

# INTERIM FINANCIAL REPORT 2021

(April 1~September 30, 2021)



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# INTERIM BALANCE SHEET

	As of September 30, 2020	As of September 30, 2021	(Millions of Yen) As of March 31, 2021
(Assets)			
Cash and due from banks	1,286,008	1,473,824	1,346,750
Call loans	181,390	124,797	183,502
Monetary claims bought	393	1,032	335
Securities	46,681	61,440	47,315
Loans and bills discounted	1,670,960	1,760,207	1,804,829
Foreign exchanges	32,156	55,965	33,474
Other assets	46,006	42,741	45,424
Tangible fixed assets	1,571	1,849	663
Intangible fixed assets	29,894	29,073	30,107
Prepaid pension cost	2,417	2,024	2,231
Deferred tax assets	4,075	3,022	4,388
Customers' liabilities for acceptances and guarantees	4	196	-
Reserve for possible loan losses	(3,153)	(4,168)	(4,304)
<b>Total assets</b>	<b>3,298,407</b>	<b>3,552,006</b>	<b>3,494,718</b>
(Liabilities)			
Deposits	3,033,696	3,273,987	3,206,891
Borrowed money	-	803	-
Foreign exchanges	678	1,093	1,114
Due to trust accounts	76,782	98,985	102,621
Other liabilities	30,387	26,617	31,770
Income taxes payable	440	461	452
Lease obligations	13	10	11
Asset retirement obligations	2,685	2,427	3,729
Other	27,248	23,718	27,576
Reserve for employee bonuses	727	809	1,320
Reserve for executive bonuses	23	47	47
Reserve for retirement benefits	72	75	79
Reserve for reimbursement of deposits	783	664	736
Acceptances and guarantees	4	196	-
<b>Total liabilities</b>	<b>3,143,156</b>	<b>3,403,281</b>	<b>3,344,582</b>
(Net assets)			
Capital stock	87,550	87,550	87,550
Capital surplus	85,553	85,553	85,553
Legal capital surplus	83,350	83,350	83,350
Other capital surplus	2,203	2,203	2,203
Retained earnings	(25,234)	(27,951)	(27,800)
Legal retained earnings	80	80	80
Other retained earnings	(25,314)	(28,031)	(27,880)
Retained earnings brought forward	(25,314)	(28,031)	(27,880)
<b>Total Shareholders' equity</b>	<b>147,868</b>	<b>145,151</b>	<b>145,302</b>
Net unrealized gains (losses) on other securities	1,205	806	868
Net deferred gains (losses) on hedges	6,176	2,766	3,964
<b>Total valuation and translation adjustments</b>	<b>7,381</b>	<b>3,573</b>	<b>4,832</b>
<b>Total net assets</b>	<b>155,250</b>	<b>148,725</b>	<b>150,135</b>
<b>Total liabilities and total net assets</b>	<b>3,298,407</b>	<b>3,552,006</b>	<b>3,494,718</b>

# INTERIM STATEMENT OF INCOME

(Millions of Yen)

	from April 1, 2020 to September 30, 2020	from April 1, 2021 to September 30, 2021	from April 1, 2020 to March 31, 2021
Ordinary income	21,821	25,750	47,959
Trust fees	1,353	1,647	2,818
Interest income	13,071	12,225	24,988
Interest on loans and discounts	9,687	9,088	18,467
Interest and dividends on securities	506	351	883
Fees and commissions	5,841	9,751	16,664
Other operating income	1,537	2,094	3,009
Other income	17	31	477
Ordinary expenses	27,983	26,546	55,530
Interest expenses	1,296	969	2,299
Interest on deposits	1,253	880	2,178
Fees and commissions payments	2,257	2,833	4,695
Other operating expenses	38	0	261
General and administrative expenses	22,453	22,370	44,659
Other expenses	1,937	373	3,614
Ordinary profit (loss)	(6,161)	(795)	(7,571)
Extraordinary gains	-	708	-
Extraordinary losses	2,017	22	4,064
Income (loss) before income taxes	(8,179)	(109)	(11,635)
Income taxes - current	(2,606)	(1,875)	(4,246)
Income taxes - deferred	410	1,917	1,160
Income taxes	(2,196)	41	(3,085)
Net income (loss)	(5,983)	(151)	(8,549)

