



SuMi TRUST
SUMITOMO MITSUI TRUST GROUP

Risk Management

May 14, 2020

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Definitions of terms in this document

Sumitomo Mitsui Trust Holdings (Consolidated): “Consolidated “ or “SuMi TRUST Holdings”

Sumitomo Mitsui Trust Bank (Non-consolidated): “Non-consolidated “ or “SuMi TRUST Bank”

Net income (on consolidated basis) : “Net income attributable to owners of the parent”

NPL (Non performing loans): “Problem assets based on the Financial Reconstruction Act”

Risk management (summary)

Stock price risk

- Strategic shareholdings
75% of market value hedged (Mar 2020)
(base 65%, additional (risk adjustment) 10%)
- ✓ Stability of capital maintained by base hedge
 - ✓ Profit opportunity from additional (risk adjustment) portion

Liquidity risk

- Core foreign currency B/S size is around ¥6trn
- ✓ Surplus core funding against core assets
 - ✓ To steadily expand and diversify long-term stable funding sources

Risk resilience

Credit risk

- Credit portfolio is high credit quality and diversified
- ✓ 1/3 is retail (high quality mortgage clients)
 - ✓ Corporate exposure (2/3), around 20% is non-Japanese (*1), centered on diversified product lending
 - ✓ Special loan loss Provision of ¥25bn made in FY2019

(*1) based on final exposure

Interest rate risk

- Restrained approach towards interest rate risk
- ✓ US interest rate (10BPV) risk: ¥0.0bn
(Including derivatives, as of Mar 2020)

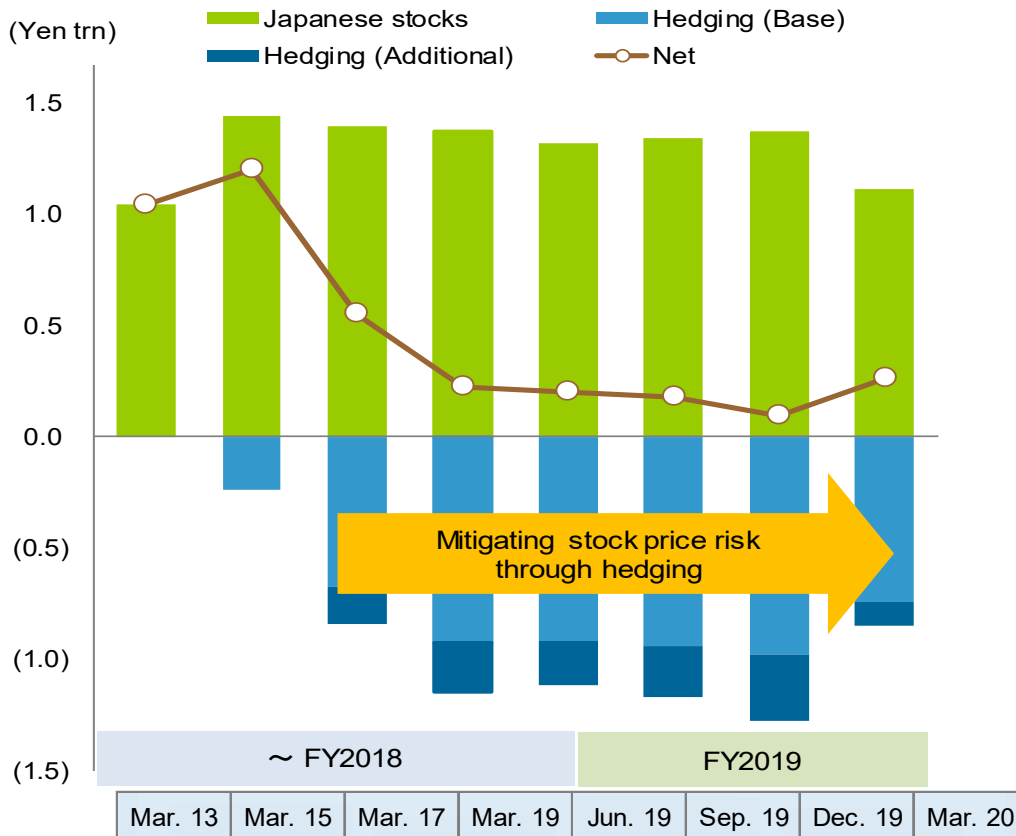
(Ref) JPY securities portfolio of Global Markets
10BPV: ¥3.6bn, as of Mar 2020 (Excl. derivatives)

Stock price risk

✓ Share price decline risk hedged to mitigate impact to our capital ratio. 75% hedged as of Mar 2020

Hedge positions against strategic shareholdings (*1)

