

## ■ International Banking

SMFG offers value-added services to clients (corporations, financial institutions, governmental organizations and public entities) operating globally by creating tailor-made solutions that meet various local needs, mainly through SMBC's International Banking Unit.

SMBC has three regional headquarters — Europe, the Americas and the Asia-Pacific region — and subsidiaries in the emerging markets of China, Russia and Brazil. With this network, we have the speed and flexibility to respond to differing needs in each region. We endeavor to become a global commercial bank, capable of delivering our strengths in various business opportunities in this vast international market.

### Expansion of Overseas Network

We are working to expand our overseas branch network to enhance services for Japanese companies and increase our presence in the emerging markets.

Considerable progress is being made in developing the infrastructure in Africa, and in March 2010 SMBC enhanced the functions of its Johannesburg Representative Office in a move to better serve the needs of our customers, mainly Japanese corporations that are planning to set up businesses in Africa or expand their existing operations there. In May 2010, SMBC signed an agreement on a business alliance with Absa Bank Limited, one of the largest private-sector banks in South Africa and a subsidiary of Barclays PLC of the United Kingdom. This builds on the capital and business alliance entered into with Barclays PLC in 2008. We hope to leverage Absa's wide marketing base in South Africa to further enhance our services.

### Capital and Business Alliances with Prominent Asian Financial Institutions

Our alliance strategy in Asia is tailored to the characteristics of each country and region. We aim to strengthen our solution providing capability in the region, such as by expanding our Asian currency denominated services.

In July 2009, SMBC established an alliance with PT Bank Central Asia Tbk, the largest privately owned commercial bank in Indonesia. Forming this partnership positions us to better provide our customers with solutions that include stable local-currency financing, cash management services, and other corporate finance activities. In the same month, SMBC signed a technical service agreement, including risk management, with its capital and business alliance partner Vietnam Export Import Commercial Joint Stock Bank. Then, in December 2009, through private placement, SMBC acquired shares of The Bank of East Asia, Ltd., a major private-sector bank in Hong Kong. The bank was already

one of our business partners, and this investment has further strengthened our collaborative ties.

We will continue to forge ties with leading financial institutions, while organically growing our marketing network in Asia — a multifaceted approach to expanding our business operations in Asia.

### Core IT System Upgrades

Starting in fiscal 2009, SMBC has been revamping its Asian accounting systems and customer information and management administration systems as part of a worldwide operations system upgrade to support corporate clients operating globally.

### Strengthening of Risk Management

As part of a broader strategy for reinforcing our credit cost control framework, SMBC has enhanced its credit monitoring system, and has set up dedicated credit management units in Europe and the United States.

SMBC has also reinforced coordination between the Credit Management Department of the International Banking Unit, which was established in fiscal 2009, and the credit portfolio management (CPM) functions of regional headquarters to create an even more effective hedging system to minimize the impact of economic fluctuations.

### Strengthening of Compliance System

The global regulatory environment is changing rapidly, and we are focusing our efforts on creating a compliance system capable of swiftly responding to BIS guidelines and the regulatory authorities of countries across the globe.

SMBC has taken various steps to computerize administrative processes at its overseas offices and introduce more advanced management systems in order to create an anti-money laundering system in line with international standards. Moving forward, we will continue to tighten controls on the operational side still further.

### Fostering Professionals Needed to Realize Overseas Business Growth

We are strengthening our training and educational programs in order to meet seamlessly and accurately customers' increasingly diverse and advanced needs. We station promising young employees at our overseas offices or dispatch them to specialist overseas financial institutions outside the Group. In this way, we are developing employees with invaluable expertise in international business. In Asia, where our operations are growing noticeably, SMBC's Asia Pacific Training Department is constantly enhancing seminars and e-learning programs for our national staff in order to strengthen their ability to deliver the best solutions to our customers.

## Topics

### ◆ Environmental Business Opportunities Overseas

We are reinforcing our initiatives in the global environmental business. In Asia, SMBC is one of the advisors in the Tianjin Eco-City project in northern China. In March 2010, SMBC signed a financing agreement on a renewable energy development project and other matters with the International Finance Corporation and Environmental Cooperation-Asia (ECO-Asia), a regional program of the United States Agency for International Development. On April 20, 2010, SMBC signed a memorandum of understanding on the promotion of environmental business in Malaysia with the Federation of Malaysian Manufacturers (FMM) and the NGO Green Purchasing Network Association Malaysia (GPNM). In the Americas, SMBC signed a memorandum on a business alliance in emissions trading with the Banco de la Republica Oriental del Uruguay (a major financial institution administered by the government of Uruguay). This is the latest move in our continued expansion of our network of business alliances in South America, which began with Banco do Brasil, a leading Brazilian commercial bank, in August 2006.



SMFG President Kitayama with representatives of FMM and GPNM at the signing ceremony

## 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, and while managing risk appropriately, the Treasury Unit focuses on three goals: (a) expanding transaction volume from its customers; (b) strengthening its asset-liability management (ALM) system and trading skills; and (c) bringing sharper focus to portfolio management.

### More Solutions and Services for Customers' Market Transactions

SMBC is dedicated to supplying solutions that precisely match the market transaction needs of its customers. To this end, the Treasury Unit works with branches to create hedging and other proposals for corporate clients that reflect shifting

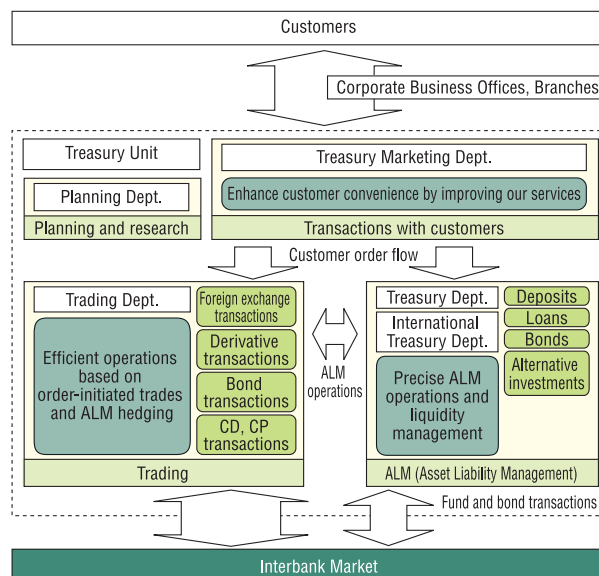
trends in financial markets.

We are constantly improving the functions of *i-Deal*, a system that allows clients to conclude foreign exchange contracts over the Internet. Moving forward, the Treasury Unit will continue working to fulfill all our customers' market transaction needs by offering full support services of the highest quality in the industry.

### ALM and Trading Operations

Through its ALM and trading operations, and while controlling market and liquidity risks, the Treasury Unit seeks to maximize earnings by targeting opportunities created by trends in many financial markets.

We will continue to conduct trading operations that take advantage of changes in market conditions in order to generate a consistent stream of earnings.



## Topics

### ◆ Issuance of A\$-denominated bonds for individual investors

We have been diversifying our longer-term procurement channels to adapt more effectively to new regulations and cope with an increasingly competitive market. In March 2010, SMBC issued corporate bonds denominated in Australian dollars for individual investors.

### ◆ Sound Market Operations

SMBC executes sound market operations in response to changes in market conditions based on a conservative risk management policy. In addition, we are constantly taking steps to use even more advanced methods for our ALM activities.