# INTERIM STATEMENT OF CHANGES IN NET ASSETS

From April 1, 2020 to September 30, 2020

(Millions of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at the beginning of the fiscal year	87,550	83,350	47,203	130,553	80	(64,330)	(64,250)	153,852
Changes in the fiscal year								
Net income (Loss)						(5,983)	(5,983)	(5,983)
Transfer from capital surplus to retained earnings			(45,000)	(45,000)		45,000	45,000	-
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	-	-	(45,000)	(45,000)	-	39,016	39,016	(5,983)
Balance at the end of the fiscal year	87,550	83,350	2,203	85,553	80	(25,314)	(25,234)	147,868

(Millions of Yen)

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	776	6,313	7,090	160,942
Changes in the fiscal year				
Net income (Loss)				(5,983)
Transfer from capital surplus to retained earnings				-
Net changes in items other than shareholders' equity in the fiscal year	428	(136)	291	291
Net changes in the fiscal year	428	(136)	291	(5,692)
Balance at the end of the fiscal year	1,205	6,176	7,381	155,250

From April 1, 2021 to September 30, 2021

(Millions of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at the beginning of the fiscal year	87,550	83,350	2,203	85,553	80	(27,880)	(27,800)	145,302
Changes in the fiscal year								
Net income (Loss)						(151)	(151)	(151)
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	-	-	-	-	-	(151)	(151)	(151)
Balance at the end of the fiscal year	87,550	83,350	2,203	85,553	80	(28,031)	(27,951)	145,151

(Millions of Yen)

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	868	3,964	4,832	150,135
Changes in the fiscal year				
Net income (Loss)				(151)
Net changes in items other than shareholders' equity in the fiscal year	(61)	(1,197)	(1,258)	(1,258)
Net changes in the fiscal year	(61)	(1,197)	(1,258)	(1,409)
Balance at the end of the fiscal year	806	2,766	3,573	148,725

From April 1, 2020 to March 31, 2021

(Millions of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at the beginning of the fiscal year	87,550	83,350	47,203	130,553	80	(64,330)	(64,250)	153,852
Changes in the fiscal year								
Net income (Loss)						(8,549)	(8,549)	(8,549)
Transfer from capital surplus to retained earnings			(45,000)	(45,000)		45,000	45,000	-
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	-	-	(45,000)	(45,000)	-	36,450	36,450	(8,549)
Balance at the end of the fiscal year	87,550	83,350	2,203	85,553	80	(27,880)	(27,800)	145,302

(Millions of Yen)

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	776	6,313	7,090	160,942
Changes in the fiscal year				
Net income (Loss)				(8,549)
Transfer from capital surplus to retained earnings				-
Net changes in items other than shareholders' equity in the fiscal year	91	(2,349)	(2,257)	(2,257)
Net changes in the fiscal year	91	(2,349)	(2,257)	(10,807)
Balance at the end of the fiscal year	868	3,964	4,832	150,135



The amounts described herein are rounded down to the nearest million yen.

### Significant accounting policies

#### 1. Measurement standard and method of securities

Debt securities classified as held-to-maturity are carried at amortized cost (based on the straight-line method) using the moving-average method. Available-for-sales securities are carried at their market prices (cost of securities sold is calculated using primarily the moving-average method) except for those without market prices, such as investments in partnership, etc are carried at cost using the moving-average method.

Net unrealized gains (losses) on other securities, net of income taxes, are included in “Net assets”.

#### 2. Measurement standard and method of derivatives transactions

Derivatives transactions are carried at fair value.

The fair value of Derivatives is calculated based on net assets or liabilities after offsetting financial assets and financial liabilities with respect to specific market risk or specific credit risk.