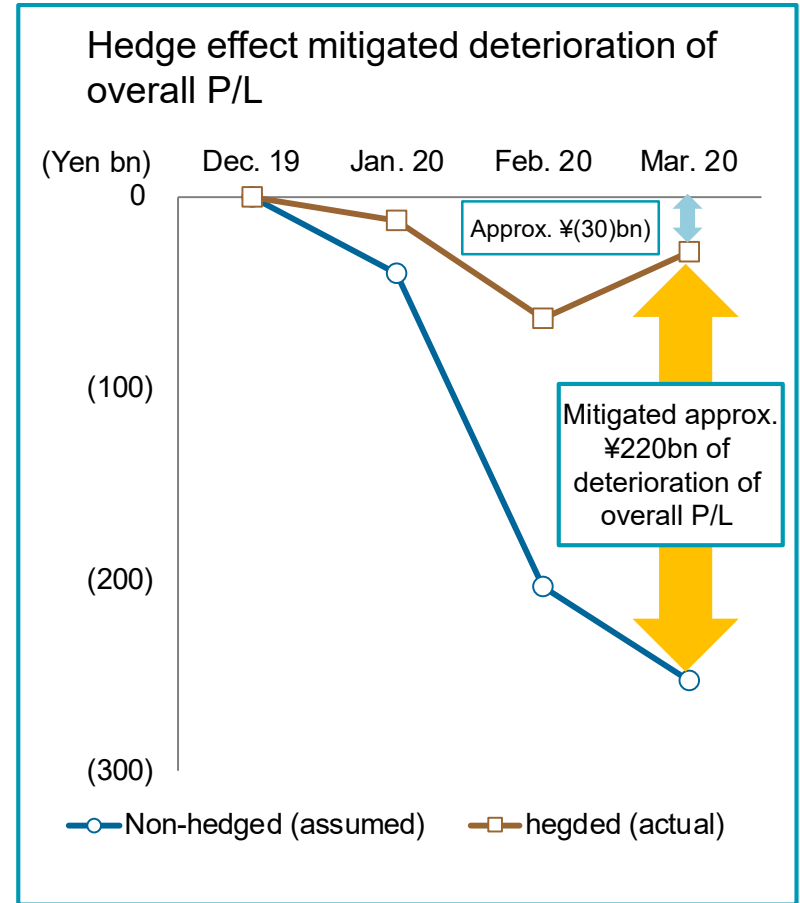
Base	Maintain current ratio 65% basically
Additional	Adjust volume within 0-35% (*2)



(*1) Hedge ratio against fair value of strategic shareholdings
 (*2) Contrarian to stock prices (Hedge ratio to rise if stock prices rise)

Impact of share price decline (Dec 2019 to Mar 2020)

Overall P/L



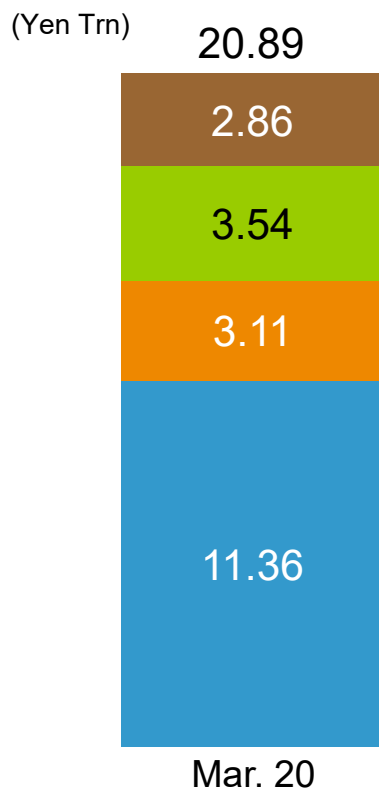
(*3) Sum of change of unrealized gain/loss and realized gain/loss from Dec.2019
 Above calculation includes: With hedge: Strategic shareholdings and investment trust for hedging purpose. Without hedge: strategic shareholdings only

Credit risk (Overview of Corporate lending/investment)

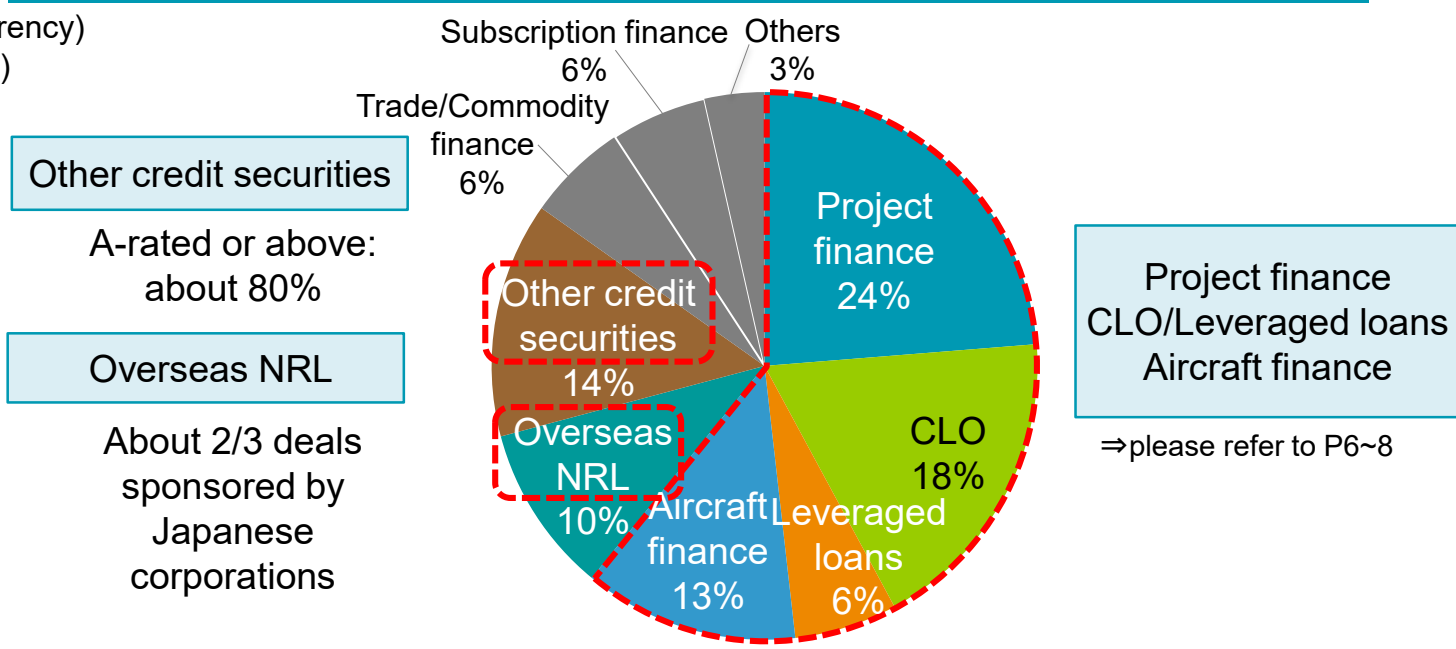
- ✓ Corporate loans portfolio mainly large corporates and Japanese affiliated companies
- ✓ Foreign currency product lending is mostly non-Japanese credit but diversified, credit risk conscious portfolio

