

Global Markets Business Unit

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

Masamichi Koike

The Global Markets Business Unit is committed to analyzing the various phenomena that occur throughout the world based on the “3Is” of insight, imagination, and intelligence in order to forecast the market trends that will emerge in the future. We adopt this approach based on the belief that it will create significant value in our efforts to manage SMBC Group’s investment portfolio and provide solutions to customers as market professionals.

We also position the enhancement of our foreign currency funding capabilities as a priority strategy. We are therefore expanding the range of investors and funding methods we utilize with the goal of providing reliable support for SMBC Group’s overseas operations.

When formulating the new Medium-Term Management Plan, the Global Markets Business Unit instituted a massive restructuring of its organization from a medium- to long-term perspective based on irreversible changes in the operating environment, such as the prolongation of the low interest-rates seen around the world and the advancement of technologies. The goal of this restructuring was to further evolve our risk-taking processes, which represent the unit’s core business, while continuously heightening our ability to provide solutions to customers.

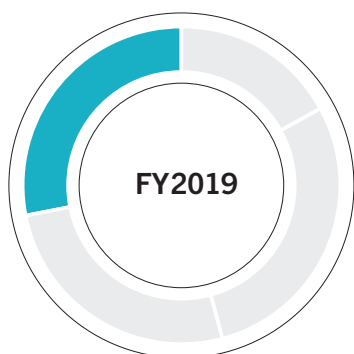
The current market environment is ripe with uncertainty, resulting in a rising sense of opaqueness. In the face of such volatility, we will reevaluate markets from an earnest perspective and, as market risk professionals, exercise our commitment to supplying customers with high levels of value.

Customer needs are becoming increasingly diverse, as indicated by the advancement of the digitalization trend and the growing interest in social issues. We therefore aim to effectively address these diversifying needs and contribute to the growth of customers and SMBC Group.



Contribution to Consolidated Net Business Profit

¥ **398.8** billion **28** %



	FY2019	Increase (Decrease)* ¹
Gross profit (JPY bn)	421.6	+60.6
Expenses (JPY bn)	56.2	+2.6
(Overhead ratio)	13.3%	(1.5)%
Net business profit (JPY bn)	398.8	+59.9
ROE*²	45.9%	+13.3%
RwA (JPY tn)	5.3	+0.4

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

*² Figures exclude IRRBB (Interest-Rate Risk in the Banking Book).

Global Markets Business Unit

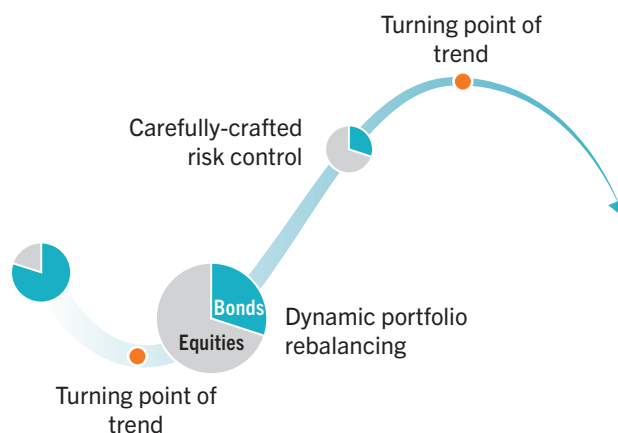
Priority Strategy

1

Flexible Portfolio Management in Response to Market Changes

At the Global Markets Business Unit, we are constantly collecting and analyzing new information to fuel discussions and facilitate the formulation of various scenario projects. We thereby develop the capabilities to forecast the market trend in order to optimize our risk/return ratio. The dynamic and flexible operations of SMBC Group founded on proactive observation of market fluctuations are one of its strengths.

Looking ahead, it can be anticipated that globally low interest rates and technological progress will continue. In this environment, we will continue to manage assets in developed and other countries while exploring new revenue sources through means such as branching out into the bonds of emerging countries and other investment products and employing investment methods that take advantage of technologies.



Priority Strategy

2

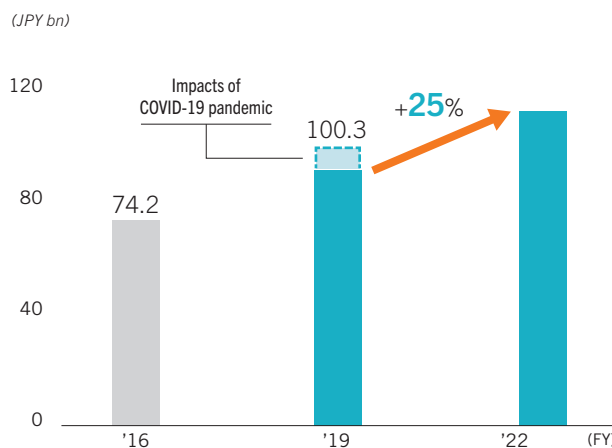
Enhancement of Solutions Provided through Marketable Financial Products

The Global Markets Business Unit is expanding its product lineup and enhancing coordination between domestic and overseas product sales teams in order to respond to customers' risk hedging and investment needs.

In addition to heightening product provision capabilities in response to the diversification and growing sophistication of customer needs, we will focus on offering tailor-made solutions based on risks associated with customer transactions and balance sheets. We will also develop systems for coordinating and providing these solutions on a global basis in the pursuit of further growth.

Meanwhile, the popularization of electronic transactions has created a pressing need for improving platform convenience and pricing capabilities. Accordingly, another focus will be cultivating Quants.

Overseas Sales and Trading Amounts



Strengthening of Foreign Currency Funding Capabilities

We seek to expand our investor base and diversify funding methods. Initiatives toward this purpose have included issuing Japan's first covered bonds along with regular foreign currency bonds and utilizing cross-currency repo transactions*. At the same time, we have been taking advantage of the favorable funding environment to raise funding in a manner that is suited to the market environment through means such as increasing medium- to long-term currency swaps.

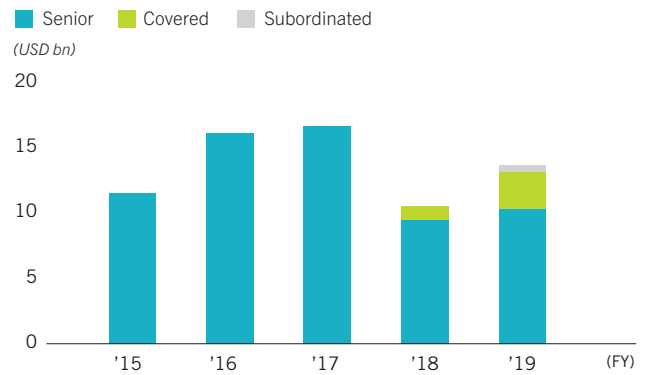
To support the overseas businesses of SMBC Group, we will continue to promote high-quality foreign currency funding emphasizing stability and costs. At the same time, we will appropriately control our balance sheet in response to international financial regulations.

* Cross-currency repo transactions are forms of foreign currency funding backed by government bonds, etc.

Diversification of Funding Sources

First in Japan | Covered bonds

- Aaa rating
- Low funding cost under stressed market



Response to the COVID-19 Pandemic

To support customers amid the COVID-19 pandemic, we are building systems to enable them to perform transactions with peace of mind without fear of missing out on the ideal timing. Specifically, we are proactively utilizing electronic transactions to make it possible for transactions to be performed anywhere. We are also staggering staff and shifts and spreading employees across multiple bases. Securing staff for services that can have a particularly large impact on customers, such as funding and market transactions, is being prioritized.