#### 3. Depreciation of fixed assets

##### (1) Tangible fixed assets (excluding lease assets)

Tangible fixed assets are depreciated using the straight-line method. The estimated useful lives of major items are as follows:

Buildings: 3 to 20 years

Others: 3 to 20 years

##### (2) Intangible fixed assets

Intangible fixed assets are depreciated using the straight-line method. Capitalized software for internal use is depreciated over its estimated useful life (5 to 10 years).

##### (3) Lease assets

Lease assets with respect to non-transfer ownership finance leases, which are recorded in “Tangible fixed assets,” are depreciated using the straight-line method, assuming that the lease terms are their useful lives and residual values are zero.

#### 4. Conversion rule for foreign currency assets and liabilities into Japanese Yen

Foreign currency assets and liabilities are converted into Japanese yen by the prevailing Foreign Exchange rate as of balance sheet date.

#### 5. Basis for recording reserves

##### (1) Reserve for possible loan losses

The reserve for possible loan losses is provided as detailed below in accordance with the internal standards for write-offs and provisions. For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings or borrowers that are regarded as substantially in the same situation, a reserve is provided based on the amount of claims, net of the expected amount of recoveries from collateral and guarantees. For claims on borrowers that are not currently bankrupt but are perceived to be highly likely to fall into bankruptcy, a reserve is provided at the amount deemed necessary based on an overall solvency assessment of the borrowers, net of the expected amount of recoveries from collateral and guarantees.

For the other claims, a reserve is provided based primarily on the expected amount of loss during one year or three years from the reported date. The expected amount of loss is calculated by computing the rate of loss based on the average loan-loss ratio or average bankruptcy ratio derived from the actual loan-loss amount or actual bankruptcies for the one year or three years, and adding other necessary factors (e.g. expected economic conditions).

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In addition, in light of the latest economic situation and risk factors, for potential losses for specific portfolios that are based on the future prospects with high probability, but cannot be reflected in actual loan losses in the past and in any individual borrower's classification, a reserve is provided in the amount deemed necessary based on an overall assessment.

For other claims, a reserve is provided based on the historical loan-loss ratio calculated using the historical loss experience over a certain period of time in the past and other factors.

The primary credit assessment departments, such as sales departments, assess all claims in accordance with the Standards for Self-Assessment of Asset Quality. The Credit Department, independent from these departments, reviews the assessment results, and the Internal Audit Department audits the assessment results.

For collateralized or guaranteed claims on bankrupt borrowers and effectively bankrupt borrowers, the amount exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and written off against the total outstanding amount of the claims. The amounts of write-off for the years ended September 30, 2021 were 351 million yen, respectively.

(2) Reserve for employee bonuses

The reserve for employee bonuses is provided for payments of bonuses to employees, and recorded at the estimated amount of bonuses which are attributable to the current period.

(3) Reserve for executive bonuses

The reserve for executive bonuses is provided for payments of bonuses to directors, and recorded at the estimated amount of executive bonuses which are attributable to the current period.

(4) Reserve for retirement benefits

The reserve for retirement benefits is provided for payments of retirement benefits to employees, and recorded at the necessary amount estimated based on the projected benefit obligation and plan assets of pension funds at the end of the current period. In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit attributable to the respective fiscal year.

Unrecognized net actuarial gain (loss) : Amortized on a straight-line basis over a certain period (mainly 11 years) within the employees' average remaining service period commencing from the following fiscal year in which unrecognized net actuarial gain (loss) occurred.

(5) Reserve for reimbursement of deposits

The reserve for reimbursement of dormant deposits which were derecognized from liabilities is provided for the possible losses on the future claims of refunds, and recorded at the amount deemed necessary based on possible losses estimated according to the future claims of refunds.