Wholesale credit portfolio

- Product related (Foreign currency)
- Corporate (Foreign currency)
- product related (Yen)
- Corporate (Yen)



Product related (Foreign currency)



Other credit securities

A-rated or above: about 80%

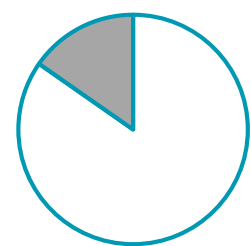
Overseas NRL

About 2/3 deals sponsored by Japanese corporations

Project finance
CLO/Leveraged loans
Aircraft finance

⇒ please refer to P6~8

Corporate (Foreign currency)



About 85% Overseas Japanese corporates

Corporate (Yen)

Mainly large corporations

Product related (Yen)

About 2/3 Domestic real estate NRL/REIT

Real estate NRL Approx. ¥1.0trn

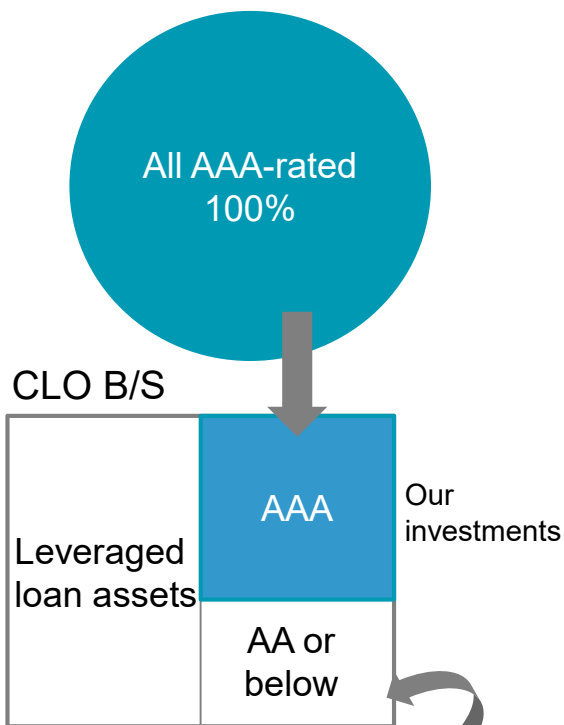
REIT Approx. ¥1.1trn

⇒ please refer to P9

Credit risk (CLO)

✓ All holdings rated AAA, price fall has been limited in comparison to Lehman shock

Credit rating distribution



Junior tranches provide mid 30% to mid 40% subordination to secure AAA tranche

Balance

(By region)

(USD M)	Mar. 20	Mar. 20	Chg
CLO (*1)	3,377	4,837	1,459
US	3,128	4,495	1,366
EU	249	342	93

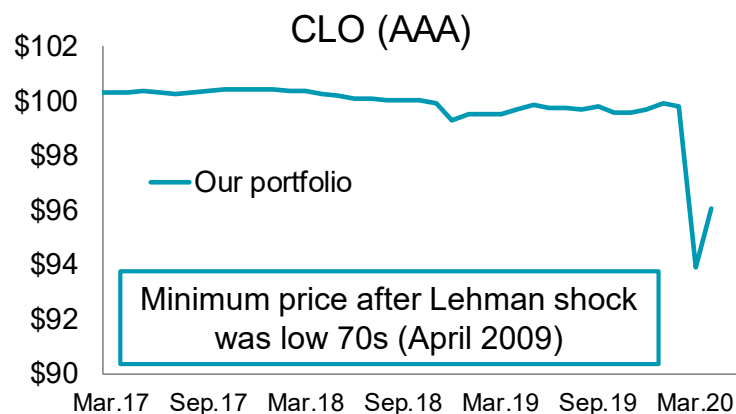
(By type)

