

Treasury Unit (SMBC)



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Fiscal 2015 performance

Consolidated gross profit of the Treasury Unit declined by ¥58.1 billion from fiscal 2014, to ¥325.6 billion, and consolidated net business profit declined by ¥60.6 billion, to ¥286.8 billion. Concerns over global economic slowdown and weakening commodity prices made financial markets unstable beginning in the summer, but we were able to secure steady profits through investments mainly in stock index funds.

Business environment and strategy going forward

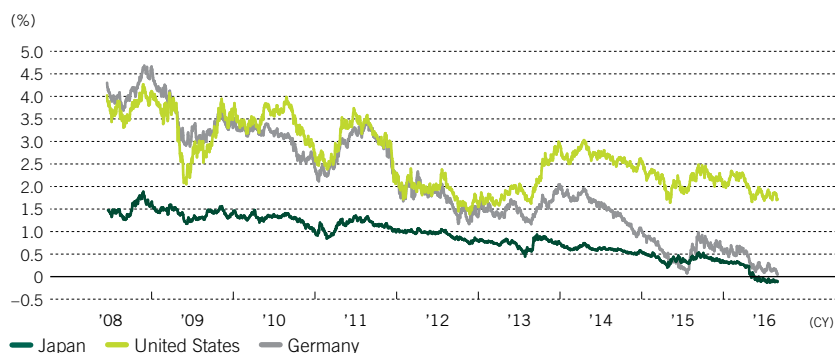
We anticipate further heightened volatility in markets due to factors such as monetary policies in developed countries, economic trends in emerging countries, and geopolitical risks. We also expect global financial regulations to cause reduced market liquidity, making markets even more volatile.

Under such market conditions, we will strengthen our global Asset Liability Management (ALM) by enhancing our funding capabilities as well as expanding our investment portfolio to steadily secure profits while retaining appropriate risk controls. We will also apply our expertise gained from dealing to offer solutions to the sophisticated and diversified needs of our clients.

USD / JPY, Nikkei Stock Average Index



Long-term government bond yields in Japan, the United States, and Germany



► Providing market-oriented solutions

In the Treasury Unit, our global network provides robust hedging solutions to our clients based on their needs and global market conditions. We are continuously improving the functionality of our electronic foreign exchange execution platform, i-Deal, to further enhance our clients' experience. We will remain committed to continually providing our clients with industry-leading services.



► Market sensitive strategic portfolio rebalancing

By conducting various scenario analyses by dealers around the globe, we strive to find opportunities to optimize our risk-rewards. We identify signs of market change to take advantage of opportunities through dynamic but well-calculated market operations.



► Sustainable ALM operation

By diversifying our investment portfolio and enhancing our funding sources, we seek to maximize earnings even under constraints of ever strengthening financial regulations.

Since April 2016, we have established new departments in both SMFG and SMBC in order to enhance group-wide ALM operations. While applying appropriate balance sheet controls in accordance with financial regulations, we are increasing our funding stability by issuing senior debt, including TLAC bonds^{*1}.

Increasing sources of stable funding

We will secure steady funding by catering to a broad range of investor needs.

Issuance record in fiscal 2015

- Green bonds^{*2} **First issuer among Japanese megabanks**
- Formosa bonds^{*3} **First issuer among Japanese megabanks**
- Interbank Renminbi CD..... **First issuer among Japanese banks**
- TLAC bonds^{*1}

^{*1} TLAC (Total Loss Absorbing Capacity) bonds: Bonds issued by holding company of Global Systemically Important Banks (G-SIBs), which covers losses if it defaults.

^{*2} Green bonds: Bonds whose proceeds are mainly used for environmentally friendly projects.

^{*3} Formosa bonds: Bonds issued in Taiwan but denominated in another currency other than the New Taiwanese dollar.

