

## International Banking

The international banking operations of SMFG, centering on SMBC's International Banking Unit, serve all customers outside Japan, including both Japanese and foreign companies, as well as offices and subsidiaries of multinational corporations in Japan.

We are providing services making optimal use of the Group's network, as well as various products, including cash management services (CMS) and trade finance services, that best suit customers' needs. We are also enhancing client support through an operational structure tailored to the unique demands of each region.

In Asia, including Japan, we aim to further strengthen our ability to provide customer-oriented products.

Operations in Europe and America are proceeding favorably, following the formation of a cooperative agreement with The Goldman Sachs Group, Inc. in February 2003 and the establishment of Sumitomo Mitsui Banking Corporation Europe Limited in March 2003. We will continue our efforts to establish a new business model in overseas operations by incorporating leading-edge financial products.

We provide customers with optimal solutions using a wide array of financial products, through close collaboration among all the units of SMBC, as well as other Group companies and overseas financial institutions. We will aggressively expand our business in this field, taking maximum advantage of the strong position we have achieved in Japan.

### Major Accomplishments

- **Strengthened sales network in China**
  - Established a local sales network in China under the direction of the Shanghai Branch
  - Commenced the handling of business in renminbi at the Tianjin and Guangzhou branches
- **Commenced business cooperation with Goldman Sachs in the U.S. and Europe**
- **Received recognition for yen custody service**
  - Won the highest rating from *Global Custodian* magazine, published by Asset International, Inc., for the fourth consecutive year, and SMBC was the only Japanese bank to achieve this rating. SMBC also ranked the best bank in Japan in this category.

### Key Goals

- Expand lineup of financial products offered in Asian markets
- Broaden scope of business through utilization of cutting-edge financial technologies from Europe and the U.S.
- Expand revenue from fees for non-asset-based financial services

## Treasury Markets

SMFG, through SMBC's Treasury Unit, which conducts trading in domestic and international money, foreign exchange, bonds, and derivatives markets, offers customers a wide range of products and services that deliver optimal value-added solutions to meet their market transaction needs.

In fiscal 2003, to further enhance services and improve customer satisfaction, we have aggressively expanded our transaction capacity, introduced new products, and upgraded our computer systems. To enhance our capabilities in the Chinese market, we began offering services through the Treasury Marketing Department in Shanghai in December 2003 as our fifth sales base for Asian markets following Tokyo, Singapore, Hong Kong, and Bangkok.

In line with our projections, a growing number of customers are shifting from the traditional telephone-based market transactions to using *i-Deal*, an Internet-based transaction system launched in fiscal 2002. 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 the processing infrastructure, including the back-office functions and compliance.

At SMBC's Treasury Unit, we are pursuing appropriate control of the Bank's market risk and liquidity risk through Asset Liability Management and trading operations. We are also striving to maximize earnings through various well-timed arbitrage operations.

In response to the general rise in domestic and overseas

long-term interest rates during the first half of fiscal 2003, we reduced our market positions, leading to a decline in earnings compared with the high level attained in the corresponding period of fiscal 2002. While adjusting our position-taking to hedge against a possible further rise in interest rates in the second half of fiscal 2003, we will seek to realize a high and stable level of earnings by promoting the expansion of transactions with customers and develop new earnings sources.

### Major Accomplishments

- **Expanded transaction volume by improving customer convenience**
  - Reinforced and enhanced our service provision, particularly in Asia with the posting of Treasury Marketing Department personnel to Shanghai
  - Conducted a sales campaign featuring deposits with an options trading feature as well as financial products involving small-lot transactions in commodity derivatives
  - Achieved another increase in online transaction volume by adding new functions to our *i-Deal* dealing system

### Key Goals

- Create an even more convenient service through optimal responses to all customer needs
- Take positions that sufficiently hedge against the risk of higher interest rates
- Ensure a high and stable level of earnings