

International Banking

In its international banking operations, which emanate from SMBC's International Banking Unit, SMFG offers various services to customers operating globally, including corporations, financial institutions, sovereign governments, and public entities.

Offering Tailor-Made Services for Regional Requirements through Our Extensive Overseas Network

To reinforce our transaction capabilities in the fast-growing Asia and Oceania regions, in April 2008, we established a regional head office for these regions in Singapore. Also, to strengthen our abilities for responding appropriately to the needs of differing markets in the three principal geographical areas of Europe, the Americas, and Asia, we created four regional management centers, one each for Europe, the Americas, China, and the rest of Asia/Oceania. Through this operating structure, under which we will draw on the capabilities not only of SMBC's network but also the abilities of other Group companies, overseas subsidiaries, and our alliance partners among local banking institutions, we are aiming to offer cutting-edge information and services at all times in increasingly competitive international markets as well as optimal solutions to issues our customers confront in various parts of the world.

Developing Our Activities in Newly Emerging and Growth Markets

We are working to strengthen our capabilities for responding to customer needs not only in Europe and the countries of Asia but also in the newly emerging and growth markets, including those of the Middle East, Central and Eastern Europe, and Latin America. We are striving to provide optimal services that meet the special requirements of individual markets, and, while remaining aware of changes in the operating environment, we

are implementing initiatives flexibly and proactively.

Providing Competitive Financial Products

Fourteen of the major financing projects that SMBC has undertaken received deal of the year awards from the three leading trade-related magazines: namely, Trade Finance, Global Trade Review, and Trade & Forfaiting Review. Leveraging the arranging and structuring capabilities of our Global Trade Finance Department, which derive from that department's global activities, we plan to offer a diversity of products going forward to provide support for the foreign trade operations of our customers. In addition, drawing on the strengths of our network spanning Asia/Oceania, Europe, the Middle East, and the Americas, we have attained a top-ranking position in project finance, including private finance initiative (PFI), public private partnership (PPP), and other types of arrangements in a number of key industries, including electric power, oil and gas, and petrochemicals. Looking ahead, we intend to continue to respond to the diverse needs of our customers as a top-tier bank.

International Cash Management Services (CMS)

In October 2007, SMBC formed its Global Transaction Banking Dept. and stationed staff members in Singapore, Shanghai, New York, and London to create a global system that can respond to the needs of corporate clients for international cash management. According to the results of a survey conducted in 2007 by ASIAMONEY, a magazine specializing in Asian finance, SMBC ranked third among all banks surveyed and number one among Japanese banks in the rankings for "Best Electronic Banking Platform." Going forward, we will work to provide the most up-to-date services and information related to overseas cash management, drawing on our global network.

Continuing Portfolio Optimization

We are working to continuing to increase our asset efficiency

Topics

Strengthening Our Network

In April 2008, we newly opened representative offices in Amsterdam and Prague. These new offices will provide us with a presence in the Netherlands, where a large number of Japanese companies have set up operations, and in Central and Eastern Europe, where in recent years a substantial number of Japanese companies have established business operations. We will rely on these representative offices to reinforce our capabilities for gathering information to support our Japanese customers in the three Benelux nations and the countries of Central and Eastern Europe. Also, after becoming the first Japanese bank to establish a branch in Dubai, which is now the base for our business activities in the Middle East, in March 2007, we became the first Japanese bank to open a representative office in Doha in April 2008. Similarly, in China, following the establishment of sub-branch in the Binhai New Area of

Tianjin in March 2007 and another sub-branch in an industrial park in the city of Suzhou in April 2007, we opened our Beijing Branch in February 2008, thus bringing our network in China to 11 offices. Going forward, we plan to further strategically reinforce our overseas network.

Appointments of National Staff at Overseas Offices

During fiscal 2007, SMBC appointed local staff officers (general managers for marketing) as directors, one each in the Americas and in Europe. In fiscal 2008, another national staff member in charge of marketing to Greater China (including non-Japanese customers located in mainland China, including Hong Kong, and the Taiwan economic region) was appointed as director. Looking ahead, we intend to actively appoint highly qualified personnel, regardless of nationality, to such positions and thereby create a management system that can respond flexibly to the special features of regional markets.

within the framework of the Basel II requirements by taking account of the various types of market risk in our international business activities, managing our portfolio appropriately, and responding quickly and flexibly to changes in the operating environment.