6. Hedge accounting method

Interest rate risk hedge

As for the hedge accounting method applied to interest rate risk arising from financial assets and liabilities, SMBC Trust applies deferred hedge accounting stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Statement No. 24 of October 8, 2020). In this hedging, hedged items are identified through grouping on a basis of interest rate indices and certain repricing periods, and interest rate swaps are designated as a hedging instrument. With respect to the assessment of hedge effectiveness, hedge is deemed to be highly effective since it is designated in a way that the critical terms applied to the hedged items and the hedging instruments are mostly identical. The hedge effectiveness testing, therefore, relies on this result. With respect to the hedge for specific item, it has also been evaluated as effective. SMBC trust applies special accounting treatment to interest rate swaps for a part of assets.

## 7. Application of consolidated tax payment system

SMBC Trust applies consolidated tax payment system with Sumitomo Mitsui Financial Group, Inc. for the parent company for tax consolidation.

### Change in Accounting Policies

Application of accounting standards for revenue recognition

SMBC Trust applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 of March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), and when the control of a promised good or service was transferred to the customer, revenue was recognized as the amount expected to be received in exchange for the good or service.

Regarding the application of the Revenue Recognition Accounting Standards, the transitional treatment stipulated in the proviso of Article 84 of the Revenue Recognition Accounting Standards is followed, but there is no impact on the balance of retained earnings at the beginning of the period.

The application has no significant impact on the profits and losses for the stated period, either.

### Additional Information

Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

Of the items subject to the transfer to the Group Tax Sharing System created by the Act Partially Amending the Income Tax Act (Act No. 8, 2020) and the items under the non-consolidated tax payment system being reviewed for the application of the Group Tax Sharing System, SMBC Trust applies the pre-amendment law former tax definition for the calculations of the amount of deferred tax assets and deferred tax liabilities. SMBC Trust, therefore, did not follow Paragraph 44 of the Implementation Guideline on Tax Effect Accounting (ASBJ Guidance No. 28 of February 16, 2020) by applying Paragraph 3 of on corrected items by single tax system for the Transition from the Consolidated Taxation System to the Group Tax Sharing System defined on Law for Partial amendment of the income tax law, etc. (Law No.8, 2020), which is instead of revised tax definition for Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28 para. 44 issued on February 16, 2020) based on treatment of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ Practical Solutions Issues Task Force No.39 para.3, issued on March 31, 2020).

### Notes

(Notes to balance sheet)

1. Bankrupt loans were nil and non-accrual loans at September 30, 2021 were 1,520 million yen, respectively.

"Bankrupt loans" are loans, after write-off, to legally bankrupt borrowers to which the events defined in Article 96-1-3 (a) to (d) or 96-1-4 of "Order for Enforcement of the Corporation Tax Act" (Cabinet Order No. 97 of 1965) have occurred and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons.

"Non-accrual loans" are loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

2. Past due loans (3 months or more) at September 30, 2021 were nil.

"Past due loans (3 months or more)" are loans on which the principal or interest payment is past due for 3 months or more, excluding "Bankrupt loans" and "Non-accrual loans."

3. Restructured loans at September 30, 2021 were nil.

"Restructured loans" are loans on which terms and conditions have been amended in favor of the borrowers (e.g. reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers' recovery from financial difficulties, excluding "Bankrupt loans," "Non-accrual loans" and "Past due loans (3 months or more)."

4. The total amount of bankrupt loans, non-accrual loans, past due loans (3 months or more) and restructured loans at September 30, 2021 were 1,520 million yen.

The amounts of loans presented in Notes 1 to 4 above are the amounts before deduction of reserve for possible loan losses.

5. The amount of principal in loan participation accounted for as loans to the original borrowers based on “Accounting Treatment and Presentation of Loan Participation (JICPA Accounting Practice Committee Statement No. 3)” recorded on the balance sheet were 256,151 million yen at September 30, 2021.

6. Assets offered for collateral are as follows.

Loans, Securities and Cash and due from banks pledged as collateral for the settlement of foreign exchange transactions were 18,823 million yen, 170 million yen and 10 million yen respectively at September 30, 2021.

Other assets include cash collateral paid for financial instruments of 11,968 million yen and security deposits of 3,554 million yen.