(USD M)	Mar. 20	Unrealized gains/losses
CLO (*2)	4,578	(287)
Available-for-sale	3,599	(215)
Held-to-maturity	978	(71)

(*1) Includes Loan-type (*2) Securities only

Held-to-maturity portion has been funded with matching 5-year CCS
US\$ liquidity risk mitigation measures taken (Refer to P11)

Historical performance (*3)



(*3) Available-for-sale securities

Credit risk (Leveraged loans)

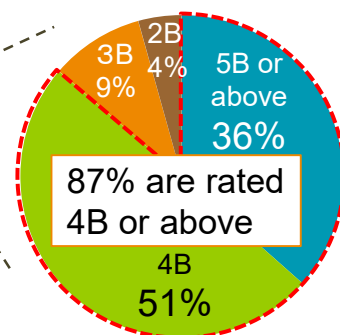
- ✓ Most of leveraged loans are 4B or better, relatively high-quality portfolio
- ✓ Exposure per borrower also diversified. Risk conscious investment style

Balance

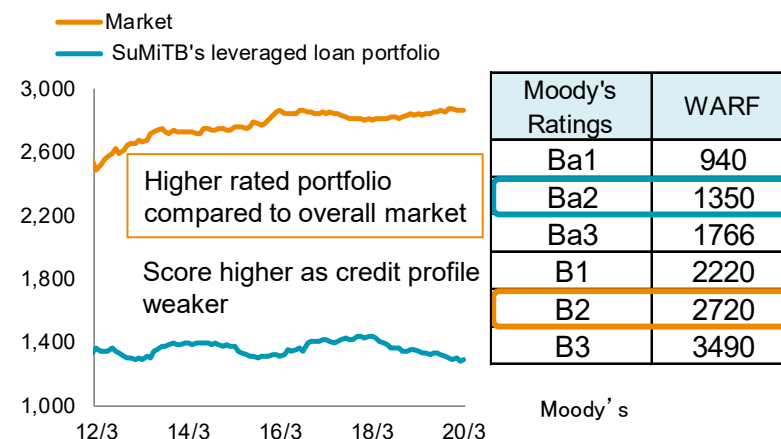
(USD M)	Mar. 19	Mar. 20	Chg
Leveraged loans (*1)	1,610	1,605	(4)
US	1,371	1,374	3
EU	239	230	(8)
High yield bonds	—	—	—

Credit rating (*2)

Credit rating distribution



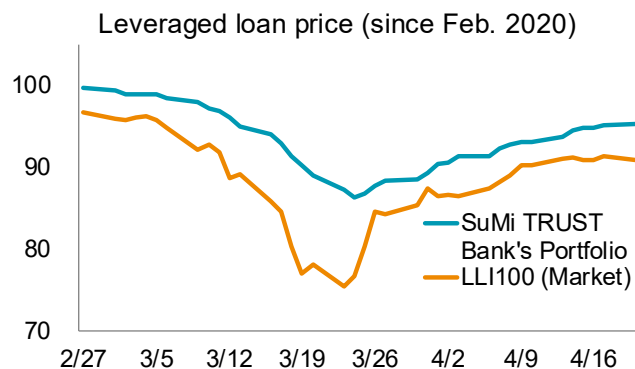
Weighted Average Risk Factor (WARF)



【Definition of 4B】

Leveraged loans are usually rated by Moody's and S&P. As there are cases when ratings are split, we rate by Counting the sum Bs of two rating agencies (i.e.) If Moody's: Ba1 and S&P: BB+, then 4B

Historical performance (*2)



Per exposure diversification (*2)

Amount per transaction

3B or above:
\$5-10mn

2B or below:
\$3mn

Industry diversification

Industries likely to be affected by Covid-19 (Ratio% below 4B)

【Retailer】

SuMi TB 1.4% vs Market 3.6%

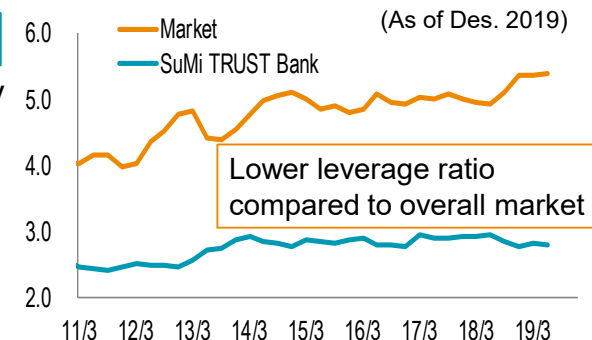
【Oil&Gas】

SuMi TB 1.2% vs Market 3.6%

(*1) Secured loans with floating rates funded by companies rated BB+/Ba1 or lower, includes fund investments (US: \$110mn / Europe: \$232mn)

(*2) US Leveraged loans (Proprietary investments)

Leverage ratio (*2)



Credit risk (Aircraft Finance / Overseas Project Finance)

- ✓ Impact of Covid-19 unavoidable for aircraft finance
- ✓ Selective transactions prioritizing safety and diversity

Aircraft Finance

Selective transactions for high quality lessee, lessor with new aircraft that is highly liquid

