

Liquidity Coverage Ratio Information (Non-consolidated)

Sumitomo Mitsui Banking Corporation

Since March 31, 2015, the “Liquidity Coverage Ratio” (hereinafter referred to as “LCR”), the liquidity regulation under the Basel III, has been introduced in Japan. In addition to the application of uniform international standards, SMBC calculates its non-consolidated LCR using the calculation formula stipulated in the “Criteria for Evaluating the Soundness of Liquidity Status Set Forth by a Bank as a Benchmark for Judging its Soundness of Management, Based on the Provision of Article 14-2 of the Banking Act” (Notification No. 60 issued by the Japanese Financial Services Agency in 2014; hereinafter referred to as the “LCR Notification”).

■ Disclosure of Qualitative Information about Liquidity Coverage Ratio

1. Intra-period Changes in Non-consolidated LCR

As described on the following page, the LCR has remained stable with no significant fluctuation since the introduction of the liquidity regulation on March 31, 2015.

2. Assessment of Non-consolidated LCR

The LCR Notification stipulates that the minimum requirement of the LCR for 2018 is set at 90%, and from 2019 onwards, the minimum requirement of the LCR will be 100%. The LCR of SMBC (non-consolidated) exceeds the minimum requirements of the LCR for 2018 and for 2019 onwards, having no cause for concern. SMBC does not expect that the future LCR forecasts will differ significantly from the announced ratios. In addition, the actual LCR does not differ significantly from the initial forecast.

3. Composition of High-Quality Liquid Assets

Currency denominations, categories and locations, etc. of the high-quality liquid assets allowed to be included in the calculation have not shown any significant changes. In addition, in respect of major currencies (those of which the aggregate amount of liabilities denominated in a certain currency accounts for 5% or more of SMBC's total liabilities on the non-consolidated basis), there is no significant mismatch in currency denomination between the total amount of the high-quality liquid assets allowed to be included in the calculation and the amount of net cash outflows.

4. Other Information Concerning Non-consolidated LCR

SMBC has not applied “special provisions concerning qualifying operational deposits” prescribed in Article 29 of the LCR Notification and “increased liquidity needs related to market valuation changes on derivative or other transactions simulated through Scenario Approach” prescribed in Article 38 of the LCR Notification. Meanwhile, SMBC records “due to trust account,” etc. under “cash outflows based on other contracts” prescribed in Article 60 of the LCR Notification.

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

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

Item		Current Quarter (From 2018/1/1 To 2018/3/31)		Prior Quarter (From 2017/10/1 To 2017/12/31)	
High-Quality Liquid Assets (1)					
1	Total high-quality liquid assets (HQLA)	54,628,520		53,317,723	
Cash Outflows (2)					
		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
2	Cash outflows related to unsecured retail funding	45,143,866	3,511,229	44,630,990	3,474,723
3	of which, Stable deposits	14,338,903	430,167	14,127,338	423,820
4	of which, Less stable deposits	30,804,963	3,081,062	30,503,652	3,050,903
5	Cash outflows related to unsecured wholesale funding	61,030,814	31,543,462	59,416,882	30,273,689
6	of which, Qualifying operational deposits	—	—	—	—
7	of which, Cash outflows related to unsecured wholesale funding other than qualifying operational deposits and debt securities	55,028,660	25,541,308	54,148,965	25,005,773
8	of which, Debt securities	6,002,154	6,002,154	5,267,917	5,267,917
9	Cash outflows related to secured funding, etc.	114,773		49,431	
10	Cash outflows related to derivative transactions, etc. funding programs, credit and liquidity facilities	19,425,072	6,501,027	19,781,931	6,699,813
11	of which, Cash outflows related to derivative transactions, etc.	623,474	623,474	613,633	613,633
12	of which, Cash outflows related to funding programs	448,984	448,984	470,785	470,785
13	of which, Cash outflows related to credit and liquidity facilities	18,352,614	5,428,569	18,697,513	5,615,395
14	Cash outflows related to contractual funding obligations, etc.	4,887,472	2,891,520	4,576,728	2,855,855
15	Cash outflows related to contingencies	66,260,849	1,057,686	65,031,196	1,040,531
16	Total cash outflows	45,619,697		44,394,042	
Cash Inflows (3)					
		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE	TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
17	Cash inflows related to secured lending, etc.	2,153,567	486,388	1,305,333	274,817
18	Cash inflows related to collection of loans, etc.	4,040,755	3,183,602	4,377,521	3,381,861
19	Other cash inflows	1,812,889	1,110,779	1,792,163	989,353
20	Total cash inflows	8,007,212	4,780,769	7,475,017	4,646,032
Non-Consolidated Liquidity Coverage Ratio (4)					
21	Total HQLA allowed to be included in the calculation	54,628,520		53,317,723	
22	Net cash outflows	40,838,928		39,748,010	
23	Non-consolidated liquidity coverage ratio (LCR)	133.7%		134.1%	
24	The number of data used to calculate the average value	59		62	

Notes: 1. The data after the introduction of the liquidity regulation on March 31, 2015 is available on Sumitomo Mitsui Financial Group's website.