7. Commitment line contracts on overdrafts and loans are agreements to lend to customers when requested to extend a loan, up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amount of unused commitments related to these agreements was 185,169 million yen at September 30, 2021. The outstanding of 165,757 million yen is for amounts whose original contract terms are within 1 year or unconditionally cancelable at any time.

Since many of these commitments are expected to expire without being drawn down, the total amount of unused commitments does not necessarily affect future cash flow requirements. Many of these commitments include clauses under which SMBC Trust can reject an application from customers or reduce the contract amounts in the event that economic conditions change, SMBC Trust needs to secure claims, or other probable events occur. In addition, SMBC Trust may request its customers to pledge collateral such as premises and securities at the time of the contracts as necessary, and take necessary measures such as monitoring customers’ financial positions, revising contracts when such need arises and securing claims after the contracts are entered into.

8. Accumulated depreciation on tangible fixed assets was 2,127 million yen.

(Notes to statement of income)

- Other Expenses include 331 million yen in provision for possible loan losses.
- Extraordinary gains include a gain of 451 million yen on reversal of asset retirement obligations associated with the relocation of the head office and 257 million on disposal of fixed assets.

(Notes to statement of changes in net assets)

Type and the number of shares issued

(Shares in thousands)

Type of shares	Number of shares				Note
	At the beginning of the period	Increase	Decrease	At the end of the period	
Common stock	3,418	—	—	3,418	
Non-voting stock	900	—	—	900	
Total	4,318	—	—	4,318	

(Notes to financial instruments)

Disclosures Regarding the Fair Value of Financial Instruments and Other Items by Level within the Fair Value Hierarchy

According to observability and significance of inputs used by calculating fair values, fair values for these financial instruments are classified into the following three-level hierarchy.

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 - Observable inputs other than Level 1 prices that are either directly or indirectly observable for the financial instrument.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instruments.

If multiple inputs which have a significant impact on market value calculation are used, a financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

- (1) Financial assets and liabilities which fair values are equal to consolidated balance sheet amounts are as follows.

(Millions of yen)

Classification	balance sheet amount			
	Level 1	Level 2	Level 3	Total
Securities				
Other securities (*1)	14,271	45,712	-	59,984
Total assets	14,271	45,712	-	59,984
Derivatives transactions (*2)(*3)				
Related to Interest Rates	-	4,062	-	4,062
Related to Currencies	-	(1,861)	(*4) 0	(1,861)
Total	-	2,200	0	2,200

(\*1) The mutual funds to which the transitional measures are applied in accordance with paragraph 26 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; hereinafter, "Fair Value Implementation Guidance") are excluded from the table. The amount of such mutual funds on the balance sheet is 0 million yen.

(\*2) The amounts collectively represent the derivative transactions which are recorded in "Other assets" and "Other liabilities." Receivables and payables arising from derivatives transactions are presented on a net basis, and net payable is shown as ( ).

(\*3) The net amount of derivative transaction applied to hedge accounting method on the interim balance sheet is 4,062 million yen. Such transactions are interest-rate swaps, etc., designated to fix the cash flows from loans subject to hedging, and deferred hedge accounting is mainly used. And the Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR (PITF No. 40 of September 29, 2020) applies to these hedging relationships between the derivatives transactions and hedging items.

(\*4) SMBC Trust has derivative transactions classified as level 3, however, the net amount is 0 yen as they are covered with other financial institutions.

(2) Financial assets and liabilities which fair values are not equal to consolidated balance sheet amounts are as follows

Call Loans, Foreign exchanges, and Due from trust accounts are omitted because these instruments are settled in a short period and then their fair values would approximate their carrying values.

