



SuMi TRUST
SUMITOMO MITSUI TRUST GROUP

Summary of Financial Results for 3QFY2018 - Supplemental Material -

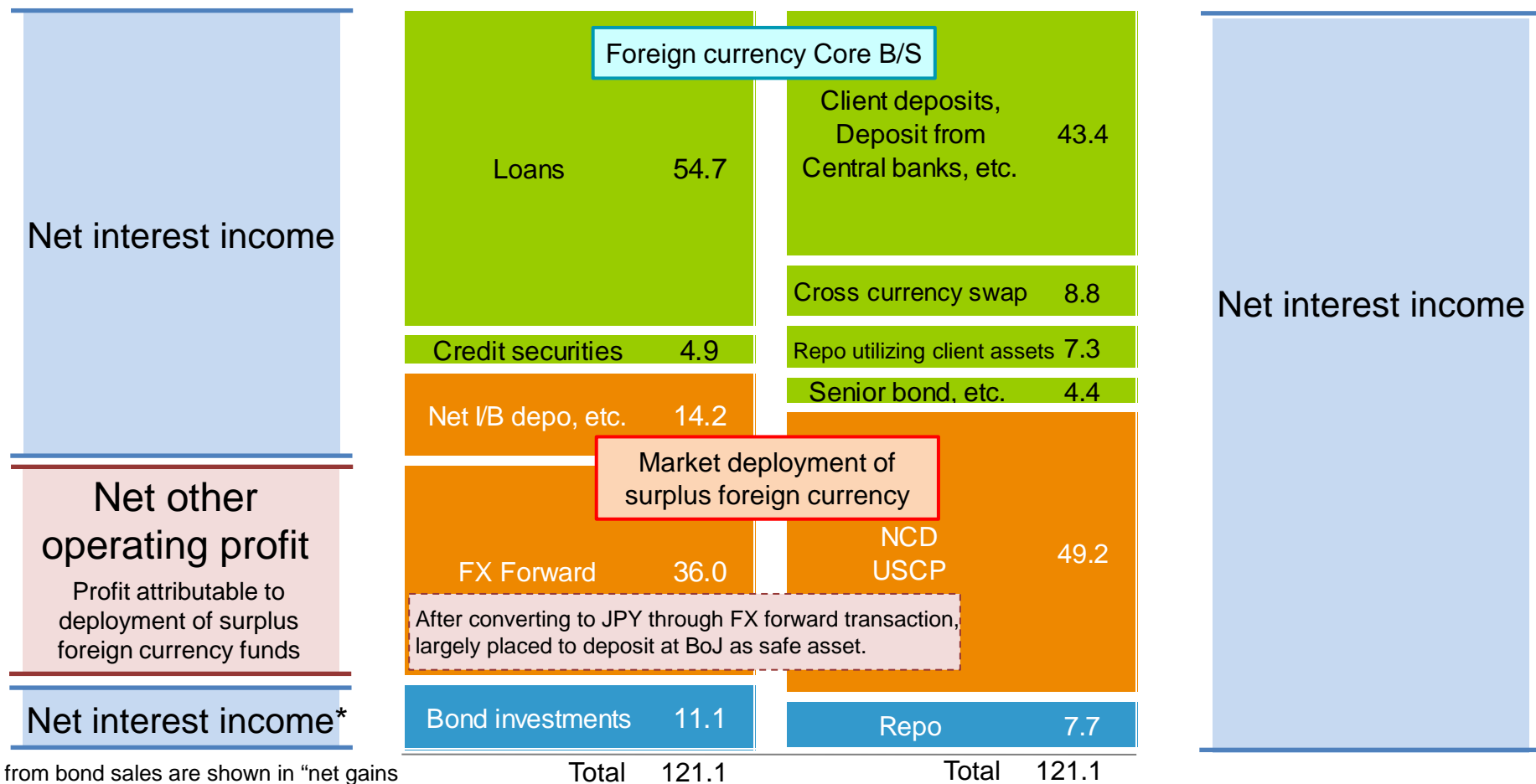
March, 2019

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Market deployment of surplus foreign currency funds (SuMi TRUST Bank)

- ▶ Surplus foreign currency as liquidity buffer, mainly funding from NCD/USCP market, is invested in JPY utilizing FX forward transactions. Accordingly, profit from investment and cost of funding are recognized as different accounting items [Profit: Net other operating profit, Cost: Net interest income]
- ▶ Duration of FX forward and NCD/USCP transactions is short and basically matched