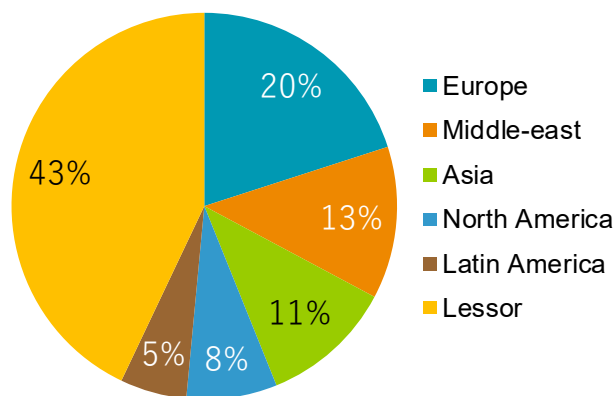
Mar. 20 Balance

US\$3,789M

Ratio of total corporate portfolio

Approx. 2%

Diversification of aircraft portfolio



Exposure exceeds ¥10bn for only 3 airlines

Large exposure to Europe/ME/Asia, mainly flag carriers

LCC ratio

Approx. 9%

Overseas(foreign currency) project Finance

ECA guarantee, stable CF from long-term sales contract with high quality off-takers

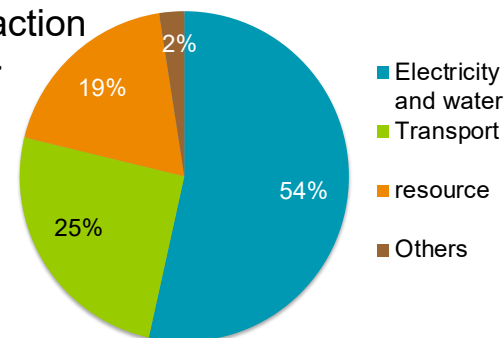
Mar, 20 Balance

US\$6,250M

Ratio of total corporate portfolio

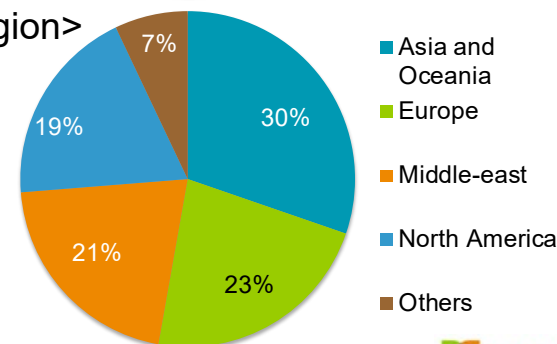
Approx. 3%

<Transaction type>



Public, infrastructure based transactions

<By region>



Limited number of deals with market price risk (Below 5% vs Overseas PF)

Approx. 25% ECA covered

Credit risk (Domestic real estate NRL / REIT)

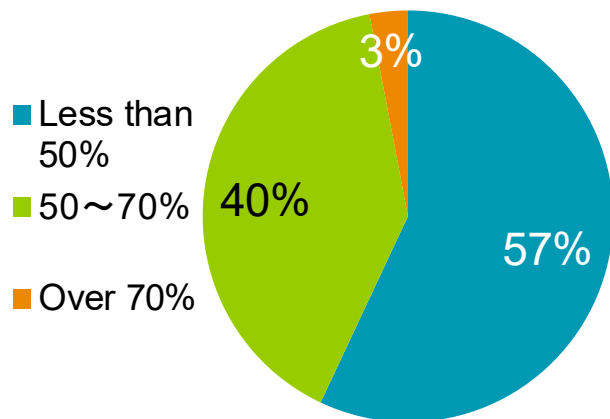
✓ Maintaining conservative portfolio management focusing on Low LTV

Outstanding loans to Domestic real estate NRL

(Yen bn)	Mar. 2019		Mar. 2020	
				Change
Real estate-related loans	2,134	2,110	(23)	
Real estate NRL (*1)	1,129	1,023	(106)	
REIT	1,004	1,087	83	

(*1) Including bond-type

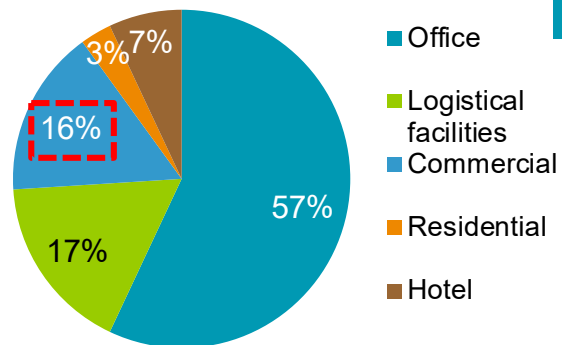
LTV (External appraisal base) of Real estate NRL (*2)



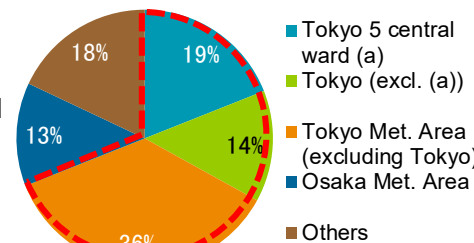
(*2) As of Mar. 20

Underlying assets of Real estate NRL (*2)