(Millions of yen)

Classification	Fair value				balance sheet amount	Net unrealized gains (losses)
	Level 1	Level 2	Level 3	Total		
Cash and due from banks (*)	1,272,289	203,074	-	1,475,363	1,473,812	1,551
Monetary Claims Bought (*)	-	-	1,031	1,031	1,031	-
Loans and bills discounted	-	-	-	-	1,760,207	
Reserve for possible loan losses (*)	-	-	-	-	△ 4,137	
	-	-	1,756,101	1,756,101	1,756,069	31
<b>Total assets</b>	<b>1,272,289</b>	<b>203,074</b>	<b>1,757,132</b>	<b>3,232,496</b>	<b>3,230,913</b>	<b>1,582</b>
Deposits	-	3,274,070	-	3,274,070	3,273,987	82
<b>Total liabilities</b>	<b>-</b>	<b>3,274,070</b>	<b>-</b>	<b>3,274,070</b>	<b>3,273,987</b>	<b>82</b>

(\*) Fair value amount are made after deducting general reserve for possible loan losses and specific reserve for possible loan losses. The reserve against cash and due from banks and monetary claims bought are deducted directly from the balance sheet amount due to insignificance.

(Note 1) Calculation Methods and Inputs for the Fair Value of Financial Instruments are as follows:

#### Assets

##### Cash and due from banks

For cash and due from banks with no maturity, the carrying amount is used as fair value as it is considered to approximate their fair value. For due from banks with maturity, the present value discounted by market rates based on maturity is calculated to determine fair value.

Cash and due from BOJ are classified into Level 1 of the fair value hierarchy, other due from banks are classified into Level 2 of the fair value hierarchy.

With respect to some due from banks embedded with derivatives, when it shall designate the entire hybrid contract as fair value, the fair value is calculated based on the amount of fair value measured and provided by financial institutions to which such deposits are made. These are classified into Level 2 of the fair value hierarchy.

##### Monetary Claims Bought

Monetary Claims Bought are valued and classified according to the same methods described in “Loans and Bills Discounted” and are classified into Level 3 of the fair value hierarchy.

##### Securities

For securities, the value calculated based on prevailing market prices as at the balance sheet date is used as their fair value. Government bonds and local government bond are classified into Level 1 of the fair value hierarchy, other securities are classified into Level 2 of the fair value hierarchy.

With respect to the securities unavailable market price, the fair value is calculated based on the present value

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of estimated future cash flow to discount by the non-risk rate associated with credit risk etc. These are classified into Level 2 of the fair value hierarchy.

#### Loans and bills discounted

For loans and bills discounted based on the floating rate, the carrying amount is used as fair value as it is considered to approximate their fair value. For loans and bills discounted based on the fixed rate, the present value is used as the fair value, discounted by the rate applied for such new loans and bills discounted. For claims on bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, expected losses on such claims are calculated based on either the expected recoverable amount from disposal of collateral or guarantees. Since the balance sheet amounts of these claims minus the reserve for possible loan losses approximate are their fair value, such amounts are considered to be their fair value. As to the loan hedged by interest rate swap for special accounting, it is treated as a unit with the interest rate swap and the fair value is calculated according to the fair value calculation method of loans.

All of Loans and Bills Discounted are classified into Level 3 of the fair value hierarchy since significant inputs for the assets are unobservable.

#### Liabilities

##### Deposits

For demand deposits, given characteristics of this type of transaction, the amount of payment (i.e. the carrying amount) demanded on the balance sheet date is deemed as the fair value. With respect to time deposits, the present value discounted by market rates, etc. based on the maturity is calculated to determine fair value. For some deposits which are structured deposits embedded with derivatives, when it shall designate the entire hybrid contract as fair value, their fair value is calculated based on the amount of fair value measured and provided by financial institutions which are the counterparty to the covered transaction of the structured deposit.

All of Deposits Discounted are classified into Level 2 of the fair value hierarchy since significant inputs for the assets are unobservable.

#### Derivative transactions

Derivatives transactions are comprised of interest rate derivatives (interest rate swaps) and currency derivatives (forward foreign exchange, foreign exchange swaps, and currency options) and their fair value is based on the value calculated using the discounted present value and option valuation models, etc.

Further, the fair value for derivative instruments such as Swap and others is reflected on the price adjustment based on credit risk of counter parties. Where unobservable inputs are not adopted or their impact is not significant on the fair value for Derivative instruments, such derivative instruments are classified into Level 2 of the fair value hierarchy. Derivatives that are evaluated using valuation techniques with significant unobservable inputs are classified into Level 3 of the fair value hierarchy.