Foreign currency B/S (as of Dec. 2018, USD bn) and P/L structure

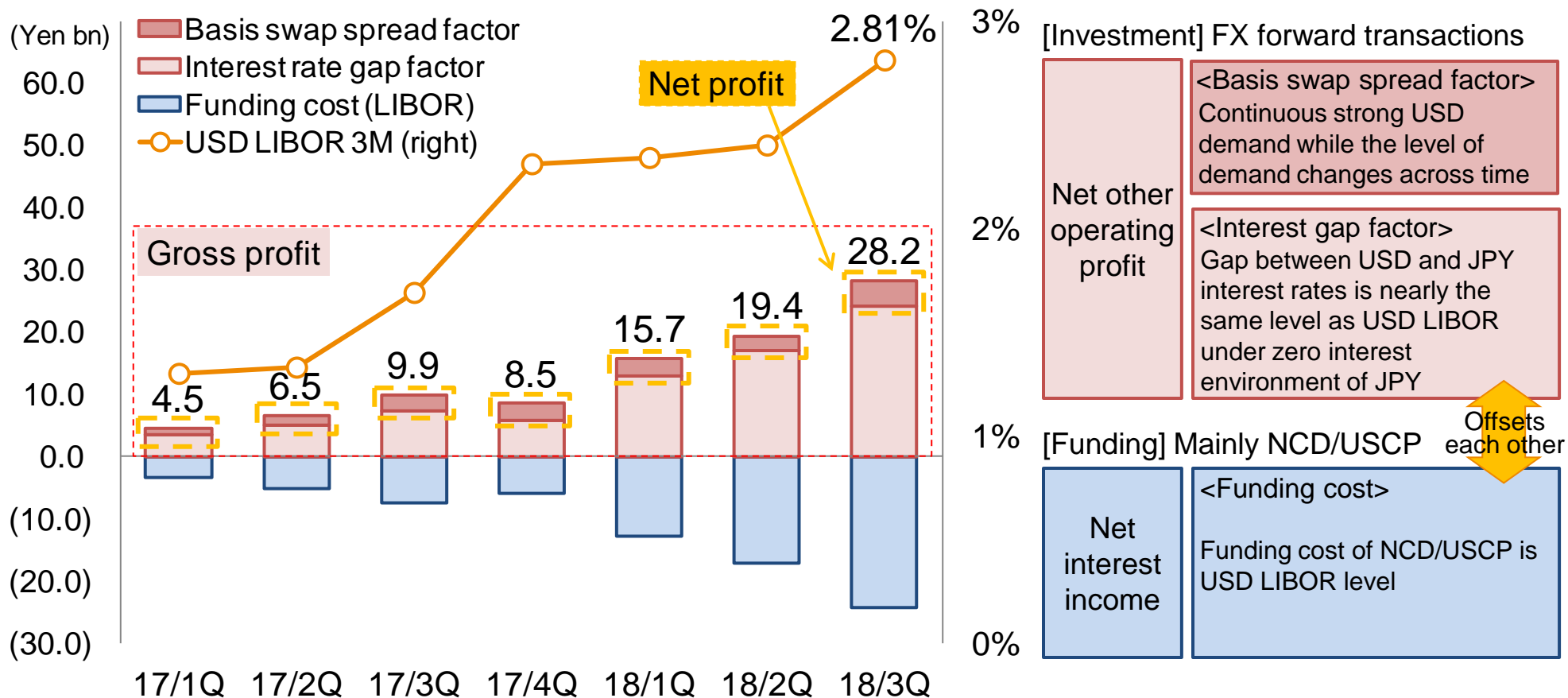


•P/L from bond sales are shown in “net gains on bonds” of “Net other operating profit”

Profit structure of market deployment of surplus foreign currency

- ▶ Profit from FX forward transactions (Investment) consists of basis swap spread factor and interest rate gap factor (gap between USD and JPY interest rates), but interest rate gap is offset by cost of USD funding
- ▶ Net profit of market placement of surplus foreign currency (net of funding cost) is nearly equal to basis swap spread multiplied by volume of market deployment [Semi-annual net profit of around JPY 3-5 bn for the past 2 years]

Profit structure of market placement of surplus foreign currency



* The above contents are simplified to promote understanding the structure of the operations, although actual profitability of market placement of surplus foreign currency changes depending on market environment