplus of which: classified as liabilities under applicable accounting standards	993,367	898,911		46

Note:
Amounts in the “Composition of capital disclosure” are based on those before considering under transitional arrangements and includes “Amounts excluded under transitional arrangements” disclosed in “Capital Structure Information” as well as amounts included as regulatory capital. In addition, items for regulatory purpose under transitional arrangement are excluded from this table.

Linkages between Regulatory Exposure Amounts and Carrying Values in Consolidated Financial Statements
Differences between Regulatory Exposure Amounts and Carrying Values in Consolidated Financial Statements and Explanations of the Factors

1. Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Consolidated Financial Statement Categories with Regulatory Risk Categories (LI1)

(Millions of yen)

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of consolidated financial statement categories with regulatory risk categories	As of March 31, 2018						
	a	b	c	d	e	f	g
			Carrying values of items:				
	Carrying values as reported in published Consolidated financial statement	Carrying values under scope of regulatory consolidation	CR (excluding amounts relevant to d and e)	CCR	Securitisation (excluding amounts relevant to f)	Market risk	Items not subject to capital requirements or subject to deduction from capital
Assets							
Cash and due from banks	53,732,582	53,732,582	53,732,582	—	—	—	—
Call loans and bills bought	1,881,879	1,881,879	1,881,879	—	—	—	—
Receivables under resale agreements	827,892	827,892	—	827,892	—	—	—
Receivables under securities borrowing transactions	8,337,700	8,337,700	—	8,337,700	—	—	—
Monetary claims bought	4,730,770	4,730,770	2,935,869	—	1,794,900	—	—
Trading assets	5,585,591	5,585,591	—	2,418,678	—	5,585,591	7,838
Money held in trust	1,482	1,482	1,482	—	—	—	—
Securities	25,712,709	25,712,709	25,111,327	—	492,221	—	109,160
Loans and bills discounted	72,945,934	72,945,934	72,358,267	—	537,666	—	50,000
Foreign exchanges	2,166,190	2,166,190	2,166,190	—	—	—	—
Lease receivables and investment assets	2,329,431	2,329,431	2,329,431	—	—	—	—
Other assets	8,005,807	8,005,807	4,729,195	2,394,436	19,687	—	862,487
Tangible fixed assets	3,475,131	3,475,131	3,475,131	—	—	—	—
Intangible fixed assets	865,584	865,584	181,373	—	—	—	684,211
Net defined benefit asset	383,418	383,418	116,950	—	—	—	266,468
Deferred tax assets	27,609	27,609	8,048	—	—	—	19,561
Customers' liabilities for acceptances and guarantees	8,575,499	8,575,499	8,354,354	—	221,144	—	—
Reserve for possible loan losses	(536,088)	(536,088)	(536,088)	—	—	—	—
Total assets	199,049,128	199,049,128	176,845,998	13,978,706	3,065,621	5,585,591	1,999,727
Liabilities							
Deposits	116,477,534	116,477,534	3,540	—	—	—	116,473,993
Negotiable certificates of deposit	11,220,284	11,220,284	—	—	—	—	11,220,284
Call money and bills sold	1,190,928	1,190,928	—	—	—	—	1,190,928
Payables under repurchase agreements	5,509,721	5,509,721	—	2,238,633	—	—	3,271,087
Payables under securities lending transactions	7,186,861	7,186,861	—	5,547,010	—	—	1,639,851
Commercial paper	2,384,787	2,384,787	—	—	—	—	2,384,787
Trading liabilities	4,402,110	4,402,110	—	2,262,129	—	4,402,110	17,362
Borrowed money	10,829,248	10,829,248	—	—	—	—	10,829,248
Foreign exchanges	865,640	865,640	—	—	—	—	865,640
Short-term bonds	1,256,600	1,256,600	—	—	—	—	1,256,600
Bonds	9,057,683	9,057,683	—	—	—	—	9,057,683
Due to trust account	1,328,271	1,328,271	—	—	—	—	1,328,271
Other liabilities	6,348,202	6,348,202	—	1,912,702	2,252	—	4,433,248
Reserve for employee bonuses	84,046	84,046	—	—	—	—	84,046
Reserve for executive bonuses	3,861	3,861	—	—	—	—	3,861
Net defined benefit liability	39,982	39,982	—	—	—	—	39,982
Reserve for executive retirement benefits	2,026	2,026	—	—	—	—	2,026
Reserve for point service program	22,244	22,244	—	—	—	—	22,244
Reserve for reimbursement of deposits	17,765	17,765	—	—	—	—	17,765
Reserve for losses on interest repayment	144,763	144,763	—	—	—	—	144,763
Reserve under the special laws	2,397	2,397	—	—	—	—	2,397
Deferred tax liabilities	455,234	455,234	—	—	—	—	455,234
Deferred tax liabilities for land revaluation	30,539	30,539	—	—	—	—	30,539
Acceptances and guarantees	8,575,499	8,575,499	—	—	—	—	8,575,499
Total liabilities	187,436,236	187,436,236	3,540	11,960,475	2,252	4,402,110	173,347,349

Notes: 1. Transactions in the trading book including derivative transactions extend over multiple risk categories, since they are subject to both market risks and counterparty credit risks.
2. Account titles including monetary claims boughts are subject to securitisation products if they have a characteristic of securitisation products, otherwise they are subject to CR, therefore, they extend over multiple risk categories.
3. Foreign exchange risk and commodities risk in the banking book are not included in column f "Market risk," since it is difficult to link them with account titles.

2. Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Consolidated Financial Statements (LI2)

(Millions of yen)

LI2: Main sources of differences between regulatory exposure amounts and carrying values in consolidated financial statements amounts		As of March 31, 2018				
		a	b	c	d	e
			Items subject to:			
Item No.		Total	CR (excluding amounts relevant to c and d)	CCR	Securitisation (excluding amounts relevant to e)	Market risk
1	Asset carrying value amount under scope of regulatory consolidation	197,049,401	176,845,998	13,978,706	3,065,621	5,585,591
2	Liabilities carrying value amount under scope of regulatory consolidation	14,088,886	3,540	11,960,475	2,252	4,402,110
3	Total net amount under regulatory scope of consolidation	182,960,514	176,842,457	2,018,231	3,063,369	1,183,480
4	Off-balance sheet amounts	14,498,018	8,819,294 (Note 1)	5,144,715	534,008	—
5	Differences due to consideration of provisions and write-offs	650,474	650,474 (Note 2)	—	—	—
6	Differences due to derivative transactions	6,408,367	—	6,249,473 (Note 3)	11,869	—
7	Differences due to SFTs	2,021,735	—	2,021,735	—	—
8	Other differences	378,881	194,769	184,111	—	—
9	Regulatory exposure amounts	206,917,991	186,506,996	15,618,266	3,609,247	1,183,480

Notes: 1. This mainly comprises exposures due to commitment lines.
2. This mainly comprises assets subject to the IRB approach added with specific reserve and partial direct write-offs.
3. This mainly comprises the aggregation of the addition of derivative liabilities and regulatory add-on amounts, and the deduction of regulatory netting effect.