

International Business Unit

The International Business Unit supports the global business operations of domestic and overseas customers by leveraging SMBC Group's extensive office network and the various products and services in which the Group possesses global strengths.

Deputy President
and Executive Officer
Head of International
Business Unit
Masahiko Oshima



Over the years, the International Business Unit (“INBU”) bolstered its foreign currency procurement capabilities while overcoming numerous financial crises, expanded transactions with leading overseas companies, and enhanced its ability to offer products which met customers’ demands. Through such efforts, INBU was able to realize steady growth while expanding its balance sheet. SMBC Group’s overseas network has grown to 137 branches and offices in 40 countries and regions. Revenue generated by INBU has increased tenfold over the past 20 years, coming to represent roughly 30% of SMBC Group’s total revenue. Going forward, we will maintain our focus on capital and asset efficiencies. In order to realize this vision, we will pursue synergies by carrying out various initiatives, such as leveraging the products in which SMBC Group possesses top-tier capabilities to enhance our cross-selling capabilities and asset turnover initiatives. In this manner, we will fully capitalize on the competitive edge we have over rivals to transition to a growth model that is not overly dependent on the expansion of our balance sheet. Through such efforts, we will enhance SMBC Group’s collective strengths in high growth potential overseas markets so that we may achieve sustainable growth. INBU will also seek to reinforce corporate governance, compliance, and risk management to achieve a healthy balance between “offense” and “defense” as it fulfills its role as a growth driver for SMBC Group.

Review of FY2018

The highly volatile market of FY2018 led to our securities businesses underperforming, and we also booked one-time expenses associated with Brexit and the merger of BTPN and SMBCI. Nonetheless, growth was achieved in deposits, foreign exchange, derivatives, and other non-asset-based profits. In addition, we were able to progressively move forward with priority strategies pertaining to initiatives such as the implementation of asset-turnover based business models. As a result, net business profit in FY2018 rose ¥3.6 billion, to ¥395.1 billion, and ROE was 9.3%.

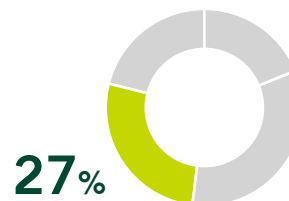
Furthermore, we were able to maintain the balance of foreign currency deposits, a key prerequisite for sustainable growth, at a high level of approximately US\$200 billion, while also improving the quality of those deposits.

*1 Figures are after adjustments for interest rate and exchange rate impacts.

*2 Figure is on a managerial accounting basis with RWA calculated assuming Basel III reforms are finalized and excludes medium- to long-term foreign currency funding costs.

*3 Figures are on a Basel III transitional basis.

Contribution to Consolidated Net Business Profit



	FY2018	Increase (Decrease) ¹
Gross profit (JPY bn)	689.6	+31.2
Expenses (JPY bn)	333.4	+22.2
(Overhead ratio)	48.3%	+1.1%
Net business profit (JPY bn)	395.1	+3.6
ROE²	9.3%	(1.1)%
RwA³ (JPY tn)	22.3	+1.1

Priority Strategies

■ Improve Efficiencies (Asset and Capital)

We will leverage strengths in product areas in which SMBC Group boasts top-tier capabilities, such as aircraft-related businesses and project finance, to enhance relationships with customers so that we are able to service their funding and investment management needs, such as loans, deposits, foreign exchange, and capital market transactions. We will also continue with our efforts to grow asset-turnover based businesses and make further progress in shifting the make-up of our portfolio from low-profit assets to high-profit assets. At the same time, we will coordinate these various initiatives to heighten synergies and improve profitability to achieve sustainable growth without significantly expanding INBU's balance sheet.

■ Maximize Group Strengths

SMBC Group's growth has traditionally been driven by SMBC, which accounts for approximately 80% of the group's revenue. Going forward, however, we will seek to enhance synergies among Group companies, investees, and partners in order to further bolster our earnings capacity. The securities business, in particular, will continue to be a strategic focal area with significant growth potential. In regards to the merger of PT Bank Tabungan Pensiunan Nasional Tbk ("BTPN") and PT Bank Sumitomo Mitsui Indonesia ("SMBCI"), which was concluded in February 2019, we will look to accelerate intra-group collaborations with the post-merger full-line commercial bank in order to enhance our foundation for medium- to long-term growth under the Multi-Franchise Strategy.

■ Enhancing "Defense" through Better Controlled Business Operations

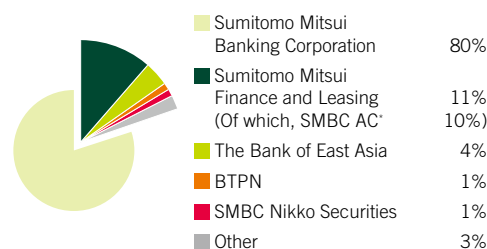
For foreign currency deposits, INBU will conduct funding activities with an emphasis on costs and stickiness, in addition to diversifying procurement methods in order to further stabilize its foreign currency procurement capabilities. At the same time, cost reductions will be pursued by eliminating redundant functions throughout SMBC Group and consolidating back-office operations.

INBU will also pursue ongoing improvements in corporate governance, control functions, and compliance in conjunction with the growth of its business. At the same time, we will practice flexible and agile business management, paying due consideration to rising geopolitical risks and market volatility while vigilantly monitoring changes in the operating environment.

Promote Cross-Selling by Leveraging Our Strengths

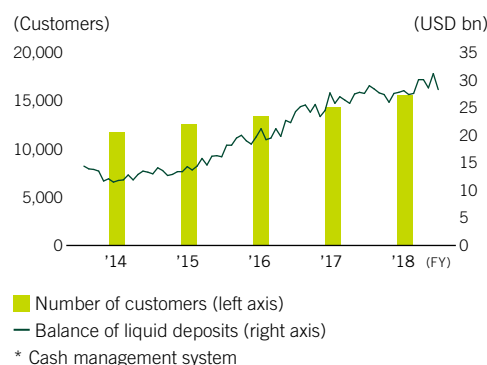


Breakdown of Net Business Profit (FY2018)



* SMBC Aviation Capital

Enhancement of Sticky Foreign Currency Deposits Based on CMS*



Initiatives for Accomplishing Sustainable Development Goals



Financial Inclusion* through Our Multi-Franchise Strategy

In Indonesia, Bank BTPN offers "BTPN Wow!", a service that uses mobile phone technology to allow customers without bank accounts to perform bank transactions.

By leveraging its strengths and collective capabilities, SMBC Group is promoting financial inclusion* by providing everyone with safe and easy-to-use financial services.

* The act of facilitating access to financial services to help add new levels of stability to people's lives.

▶ For more information on SMBC Group's initiatives for contributing to the accomplishment of the United Nations Sustainable Development Goals, please refer to page 76.

