INTERIM FINANCIAL REPORT 2022

(April 1~September 30, 2022)

SMBC TRUST BANK

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INTERIM BALANCE SHEET

(Millions of Yen)

	As of September 30, 2021	As of September 30, 2022	As of March 31, 2022
(Assets)			
Cash and due from banks	1,473,824	1,657,903	1,327,516
Call loans	124,797	42,543	140,892
Monetary claims bought	1,032	5,533	1,757
Securities	61,440	181,925	98,853
Loans and bills discounted	1,760,207	2,085,962	2,036,747
Foreign exchanges	55,965	32,249	28,183
Other assets	42,741	65,080	38,901
Tangible fixed assets	1,849	1,463	1,396
Intangible fixed assets	29,073	5,921	5,134
Prepaid pension cost	2,024	1,424	1,436
Deferred tax assets	3,022	9,134	10,217
Customers' liabilities for acceptances and guarantees	196	448	200
Reserve for possible loan losses	(4,168)	(2,786)	(4,049)
Total assets	3,552,006	4,086,805	3,687,186
(Liabilities)			
Deposits	3,273,987	3,254,173	3,404,102
Call money	-	450,187	-
Payables under securities lending transactions	-	67,566	-
Borrowed money	803	-	-
Foreign exchanges	1,093	1,655	1,186
Due to trust accounts	98,985	128,235	122,173
Other liabilities	26,617	49,635	31,660
Income taxes payable	461	3,114	520
Lease obligations	10	21	8
Asset retirement obligations	2,427	1,159	1,251
Other	23,718	45,340	29,880
Reserve for employee bonuses	809	922	1,729
Reserve for executive bonuses	47	72	99
Reserve for retirement benefits	75	-	-
Reserve for reimbursement of deposits	664	600	792
Acceptances and guarantees	196	448	200
Total liabilities	3,403,281	3,953,497	3,561,944
(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	(27,951)	(37,766)	(43,712)
Legal retained earnings	80	80	80
Other retained earnings	(28,031)	(37,846)	(43,792)
Retained earnings brought forward	(28,031)	(37,846)	(43,792)
Total Shareholders’ equity	145,151	135,336	129,390
Net unrealized gains (losses) on other securities	806	(1,345)	(305)
Net deferred gains (losses) on hedges	2,766	(683)	(3,842)
Total valuation and translation adjustments	3,573	(2,029)	(4,148)
Total net assets	148,725	133,307	125,241
Total liabilities and total net assets	3,552,006	4,086,805	3,687,186

INTERIM STATEMENT OF INCOME

(Millions of Yen)

	from April 1, 2021 to September 30, 2021	from April 1, 2022 to September 30, 2022	from April 1, 2021 to March 31, 2022
Ordinary income	25,750	35,904	56,539
Trust fees	1,647	1,983	3,686
Interest income	12,225	18,432	25,177
Interest on loans and discounts	9,088	15,321	18,763
Interest and dividends on securities	351	444	956
Fees and commissions	9,751	11,755	22,998
Other operating income	2,094	2,464	4,291
Other income	31	1,267	385
Ordinary expenses	26,546	27,848	51,883
Interest expenses	969	6,006	1,880
Interest on deposits	880	1,968	1,680
Fees and commissions payments	2,833	3,793	5,741
Other operating expenses	0	-	0
General and administrative expenses	22,370	18,044	43,738
Other expenses	373	3	522
Ordinary profit (loss)	(795)	8,055	4,655
Extraordinary gains	708	-	741
Extraordinary losses	22	0	26,636
Income (loss) before income taxes	(109)	8,055	(21,239)
Income taxes - current	(1,875)	2,839	(3,080)
Income taxes - deferred	1,917	(730)	(2,246)
Income taxes	41	2,109	(5,327)
Net income (loss)	(151)	5,946	(15,912)

INTERIM STATEMENT OF CHANGES IN NET ASSETS

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, 2022 to September 30, 2022