<by underlying asses>



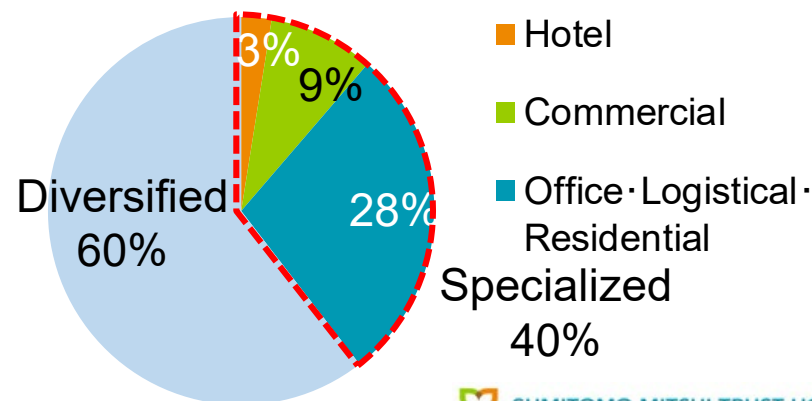
Area distribution of Commercial



Operating-type 90%
Development-type 10% (Mainly logistics)

Mainly Tokyo Met. Area

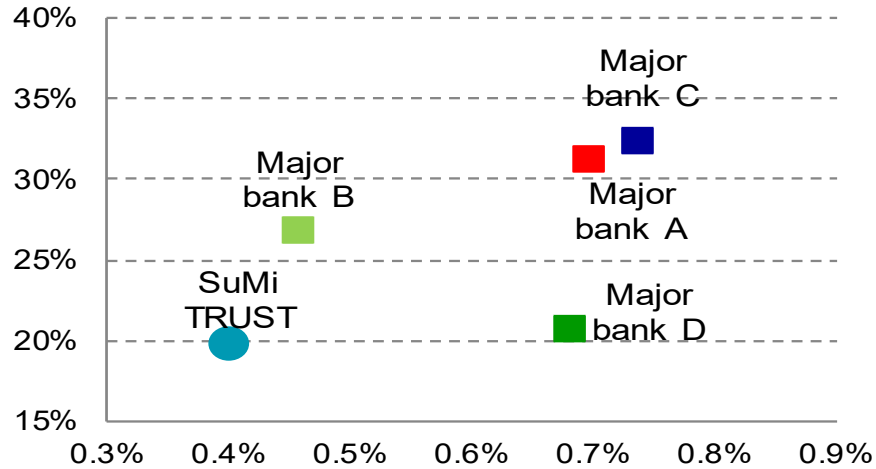
Underlying assets of REIT (*2)



Credit risk (Mortgage loan)

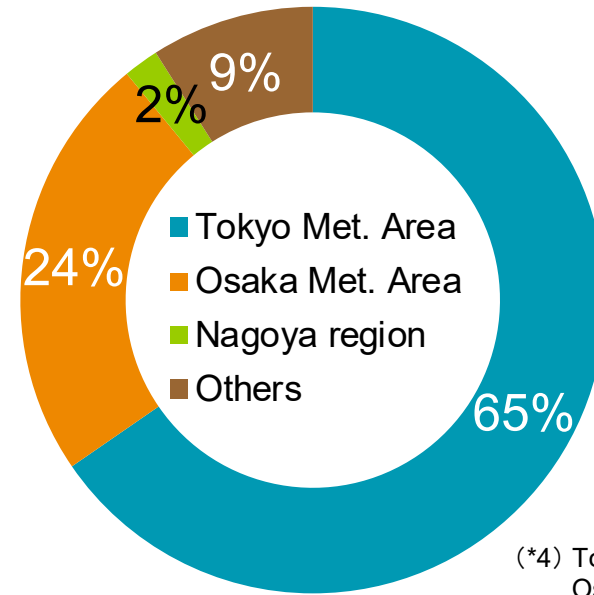
✓ High quality mortgage clients (relatively low PD/LGD profile). Portfolio focused on 3 metropolitan areas

High quality mortgage borrowers (*1) (*2)



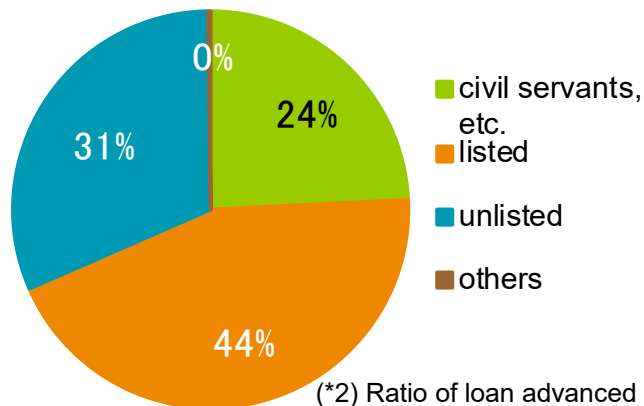
(*1) As of Sep. 19 (*2) SuMi TRUST Bank

Mortgage loans (*3)



(*4) Tokyo 44%
Osaka 17%

Distribution by work place (*2) (*3)