(Note 2) The Fair value of Level 3 for financial instruments recorded at fair value on the balance sheet is as follows:

(1) Quantitative Information of Significant Unobservable Inputs about Level 3 Fair Value Measurements

Classification	Valuation Method	Significant Unobservable Inputs	Range
Derivative Transactions			
Currency derivatives	Option pricing model	FX volatility	9.85%—23.30%

(2) Balance movement from the beginning to the end of the current period, and valuation gain/loss recognized in current period

Not described as net balance of assets and liabilities by the derivative transactions are zero.

(3) Explanation of Market Value Evaluation Process

The Fair Value Calculation and Supervisory Division of our bank have established policies and procedures for calculating fair value, and Fair Value Measurement Department calculates fair value in compliance with these guidelines and procedures. Assessment Department, which is independent from Fair Value Measurement Department, examines the appropriateness of the fair value evaluation model and input used to calculate the fair value, and the appropriateness of the classification of the fair value level.

As for fair value measurement, the Bank used observable data as much as possible. In addition, when using the market value obtained from a third party, the bank compares fair value with the result of our recalculation using the input used for market value evaluation to verify the validity of the price.

(4) Explanation of fair value influence against the fluctuation of significant input unobservable

Volatility

Volatility is the indicator that the market price or inputs is expected to move after certain period. Volatility is estimated based on the actual value in the past or provided information from third party or other analysis methods, and mainly used to estimate fair value of derivatives referring to implied volatility of interest rate or foreign exchange rate. Generally, significant raise (descent) of volatility causes significant raise (descent) of fair value.

(Note 3) The following table lists Balance sheet amount of Partners` subscription certificate, etc. with no market prices as of September 30, 2021: and those amounts are not included in the balance sheet amount of “Securities” in “(1) Financial assets and liabilities which fair values are equal to consolidated balance sheet amounts” of “Disclosures Regarding the Fair Value of Financial Instruments and Other Items by Level within the Fair Value Hierarchy”.

(Millions of yen)

	Balance sheet amount
Partners` subscription certificate, etc.	1,456



(Notes to deferred tax assets and liabilities)

Significant components of deferred tax assets and liabilities are as follows:

Deferred tax assets

Loss brought forward from the previous term (Note)	5,396 million yen
Fair value earnings from consolidated tax payment	1,854
Other	4,738
Subtotal	11,989
Valuation allowance for tax loss brought forward	(5,396)
Valuation allowance for total future tax consequence of temporally differences	(1,242)
Valuation allowance subtotal	(6,639)
Total deferred tax assets	5,349
Deferred tax liabilities	
Net deferred gain (losses) on hedges	(1,295)
Other	(1,031)
Total deferred tax liabilities	(2,327)
Net deferred tax assets	3,022 million yen

(Note) Loss brought forward from the previous term and its deferred tax assets by term  
as of September 30, 2021

(Millions of yen)

	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years	Total
Loss brought forward from the previous term (*)	-	-	-	-	-	5,396	5,396
Valuation allowance	-	-	-	-	-	△5,396	△5,396
Deferred tax assets	-	-	-	-	-	-	-

(\*) Tax loss carried forward is multiplied by the legally effective tax rate.

(Notes to revenue recognition)

Breakdown of the revenues from contracts with customers

(Millions of yen)

Classification	from April 1, 2021 through September 30, 2021
Ordinary income	25,750
Trust fees	1,647
Fees and commissions	9,751
Foreign exchange business	186
Investment trust-related business	3,824
Life insurance-related business	929
Real estate-related business	4,168
Others(Note)	642

(Note) The table above also includes earnings based on ASBJ Statement No. 10 "Accounting Standards for Financial Instruments."