(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	(43,792)	(43,712)	129,390
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	-
Restated balance	87,550	83,350	2,203	85,553	80	(43,792)	(43,712)	129,390
Changes in the fiscal year								
Net income (Loss)						5,946	5,946	5,946
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	-	-	-	-	-	5,946	5,946	5,946
Balance at the end of the fiscal year	87,550	83,350	2,203	85,553	80	(37,846)	(37,766)	135,336

(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	(305)	(3,842)	(4,148)	125,241
Cumulative effects of changes in accounting policies	-	4,584	4,584	4,584
Restated balance	(305)	742	436	129,826
Changes in the fiscal year				
Net income (Loss)				5,946
Net changes in items other than shareholders' equity in the fiscal year	(1,039)	(1,425)	(2,465)	(2,465)
Net changes in the fiscal year	(1,039)	(1,425)	(2,465)	3,480
Balance at the end of the fiscal year	(1,345)	(683)	(2,029)	133,307

From April 1, 2021 to March 31, 2022

(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)						(15,912)	(15,912)	(15,912)
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	–	–	–	–	–	(15,912)	(15,912)	(15,912)
Balance at the end of the fiscal year	87,550	83,350	2,203	85,553	80	(43,792)	(43,712)	129,390

(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)				(15,912)
Net changes in items other than shareholders' equity in the fiscal year	(1,174)	(7,806)	(8,981)	(8,981)
Net changes in the fiscal year	(1,174)	(7,806)	(8,981)	(24,893)
Balance at the end of the fiscal year	(305)	(3,842)	(4,148)	125,241

The 38th (**From April 1, 2022 through September 30, 2022**) **Notes to the financial statements**

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 (mainly 5years).

(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 (“Bankrupt borrowers”) or borrowers that are regarded as substantially in the same situation (“Effectively bankrupt borrowers”), 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 (“Potentially bankrupt borrowers”), 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).

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, 2022 were 350 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 prior service cost :	Amortized on a straight-line basis, over a certain period (11 years) within the employees' average remaining service period at incurrence.
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. Standard for revenue recognition

（1） Method of revenue recognition

Revenue from contacts with customers (excludes earnings based on ASBJ Statement No,10 “Accounting Standards for Financial Instruments.”) is recognized based on satisfaction of performance obligation for each contract depending on transaction conditions.

（2） Revenue recognition of main transaction

As revenue from the contracts with customers, the main transactions of each services and when satisfied performance obligations are as follows:

Trust Fees, mainly included commissions for property management and investment service, recognized when a trust established or existed.

Exchange service fees, mainly included commissions for domestic remittance and foreign remittance, recognized when exchange service performed.

Revenue related investment trust, mainly included commissions for investment trust sales and administrative processes as management of transaction records, recognized when make an investment trust contract with customer or the contract is existed.

Revenue related life-insurance and non-life-insurance, mainly included agency fees for sales insurances, recognized when make an insurance contract with customer or the contract is existed.

Revenue related real estate services, mainly included commissions for real estate brokerage, recognized in principle when make sale-contract of real estate.

7. 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 Bank Ltd. (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 on March 17, 2022). 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.

8. Application of Group Tax Sharing System

SMBC Trust applies Group Tax Sharing System with Sumitomo Mitsui Financial Group, Inc. for the parent company.

Change in Accounting Policies

1. Change in Hedge accounting method to interest rate risk arising from financial assets and liabilities

SMBC Trust had applied the special accounting treatment to interest rate swaps for a part of assets as a hedge accounting method for interest rate risks arising from financial assets and liabilities. However, we have changed it to deferred hedge accounting similar to Sumitomo Mitsui Banking Corporation, our parent company, applies from the beginning of the period for the six months ended September 30, 2022 due to the increased monetary materiality of the hedged items and instruments . As a result, deferred gains or losses on hedges at the beginning of the current fiscal year increased by 4,584 million yen.

2. Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

SMBC Trust applied "Implementation Guidance on Accounting Standard for Fair Value Measurement"(ASBJ Guidance No.31, June 17, 2021; hereinafter referred to as the " Fair Value Implementation Guidance ") from the beginning of the period for the six months ended September 30, 2022. In accordance with the transitional treatment set forth in Paragraph 27-2 of "Fair Value Implementation Guidance", SMBC Trust has prospectively adopted the new accounting policy set forth in "Fair Value Implementation Guidance". There are no effects on financial statements due to the application of the Implementation Guidance.

