

# Global Markets Business Unit



Senior Managing Executive Officer  
Head of Global Markets Business Unit  
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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 which comprehensively control balance sheet liquidity risks and interest rate risks.

The Global Markets Business Unit has achieved success in generating stable earnings by detecting signs of market changes and rebalancing portfolio nimbly and dynamically. Moreover, we rank enhancing our foreign currency funding capabilities as a core strategy, and support SMBC Group's overseas businesses through efficiently managing assets and liabilities, based on consideration for stability and costs.

The market is growing increasingly opaque. Amid this circumstance, customer needs for risk hedging and asset management are growing. SMBC Group is thus tasked with demonstrating its merit in responding to these customer needs.

The Global Markets Business Unit is responsible for efforts to "strengthen sales & trading capability," one of the Group's strategic focuses. To fulfill this responsibility, we will contribute to providing customers with optimal solutions by fully utilizing market-related insight and experiences which we have accumulated.

## Review of Fiscal 2017

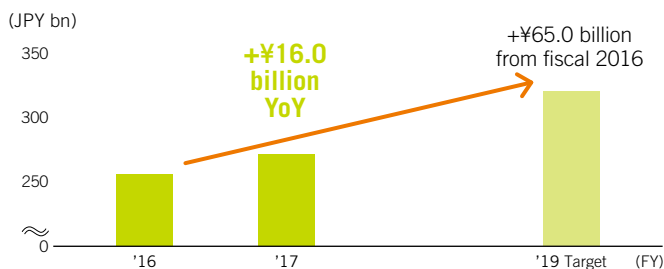
In fiscal 2017, we achieved earnings amid volatile operating environment through flexible portfolio management focusing on Japanese securities. As a result, the gross profit of the Global Markets Business Unit increased by ¥6.4 billion year-on-year, to ¥356.2 billion; net business profit grew by ¥7.4 billion, to ¥319.8 billion; and ROE was 33.5%.

In sales and trading, we have steadily increased earnings thanks to improving solution capabilities through the enhancement of cooperation between domestic and overseas product sales teams, as well as augmenting product provision capacities by strengthening ability to trade stocks.

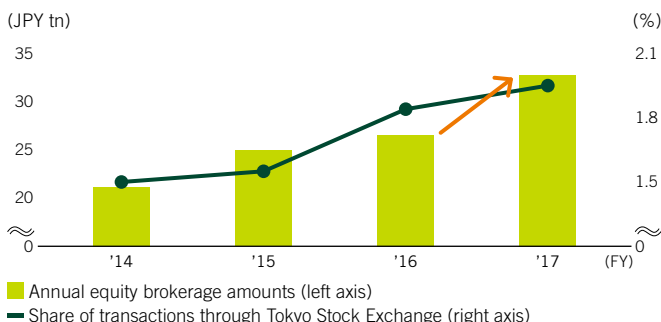
	Fiscal 2017	Increase (decrease) <sup>*1</sup>
Gross profit (JPY bn)	356.2	+6.4
Expenses (JPY bn)	(53.9)	(3.3)
(Overhead ratio)	15.1%	(0.7)%
<b>Net business profit (JPY bn)</b>	<b>319.8</b>	<b>+7.4</b>
<b>ROE<sup>*2</sup></b>	<b>33.5%</b>	—
<b>RwA<sup>*3</sup> (JPY tn)</b>	<b>5.9</b>	—

<sup>\*1</sup> Figures are after adjustments for interest rate and exchange rate impacts. <sup>\*2</sup> Figure is on a managerial accounting basis with RWA calculated assuming Basel III reforms are finalized and excludes IRRBB (Interest-Rate Risk in the Banking Book). <sup>\*3</sup> Figures are on a Basel III transitional basis.

### S&T Profit



### Annual Equity Brokerage Amounts and Share of Transactions through Tokyo Stock Exchange (SMBC NIKKO)



## Priority Strategies

### ■ Market Sensitive Nimble Portfolio Management

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

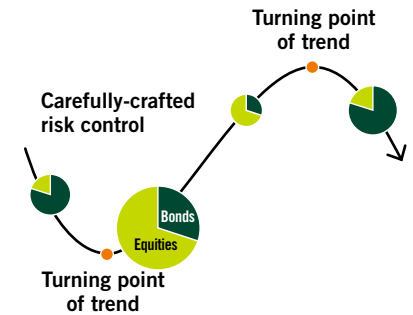
### ■ Providing Market-Oriented Solutions—S&T Operations

We will provide detailed information on market environments and economic trends to address customers' hedging and asset management needs. In addition, we will expand our product lineup in foreign exchange, derivative, bond, stock, and other products and supply timely solutions to increase customer satisfaction and subsequently Group earnings.

Other focuses include improving the convenience of various electronic transactions and actively encouraging use of such transactions to respond to the needs of a wider range of customers.

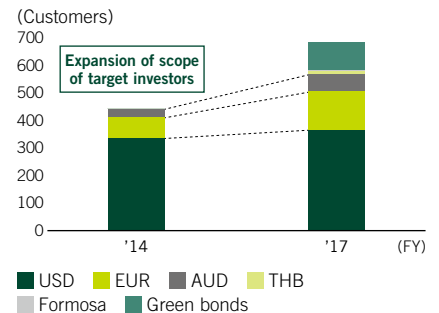
### ■ Strengthening Foreign Currency Funding Capabilities

To support the overseas businesses of SMBC Group, we will pursue improving stability in foreign currency funding by diversifying funding methods and expanding the scope of investors at which we target. At the same time, we will appropriately control our balance sheet in response to the international financial regulations.



SMBC dealing room

### Number of Corporate Bond Investors



## Initiatives for Accomplishing Sustainable Development Goals

In relation to foreign currency funding, SMBC Group is contributing to the promotion of environmental businesses, responses to environmental risks, and the reduction of environmental impacts by issuing green bonds.

We are also promoting the digitalization of financial transactions in sales and trading with the goal of cultivating highly convenient financial markets. Furthermore, we will contribute to the development of healthy and active financial/capital markets through providing market service-related solutions.

➔ For more information on SMBC Group's initiatives for contributing to the accomplishment of the United Nations Sustainable Development Goals, please refer to page 59.

## SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

■ Issuance of green bonds



■ Digitalization of financial transactions



■ Provision of market service-related solutions