(Per share data)

Net assets per share	34,443.1 yen
Net loss per share	35.01yen

## Disclosure Items Based on Pillar III of Basel III

Disclosure items based on the “items separately stipulated by the Commissioner of the Japanese Financial Services Agency concerning capital adequacy pursuant to Article 19-2, Paragraph 1, item 5, Subsection 2, of the Ordinance for Enforcement of the Banking Act” (Notification No.7 issued by the Japanese Financial Services Agency in 2014).

The non-consolidated capital adequacy ratio is calculated using the method stipulated in “standards for the bank to examine the adequacy of its capital based on assets held by it pursuant to Article 14-2 of the Banking Act” (Notification No.19 issued by the Japanese Financial Services Agency in 2006).

In addition to the method stipulated in the Notification No. 19 to calculate the non-consolidated capital adequacy ratio (referred to as “Domestic Standard” in the Notification), SMBC Trust has adopted the Standardized approach for calculating credit risk-weighted assets and the Basic Indicator approach for calculating operational risk.

### Composition of Capital Disclosure

(Millions of Yen)

Items	As of September 30, 2020	As of September 30, 2021
<b>Core Capital Basic Components (1)</b>		
Directly issued qualifying common share or mandatory convertible preference share plus related capital surplus and retained earnings	147,868	145,151
of which : capital and capital surplus	173,103	173,103
of which : retained earnings	(25,234)	(27,951)
of which : treasury stock (-)	—	—
of which : cash dividends to be paid (-)	—	—
of which : other than the above	—	—
Stock acquisition rights to common shares or mandatory convertible preference shares	—	—
Total of general reserve for possible loan losses and eligible provisions included in Core Capital Basic Components	2,931	4,127
of which : general reserve for possible loan losses	2,931	4,127
of which : eligible provisions	—	—
Qualifying non-cumulative perpetual preferred stock subject to phase-out arrangements included in Core Capital Basic Components	—	—
Eligible capital instruments subject to phase-out arrangements included in Core Capital Basic Components	—	—
Capital instruments issued by public agency under capital enhancement action included in Core Capital Basic Components	—	—
45% equivalent of the difference between the revaluated amount of the land and the book value immediately prior to revaluation included in Core Capital Basic Components	—	—
Amount of Core Capital Basic Components (A)	150,800	149,279
<b>Core Capital Adjustments (2)</b>		
Total intangible assets (excluding those relating to mortgage servicing rights)	20,740	20,171
of which : goodwill (including those equivalent)	—	—
of which : other intangible assets other than goodwill and mortgage servicing rights (net of related tax liability)	20,740	20,171
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—

(Millions of Yen)

Items	As of September 30, 2020	As of September 30, 2021
Shortfall of eligible provisions to expected losses	—	—
Gain on sale on securitization transactions	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Prepaid pension cost	1,677	1,404
Investments in own shares (excluding those reported in the Net assets section)	—	—
Reciprocal cross-holdings in common equity	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specified items	5,137	2,045
of which : significant investments in the common stock of financials	—	—
of which : mortgage servicing rights	—	—
of which : deferred tax assets arising from temporary differences (net of related tax liability)	5,137	2,045
Amount exceeding the 15% threshold on specified items	—	—
of which : significant investments in the common stock of financials	—	—
of which : mortgage servicing rights	—	—
of which : deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount of Core Capital Adjustments (B)	27,555	23,620
<b>Capital</b>		
Capital amount ( (A) - (B) ) (C)	123,244	125,658
<b>Risk weighted assets (3)</b>		
Credit risk weighted assets	828,821	761,872
of which : total of items in risk weighted assets subject to transitional arrangements	—	—
of which : investments in the capital of banking, financial and insurance entities	—	—
of which : other than the above	—	—
Total amount of Market Risk equivalent divided by 8%	—	—
Total amount of Operational Risk equivalent divided by 8%	89,396	86,111
Credit risk weighted assets adjustments	—	—
Operational risk weighted assets adjustments	—	—
Total amount of Risk weighted assets (D)	918,218	847,983
<b>Capital Adequacy Ratio</b>		
Total Capital Adequacy Ratio ( (C) / (D) )	13.42%	14.81%





SMBC TRUST BANK