(http://www.smfg.co.jp/english/investor/financial/basel_3.html)

2. The average values are calculated based on daily data in accordance with Notification No. 7 issued by the Japanese Financial Services Agency in 2015. For attribute information on customers etc., monthly or quarterly data is used.

■ Breakdown of High-Quality Liquid Assets

(In million yen)

Item		Current Quarter (From 2018/1/1 To 2018/3/31)		Prior Quarter (From 2017/10/1 To 2017/12/31)	
1	Cash and due from banks	46,197,840		45,125,703	
2	Securities	8,430,680		8,192,021	
3	of which, government bonds, etc.	6,179,079		6,032,343	
4	of which, municipal bonds, etc.	106,599		106,289	
5	of which, other bonds	526,449		429,040	
6	of which, stocks	1,618,553		1,624,349	
7	Total high-quality liquid assets (HQLA)	54,628,520		53,317,723	

Note: The above amounts are those of high-quality liquid assets in accordance with the liquidity regulation under the Basel III and do not correspond to the financial amounts. The amounts stated are those after multiplying factors in the liquidity regulation under the Basel III.

Glossary

ABL

Abbreviation for Asset Based Lending of having movable assets as collateral such as accounts receivable and/or inventory.

Advanced Measurement Approach (AMA)

Based on the operational risk measurement methods used in the internal management of financial institutions, this is a method for obtaining the operational risk equivalent amount by calculating the maximum amount of operational risk loss expected over a period of one year, with a one-sided confidence interval of 99.9%.

Basic Indicator Approach (BIA)

A calculation approach in which an average value for the most recent three years derived by multiplying gross profit for the financial institution as a whole by certain level (15%) is deemed to be the operational risk equivalent amount.

Calculation of credit risk-weighted assets under Article 145 of the Notification

Method used for calculating the credit risk-weighted assets for the fund exposure, etc. There is a method of making the total credit risk-weighted asset of individual underlying asset of funds, etc. as the relevant exposure of the credit risk-weighted asset; or a method of applying the risk weight determined based on the formation of underlying assets to the relevant exposure.

Capital adequacy ratio notification ("the Notification")

Administrative action or written ordinance by which the Financial Services Agency officially informs Japanese banks of regulations regarding capital adequacy ratio.

CCF

Abbreviation for Credit Conversion Factor

Ratio required for converting off-balance sheet items such as guarantees or derivatives into on-balance sheet credit exposure equivalents.

CCP-related exposure

Exposure to a central counterparty (CCP) that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the future performance of open contracts.

CDS

Abbreviation for Credit Default Swap

Derivative transactions which transfer the credit risk.

Credit Risk Mitigation (CRM) Techniques

Method of reducing credit risk by guarantees, collateral and purchase of credit derivatives, etc.

Credit risk-weighted assets

Total assets (lending exposures, including credit equivalent amount of off-balance sheet transactions, etc.) which is reevaluated according to the level of credit risk.

Current exposure method

One of the methods for calculating the credit exposure equivalents of derivative transactions, etc. Method of calculating the equivalents by adding the amount (multiplying the notional amount by certain rate, and equivalent to the future exposure fluctuation amount) to the mark-to-market replacement cost calculated by evaluating the market price of the transaction.

CVA (credit value adjustment) amount

Capital charges for market-price fluctuation of derivatives transaction due to deteriorated creditworthiness of a counterparty.

EL

Abbreviation for Expected Loss

Average loss expected to occur over the coming one year.

Full revaluation approach

An approach for PL simulation by repricing the financial instruments under each scenario.

High-quality liquid assets (HQLA)

Liquid assets that can be converted easily and immediately into cash to meet liquidity needs in a specified stress scenario for the subsequent 30 calendar days.

Historical simulation method

A method of simulating future fluctuations without the use of random numbers, by using historical data for risk factors.

Internal models approach

Methods of measuring market risk equivalent amount as the value at risk (VaR) calculated with models determined by each bank.

Internal models method

One of the methods of market-based approach using the VaR model to calculate the loss for shares held by the bank applying the Internal Ratings-Based Approach, and dividing such loss amount by 8% to obtain the credit risk-weighted asset of the equity exposure.

The Internal Ratings-Based (IRB) Approach

A method of calculating the risk asset by applying PD (Probability of Default) estimated internally by financial institution which conducts sophisticated risk management. There are two methods to calculate exposures to corporate client, etc.: the Advanced Internal Ratings-Based (AIRB) Approach and the Foundation Internal Ratings-Based (FIRB) Approach. The former uses self-estimated LGD and EAD values, while the latter uses LGD and EAD values designated by the authorities.