Additional Information

Transition from the Consolidated Taxation System to the Group Tax Sharing System

SMBC Trust has been transited from the Consolidated Taxation System to the Group Tax Sharing System from the beginning of the period for the six months ended September 30, 2022. With this transition, the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting are in accordance with the "Treatment of Accounting Treatment and Disclosure under the Group Tax Sharing System

"(ASBJ PITF No.42, August 12, 2021; hereinafter referred to as "PITF No.42"). Based on the Paragraph 32 (1) of the PITF No. 42, the Company has assumed that there is no impact from the change in accounting policy resulting from the application of PITF No. 42.

Notes

(Notes to balance sheet)

1. Problem Assets based on “Financial Reconstruction Act” and “Banking Act” are as follows:

   Bonds include Japanese corporate bonds in Securities (Limited to Guarantee for all or part of redemption of principal and payment of interest and the issuance of such bonds is by private placement of securities （Financial Instruments and Exchange Act No.2-3), Loans and bills discounted, Foreign exchanges, Accrued interest and Suspense payments in Other assets and Customers' liabilities for acceptances and guarantees in the Balance Sheet and the Securities in the case of a loan of the securities noted in the notes.

(Limited to rental or lease agreement).

Bankrupt and quasi-bankrupt assets	45 million yen
Doubtful assets	558
Substandard loans	―
Past due loans (3 months or more)	―
Restructured loans	―
Subtotal	604
Normal assets	2,121,765
Total	2,122,370 million yen

“Bankrupt and quasi-bankrupt assets” are credits to borrowers undergoing bankruptcy, corporate reorganization, and rehabilitation proceedings, as well as claims of a similar nature.

“Doubtful assets” are credits for which final collection of principal and interest in line with original agreements is highly improbable due to deterioration of financial position and business performance, but not insolvency of the borrower.

“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 and quasi-bankrupt assets” and “Doubtful assets”

“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 and quasi-bankrupt assets” “Doubtful assets” and “Past due loans (3 months or more).”

“Normal assets” are credits to borrowers with good business performance and in financial standing without identified problems and not classified into the 3 categories above,

The amounts of above are the amounts before deduction of reserve for possible loan losses.

2. The net amount of Loan participation in participation principal amount accounted loan for original obligor based on “accounting politics of loan-participations (report of accounting system committee of Japan Certified Accountants Association No.3 on the interim balance sheet were Monetary claims bought of 5,533 million yen, Loans and bills discounted of 269,994 million yen and Foreign exchanges of 8,684 million yen.

3. Assets offered for collateral are as follows.

Assets offered for collateral

Securities 67,541 million yen

Liabilities secured by the collateral

Payables under securities lending transactions 67,566 million yen

Loans and bills discounted, securities and Cash and due from banks pledged as collateral for the settlement of foreign exchange transactions were 21,015 million yen, 5,001 million yen and 10 million yen respectively at September 30, 2022. Other assets include cash collateral paid for financial instruments of 22,632 million yen and Security deposits of 1,837 million yen.

4. 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 211,284 million yen at September 30, 2022. The outstanding of 185,323 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.

5. Accumulated depreciation on tangible fixed assets was 1,728 million yen.

（Notes to statement of income）

1. "Other income" included the following:

Gains on allowance for doubtful accounts 1,262 million yen

2. "Depreciation amount of Fixed Asset" were as following:

Tangible fixed assets 111 million yen

Intangible fixed assets 713 million yen

（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	42,041	44,689	—	86,731
Total assets	42,041	44,689	—	86,731
Derivatives transactions (*1)				
Related to Interest Rates(*2)	—	213	—	213
Related to Currencies	—	(8,381)	(*3) 0	(8,381)
Total	—	(8,168)	0	(8,168)

(*1) 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 ( ).

(*2) Hedge accounting method. 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 March 17, 2022) applies to these hedging relationships between the derivatives transactions and hedging items.

