

Global Markets Business Unit

The Global Markets Business Unit offers solutions through foreign exchange, derivatives, bonds, stocks, and other marketable financial products and also undertakes asset liability management (“ALM”) operations which comprehensively control balance sheet liquidity risks and interest rate risks.

Senior Managing
Executive Officer
Head of Global Markets
Business Unit
Hiroshi Munemasa



The Global Markets Business Unit is a team of market professionals that transforms economic cycles into profits by collecting and analyzing information on various global developments to formulate scenarios and accurately identify short-, medium-, and long-term market trends.

This unit is responsible for efforts to “strengthen sales & trading capability,” one of the Group’s strategic focuses. Aiming to satisfy as many customers as possible, we will provide customers with optimal solutions by fully utilizing the market-related insight and experience we have accumulated in order to fulfill this responsibility.

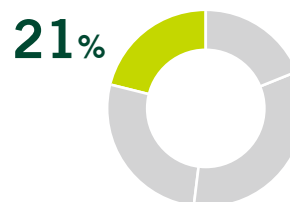
Another responsibility of the Global Markets Business Unit is to support SMBC Group’s overseas businesses by efficiently managing assets and liabilities based on consideration for stability and costs. We continue to expand our investor base and diversify procurement methods for this purpose.

Review of FY2018

In FY2018, we achieved earnings amid a volatile operating environment by rebalancing risks associated with the increasing severity of the trade disputes between China and the United States and by implementing other flexible portfolio management measurements. As a result, net business profit grew by ¥6.4 billion, to ¥298.5 billion, and ROE was 31.8%.

In sales and trading, foreign exchange-related transactions were brisk. These brisk transactions were a reflection of our ability to solicit transactions from various customers by responding to diverse customer needs with high-quality solutions proposals.

Contribution to Consolidated Net Business Profit



	FY2018	Increase (Decrease) ^{*1}
Gross profit (JPY bn)	333.6	+4.8
Expenses (JPY bn)	54.2	(0.4)
(Overhead ratio)	16.2%	(0.4)%
Net business profit (JPY bn)	298.5	+6.4
ROE^{*2}	31.8%	+1.4%
RwA^{*3} (JPY tn)	4.9	(1.2)

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

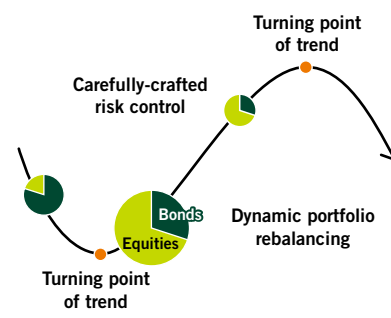
*2 Figure is on a managerial accounting basis with RwA calculated assuming Basel III reforms are finalized and excludes IRRBB (Interest-Rate Risk in the Banking Book).

*3. Figures are on a Basel III transitional basis.

Priority Strategies

Market-Sensitive, Dynamic Portfolio Management

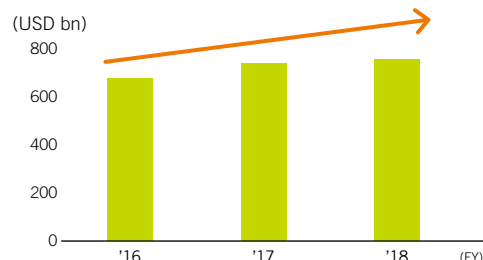
By conducting various scenario analyses by dealers around the globe, we will strive to find opportunities to optimize our risk/reward ratio. We will identify signs of market change to take advantage of profit opportunities through proactive monitoring and dynamic but well-calculated market operations.



Solutions Provided through Marketable Financial Products—S&T Operations

The Global Markets Business Unit is strengthening its sales and trading operations to create an earnings pillar that is not dependent on market conditions. Specifically, we intend to respond to customers' hedging and investment management needs by enhancing cooperation between domestic and overseas product sales teams and bolstering our lineup of foreign exchange, derivatives, bonds, stocks, and other marketable financial products.

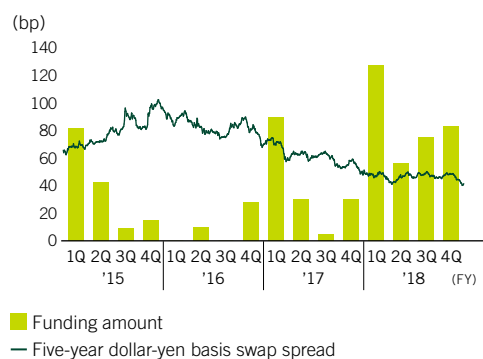
Foreign Exchange Transaction Volume



Strengthening of Foreign Currency Funding Capabilities

In FY2018, we sought to expand our investor base and diversify procurement methods by issuing Japan's first contractual law covered bonds along with regular foreign currency bonds. At the same time, we have been pursuing the ideal foreign currency funding portfolio by increasing medium- to long-term currency swaps while being mindful of procurement costs.

Funding through Medium- to Long-Term Currency Swaps



To support the overseas businesses of SMBC Group, we will continue to promote high-quality foreign currency funding emphasizing stability and costs. At the same time, we will appropriately control our balance sheet in response to international financial regulations.

Initiatives for Accomplishing Sustainable Development Goals



Issuance of Green Bonds

Green bonds are bonds for which the use of procured funds is restricted to renewable energy and other eco-friendly projects. By issuing green bonds, SMBC Group is contributing to the promotion of environmental businesses and the reduction of environmental impacts. Furthermore, we became the first private Japanese company to issue green bonds to individual customers in December 2018.

Going forward, we seek to help drive the development of the market and the preservation of the global environment as a leading Japanese issuer of green bonds.



▶ 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.