

# 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 that comprehensively control balance sheet liquidity risks and market risks.



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**Masamichi Koike**

Senior Managing Executive Officer  
Head of Global Markets Business Unit

## Contribution to Consolidated Net Business Profit (FY2022)

¥ **374.2** billion**21** %

	FY2022 Results	YoY*1
Gross profit (JPY bn)	457.8	+49.2
Expenses (JPY bn)	112.5	+7.0
Base expenses (JPY bn)	110.0	+7.8
<b>Net business profit (JPY bn)</b>	<b>374.2</b>	+44.1
<b>ROCET1*2</b>	<b>16.7%</b>	+1.8%
<b>RwA (JPY tn)</b>	<b>6.6</b>	+0.1

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

\*2 Figures include internal risk capital related to IRRBB (Interest-Rate Risk in the Banking Book).

The Global Markets Business Unit is, as market risk professionals, committed to enhancing risk-taking skills for our investment portfolio while continuously supplying customers with high level of value.

To support these efforts, we are focused on analyzing the various phenomena that occur throughout the world based on the Three “I” s of Insight, Imagination, and Intelligence in order to forecast the market trends that will emerge in the future. In short, we emphasize the capacity to discern the underlying essence of world affairs.

Having risen since the second half of the previous fiscal year, inflation remained high in FY2022 against a backdrop of various factors, including global fragmentation. Interest rates in many developed countries rose sharply, particularly in the first half of FY2022, as central banks focused on curbing inflation, but temporarily fell sharply in the second half of the year due to credit concerns following the collapse of financial institutions in the U.S. It has been a year of not only high volatility, but also of

transition from a world of low inflation and low interest rates to an entirely different stage.

We achieved profitability through flexible rebalancing, in combination with controlling risk in both equities and bonds. At the same time, we maintained stable foreign currency funding to meet the funding needs of customers. Meanwhile, in sales & trading, we sought to develop a full understanding of customer needs so that we could address these needs by providing optimal solutions.

The current market environment features ongoing uncertainty about the future. In addition, customer needs continue to become more diverse, as indicated by the advancement of the digitalization trend and growing interest in social issues.

In order to continue to create solutions our customers will choose, even in such an environment, under the new Medium-term Management Plan, we will maintain and enhance our DNA, our strength, while striving to evolve through challenges in new fields and constant self-reformation.

Global Markets Business Unit



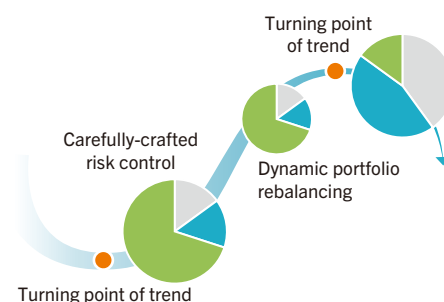
**Flexible portfolio management in response to market changes**

The strength of the Global Markets Business Unit lies in its ability to dynamically adjust its portfolio to maximize earnings by accurately capturing market trends through proactive observation of market fluctuations.

By making use of the Three “I” s, each employee collects and analyzes information with regard to various phenomena and thoroughly discusses these phenomena with others. Then, they make positions in accordance with the scenarios formulated through this work, after which they review the results and validity of these positions. The consistent application of this iterative process is the only way we can hone our ability to read the markets.

Amid the current uncertain environment, we are placing an emphasis on risk control while taking on the challenge of increasing the sophistication of our portfolio management in preparation for upcoming investment opportunities. Now, market attention is becoming focused on the BOJ’s monetary policy as well as that of other central banks, and we will seek opportunities to build a portfolio with Japanese government bonds from a medium- to long-term perspective.

**Overview of Portfolio Rebalancing**

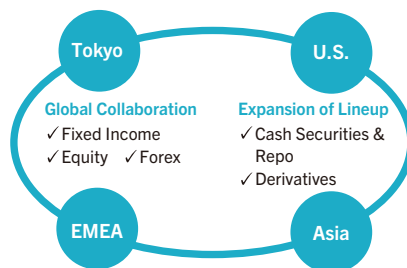


**Enhancement of capability to provide solutions through marketable financial products**

The Global Markets Business Unit is continuing to accelerate the development of the functions essential for responding to the risk-hedging needs associated with customers’ businesses and balance sheets and the risk-taking needs related to asset management and investment activities.

Specifically, in order to meet our customers’ increasingly advanced and sophisticated needs, we are strengthening our ability to provide tailor-made proposals specific to each customer’s situation. We will continue to provide comprehensive solutions to our customers through the utilization of data and linkages with electronic platforms for foreign exchange transactions.

We will also accelerate the promotion of our securities business, particularly in the U.S. and Asia, and deepen our global collaboration to strengthen our sales system, providing a one-stop shop for a variety of products.



PRIORITY  
STRATEGY

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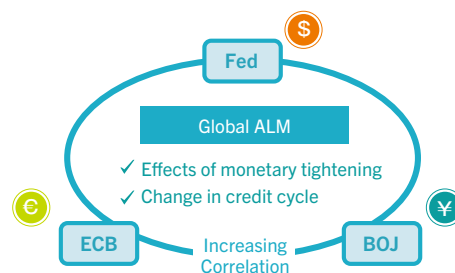
### Development of robust foreign currency funding base

The Global Markets Business Unit is taking steps regarding foreign currency funding to balance ensuring stability with pursuing cost efficiency so that we can continue to support customers' businesses through lending. For this purpose, we make funding strategies by taking into account the structure of SMBC Group's balance sheet and the market condition, along with seeking to expand our investor base and diversify funding methods.

Initiatives toward these ends have included, in addition to regular foreign currency denominated straight bonds, issuing covered bonds and utilizing cross-currency repo transactions.\*

Going forward, we will continue to face headwinds in the funding environment, in the form of continued restrictive monetary policy in regions such as Europe and the U.S., ensuing potential credit concerns among financial institutions, and the emergence of geopolitical risks, but we will respond proactively from a long-term perspective, and promote stable balance sheet control.

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



- Effective management for cash flows and collaterals
- Responsive strategy for medium-to long-term funding

### Initiatives to Create Social Value

The Global Markets Business Unit regularly issues green bonds from which procured funds are only used for eco-friendly projects, such as renewable energy projects.

In October 2015, we became the first Japanese private financial institution to issue U.S. dollar-denominated green bonds. In the years that followed, we proceeded to expand the scope of investors served with our green bonds, becoming the first private company in Japan to issue green bonds for individual investors in December 2018 and then issuing green bonds through a public offering in the U.S. in January 2021. To date, we have floated seven green bond issues in Japan and overseas, procuring a total of approximately US\$3.1 billion. In these issues, we have carefully explained our sustainability initiatives to investors to foster mutual understanding. In December 2022, we also implemented our first green loan financing.

SMBC Group possesses a strong track record in project finance for domestic and overseas renewable energy projects such as for solar and wind power generation. Going forward, we will continue to make further contributions to market growth and to environmental preservation as Japan's leading issuer of green bonds.