Reinforcing Compliance Systems

We are fully aware that expanding our business operations on a global scale will necessitate the further strengthening of our compliance systems. Accordingly, we formed an International Compliance Department within our General Affairs Department and have newly appointed Head Office Compliance Officers who are stationed at our overseas offices and report to the Head Office. These officers have the roles of providing guidance and conducting surveillance activities relating to compliance at overseas offices and improving compliance monitoring. Moreover, we are taking steps to substantially reinforce our anti-money laundering systems since preventing such activities has become a high-priority issue internationally.

We intend to continue working to capture business opportunities in the vast markets that characterize international business activities and aim to become a global commercial bank with particular strengths in Japan and the rest of Asia.

Treasury Markets

SMFG, through the Treasury Unit of SMBC, aims to offer increasingly higher-value-added services to meet the ever more sophisticated and diverse needs of its customers for transactions in the money, foreign exchange, bond and derivatives markets.

To maintain and further strengthen profitability, as it manages risk appropriately, the Treasury Unit focuses on three goals: (a) expanding transactions volume from its customers; (b) strengthening its asset-liability management (ALM) system and trading skills; and (c) diversifying fund management techniques and conducting sharply focused portfolio management.

Enhancing Customer Convenience

In fiscal 2007, the Treasury Unit, working in collaboration with the business units, took steps to expand its market transactions services system for corporate and retail customers. We also worked to increase the range of functions offered through *i-Deal*, a system that allows customers to conclude foreign exchange contracts over the Internet.

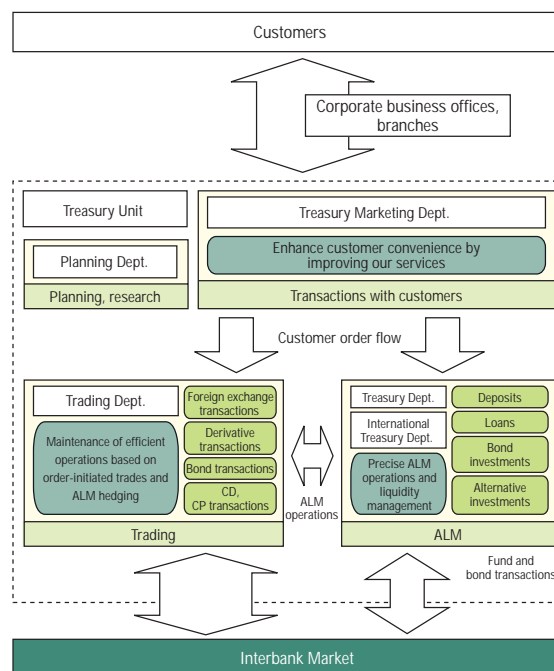
Looking forward, the Treasury Unit will continue working to fulfill all our customers' market transaction needs by providing full support services of the highest quality in the industry.

ALM and Trading Operations

Through its ALM and trading operations, the Treasury Unit endeavors to maximize profitability, as it controls market and

liquidity risks, by diversifying management techniques to include alternative investments, diversifying its investment portfolio, and taking advantage of arbitrage investment opportunities.

We will continue to work to secure stable profits by pursuing the optimal allocation of capital appropriate to the level of risk exposure.



Topics

Expanding Services to Meet Customer Needs

To further increase convenience for customers, SMBC continues to enhance the functions of its *i-Deal* system that allows customers to conclude foreign exchange contracts over the Internet.

In fiscal 2007, as a result of the upgrading of system functions, individual customers are now able to conduct foreign currency deposit transactions on a 24-hour basis on weekdays using real-time exchange rates via One's Direct.

Diversification of Investments and Efficient Use of ALM

SMBC has upgraded its systems to allow for the flexible expansion and selection of the range of investments by centralizing interest rate, equity, and alternative investments in one department while also expanding the number of personnel engaged in making own-account investments at overseas offices. In addition, the bank is positioned to conduct appropriate ALM operations in response to changing market conditions.