(*2) Ratio of loan advanced in FY2019

Portfolio focused on metropolitan areas with high collateral value

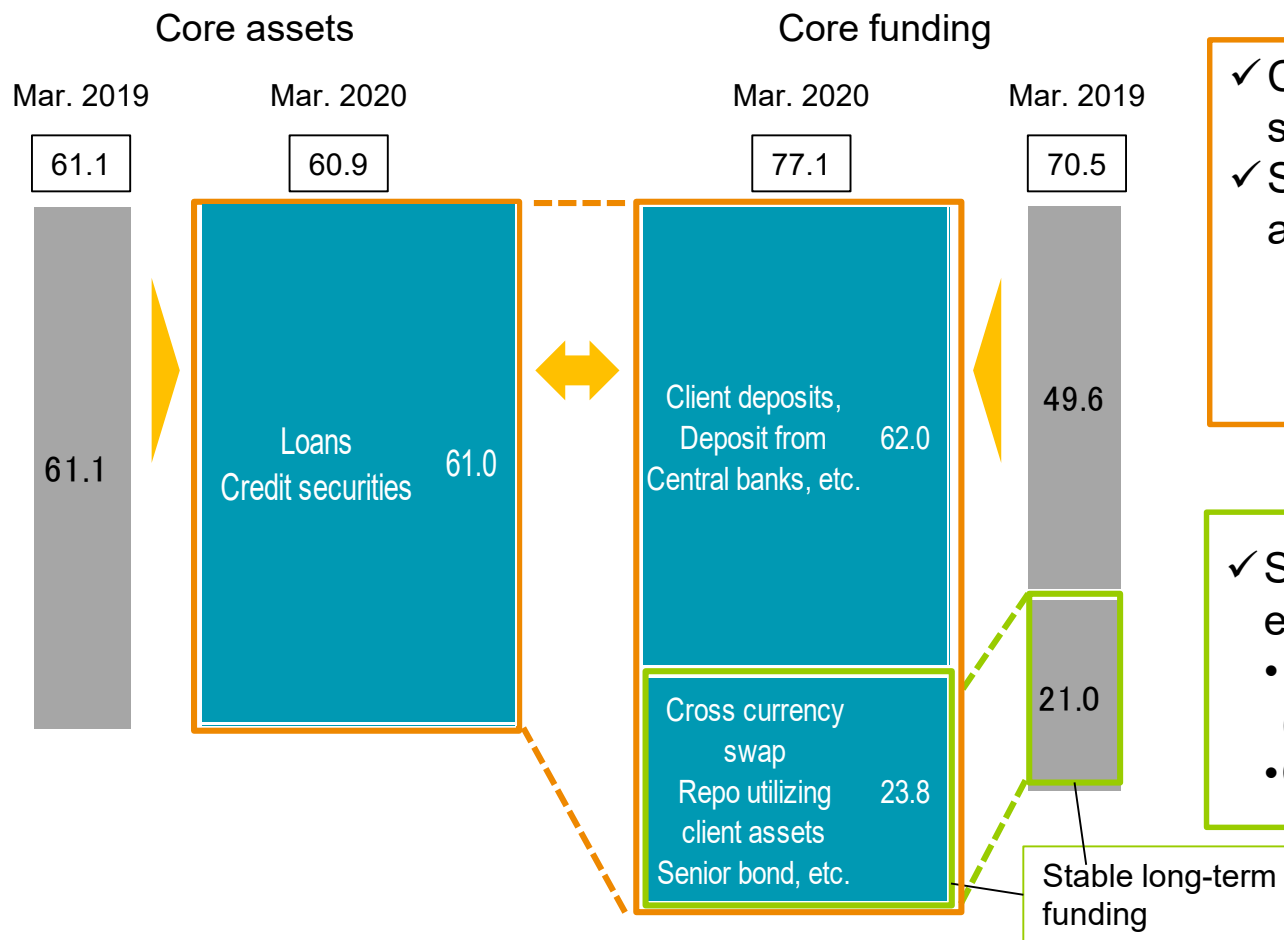


Approx. 90% advanced in 3 metropolitan areas (*2)

Liquidity risk (Foreign currency funding)

- ✓ Enhanced stable funding for core foreign currency BS. Maintained asset size, surplus core funding against core assets

Foreign currency B/S (USD bn) (*1)



