

SMFG aims to provide its clients with world-class support services for their market transaction needs.

Supporting Customers' Transactions

Within SMFG, the Treasury Unit of SMBC undertakes operations in the domestic and international money, foreign exchange, bond, and derivatives markets. Based on a careful evaluation of each client's needs, we design financial products and services that deliver optimal value-added solutions.

In fiscal 2003, with the aim of providing even more convenient services and further increasing customer satisfaction, we reinforced our sales organization, developed new computer systems, expanded our lineup of new products and took various steps to enhance our service provision.

Enhanced Marketing Capabilities in Asia

To offer Asian markets the full range of customer support services in funding, foreign exchange, and derivatives, we posted Treasury Unit personnel in Hong Kong, Singapore and Bangkok. Our customers can rely on us to provide information and insightful advice tailored to the unique demands of the region, and these sales desks enhance our ability to promptly handle customer transactions.

In December 2003, we also assigned Treasury Unit personnel to our Shanghai Branch as one of the initiatives aimed at building a service system that will enable us to meet demand in the rapidly growing Chinese market.

i-Deal

In November 2002, the Treasury Unit introduced *i-Deal*, an easy-to-use online dealing system allowing customers to directly and speedily conclude foreign exchange forward contracts over the Internet. More than just a direct trading channel, *i-Deal* offers many additional functions to customers, such as the provision of extensive market data, to help increase the efficiency of their business operations. These features have helped it become extremely popular among our customers.

In fiscal 2003, responding to numerous customer requests and suggestions, we further enhanced the convenience of this service by providing a link-up enabling users to take advantage of the features offered by our *Global e-Trade Service*, an online import and export transaction service. In addition, customers now

have easy access to an upgraded menu of functions, including foreign exchange, money transfer between accounts denominated in foreign currencies and in yen, and easy checking of the balances in foreign currency accounts, as well as detailed statements of deposits and withdrawals.

Strategic Outlook

To provide the highest level of services in the industry to support clients' market transactions, we keep abreast of the latest developments in financial technology and IT systems, and are further strengthening our capabilities in market research and analysis. We are also reinforcing our processing infrastructure, including our back-office functions and compliance.

Asset Liability Management and Dealing Operations

Through its Asset Liability Management and securities trading operations, SMBC's Treasury Unit strives to maximize earnings by pursuing effective management of market risk and liquidity risk, as well as promoting various well-timed arbitrage operations.

Business Performance

While adjusting our position-taking to hedge against a possible further rise in interest rates in fiscal 2003, we focused on increasing transaction volumes with customers and succeeded in diversifying our revenue sources into new areas to supplement the traditional mainstay business of arbitrage linked to interest rates and foreign exchange rate fluctuations.

We will continue to pursue optimal capital allocation with a level of risk exposure appropriate to prevailing market conditions, with the aim of securing a stable source of earnings.