(*3) 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, Call money, Payables under securities lending transactions 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 (*)	1,491,274	158,625	—	1,649,900	1,657,893	(7,993)
Monetary Claims Bought (*)	—	—	5,530	5,530	5,530	—
Securities						
Bonds classified as held-to-maturity	93,752	—	—	93,752	93,948	(195)
Loans and bills discounted	—	—	—	—	2,085,962	
Reserve for possible loan losses (*)	—	—	—	—	(2,744)	
	—	—	2,064,721	2,064,721	2,083,218	(18,497)
Total assets	1,585,027	158,625	2,070,251	3,813,904	3,840,591	(26,686)
Deposits	—	3,253,620	—	3,253,620	3,254,173	(552)
Total liabilities	—	3,253,620	—	3,253,620	3,254,173	(552)

(*) 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 insignificancy.

(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. Japanese government bonds and Local government bonds are classified into Level 1 of the fair value hierarchy, other securities are classified into Level 2 of the fair value hierarchy.

In regards to the securities whose market price is unavailable, the fair value is calculated based on the present value of estimated future cash flow to discount by the non-risk rate associated with credit risk etc. and are classified into Level2 of the fair value hierarchy. With respect to the mutual funds whose market price is unavailable, the fair value is calculated based on the net asset value and 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. 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	13.36%－ 41.80%

(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, 2022: 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.	1,245

（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)	5,266	million yen
Losses on impairment of fixed assets	7,281	
Deemed gains (losses) on derivatives	1,876	
Other	3,422	
Subtotal	17,846	
Valuation allowance for tax loss brought forward	(5,266)	
Valuation allowance for total future tax consequence of temporally differences	(2,074)	
Valuation allowance subtotal	(7,341)	
Total deferred tax assets	10,505	
Deferred tax liabilities		
Net deferred gains (losses) on hedges	(896)	
Other	(474)	
Total deferred tax liabilities	(1,370)	
Net deferred tax assets	9,134	million yen

(Note) Loss brought forward from the previous term and its deferred tax assets by term as of September 30, 2022

（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 （*）	-	-	-	-	1,117	4,149	5,266
Valuation allowance	-	-	-	-	(1,117)	(4,149)	(5,266)
Deferred tax assets	-	-	-	-	-	-	-

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

(Notes to revenue recognition)

Information that breaks down the revenue from contacts with customers.

（Millions of yen）

Classification	from April 1,2022 through September 30,2022
Ordinary income	35,904
Trust Fees	1,983
Fees and commissions	11,755
Foreign exchange business	144
Investment trust-related business	3,380
Life insurance-related business	1,054
Real estate-related business	6,344
Other (Note)	831

(Note) Other includes earnings based on ASBJ Statement No,10 “Accounting Standards for Financial Instruments.”

(Per share data)

Net assets per share	30,872.55yen
Net loss per share	1,377.08yen

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, 2021	As of September 30, 2022
Core Capital Basic Components (1)		
Directly issued qualifying common share or mandatory convertible preference share plus related capital surplus and retained earnings	145,151	135,336
of which : capital and capital surplus	173,103	173,103
of which : retained earnings	(27,951)	(37,766)
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	4,127	2,779
of which : general reserve for possible loan losses	4,127	2,779
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)	149,279	138,116
Core Capital Adjustments (2)		
Total intangible assets (excluding those relating to mortgage servicing rights)	20,171	4,108
of which : goodwill (including those equivalent)	—	—
of which : other intangible assets other than goodwill and mortgage servicing rights (net of related tax liability)	20,171	4,108
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, 2021	As of September 30, 2022
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		1,404	988
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		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)		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)	23,620	5,096
Capital			
Capital amount ((A) - (B))	(C)	125,658	133,019
Risk weighted assets (3)			
Credit risk weighted assets		761,872	824,283
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%		86,111	86,792
Credit risk weighted assets adjustments		–	–
Operational risk weighted assets adjustments		–	–
Total amount of Risk weighted assets	(D)	847,983	911,075
Capital Adequacy Ratio			
Total Capital Adequacy Ratio ((C) / (D))		14.81%	14.60%

SMBC

SMBC TRUST BANK