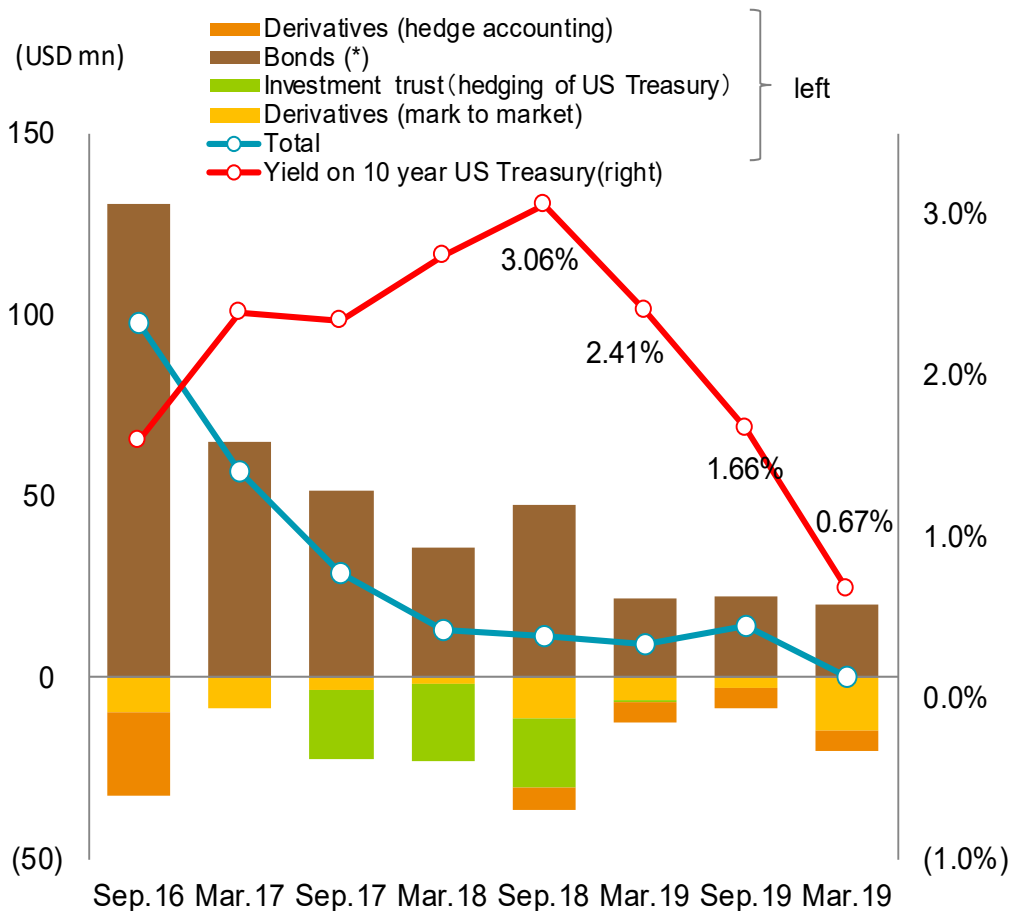
- ✓ Core asset size remained the same from Mar.2019
 - ✓ Surplus core funding against core assets
- $$\frac{\text{core funding}}{\text{core assets}} = 140.6\%$$
- * 115.5% as of Mar.2019:

- ✓ Stable long-term funding expanded
 - Repo utilizing client assets (+US\$1.5bn from Mar.2019)
 - CCS (+US\$3.5bn from Mar.2019)

Interest rate risk

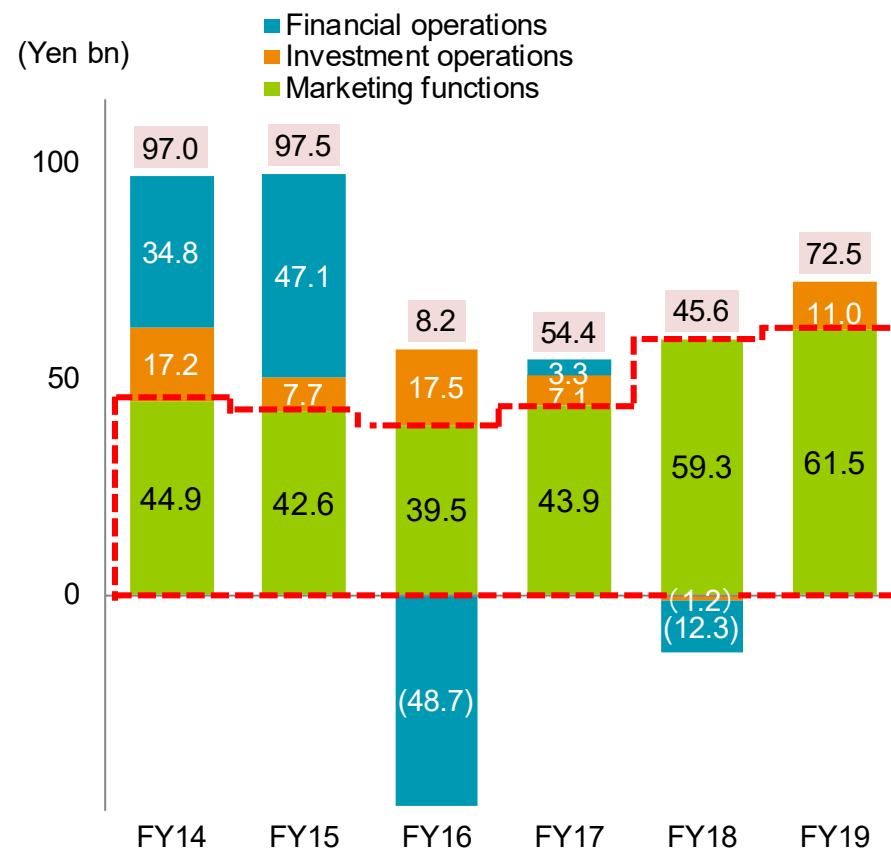
- ✓ Restrained management of US interest rate risk exposure.
- ✓ Global Markets' profitability strengthened from client facing services

US interest rate (10BPV) risk (Non-consolidated)



Global Markets business profit

To strengthen stable, client-facing services



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