LCR Notification

Administrative action and written ordinance for official notification to the general public of regulations concerning the LCR of financial institutions in Japan which are decided by the Japanese Financial Services Agency based on the Basel Agreement.

LGD

Abbreviation for Loss Given Default

Percentage of loss assumed in the event of default by obligor; ratio of uncollectible amount of the exposure owned in the event of default.

Market-based approach

Method of calculating the risk assets of equity exposures, etc., by using the simple risk weight method or internal model method.

Market risk equivalent amount

Pursuant to the Basel Capital Accord, the required capital amount imposed on the market-related risk calculated for the four risk categories of mainly the trading book: interest rates, stocks, foreign exchange and commodities.

Net cash outflows

Net cash flows calculated as total expected cash outflows minus total expected cash inflows in a specified stress scenario for the subsequent 30 calendar days.

Object finance

For providing credit for purchasing ships or aircrafts, the only source of repayments for the financing should be profits generated from the said tangible assets; and the said tangible assets serve as collaterals, and having an appreciable extent of control over the said tangible assets and profits generated from the said tangible assets.

Operational risk equivalent amount

Operational risk capital requirements under the Basel Capital Accord.

Originator

The term "originator" is used in the case that we are directly or indirectly involved in the formation of underlying assets for securitisation transactions when we have the securitisation exposure; or the cases of providing the back-up line for ABCP issued by the securitisation conduit for the purpose of obtaining exposure from the third party, or providing ABL to the securitisation conduit (as sponsor).

PD

Abbreviation for Probability of Default

Probability of becoming default by obligor during one year.

Phased rollout

Under the Basel Capital Accord (credit risk, operational risk), it is a transition made by certain group companies planning to apply the Internal Ratings-Based Approach or the Advanced Measurement Approach after the implementation of such methods on consolidated-basis.

Project finance

Out of credit provided for specified businesses such as electric power plants and transportation infrastructure, the only source of repayments is profits generated from the said businesses, and the collateral is tangible assets of the said businesses, and having an appreciable extent of control over the said tangible assets and profits generated from the said tangible assets.

Qualifying Revolving Retail Exposures (QRRE)

Exposure which may fluctuate up to the upper limit set forth by an agreement according to the individual's voluntary decision, such as card loan and credit card, etc., and the upper limit of the exposure without any collateral is 10 million yen or less.

Resecuritisation transaction

Out of securitisation transactions, it is a transaction with securitisation exposure for part of or entire underlying assets. However, in the case that all of underlying assets is the single securitisation exposure and the transaction's risk characteristics are substantively unchanged prior to or after the securitisation, the transaction is excluded from the resecuritisation transactions.

Risk capital

The amount of capital required to cover the theoretical maximum potential loss arising from risks of business operations. It differs from the minimum regulatory capital requirements, and it is being used in the risk management framework voluntarily developed by financial institutions for the purpose of internal management.

Risk weight

Indicator which indicates the extent of credit risk determined by the types of assets (claims) owned. Risk weight becomes higher for assets with high risk of default.

Root-T rule

A method of converting the term of estimating the maximum loss as VaR into short term or long term using statistical assumption.

Securitisation transaction

It is a transaction which stratifies the credit risk for the underlying assets into more than two exposures of senior/subordinated structure and has the quality of transferring part of or entire exposure to the third party.

Servicer risk

The risk of becoming unable to claim for the collectives, in cases of which bankruptcy of the supplier/servicer occurs prior to collecting receivables, in securitisation and purchased claims transactions.

Simple risk weight method

One of market-based approaches for calculating the risk-weighted asset amount for the equity exposure, etc. by multiplying the listed shares and unlisted shares with the risk weights of 300% and 400%, respectively.

Slotting criteria

For risk-weighted asset calculation under the Internal Ratings-Based (IRB) Approach, it is a method of mapping the credit rating to the risk-weight in 5 levels set forth by the Financial Services Agency for Specialised Lending.

Small-sized consolidated subsidiaries

Consolidated subsidiaries that have extremely small impact on the level of the consolidated LCR.

Specialized Lending (SL)

General term used for project finance, object finance, commodity finance and lending for commercial real estate.

The Standardised Approach (SA)

Method of calculating risk-weighted assets by multiplying each obligor classification (corporation, financial institution, country, retail, etc.) by the risk-weight designated by the authorities.

Standardised method

Method of calculating market risk using formula determined by the Financial Services Agency.

Underlying assets

General term used for assets which serve as the source of payments for principal and interest for securitisation exposures, etc.

VaR

Abbreviation for Value at Risk

The maximum loss that can be expected to occur with a certain degree of probability when holding a financial asset portfolio for a given amount of time.