

Sumitomo Mitsui Financial Group (8316 JP)

FUNDAMENTAL VIEW ¹

As of 23 Sep 2025

- After reorganising and building up capital for the full impact of Basel 3, SMFG has recently been acquisitive to build its next phase of growth, and now has a lower capital buffer than Mizuho.
- It has a strong retail, mid and large corporate franchise in Japan, but its securities arm SMBC Nikko punches below weight.
- Given its size and systemic importance, SMFG is considered too big to fail, and will be supported by the Japanese government if needed.

RISKS & CATALYSTS

As of 23 Sep 2025

- SMFG has the strongest Japan retail franchise amongst its peers, and a very strong corporate banking franchise.
- Similar to the other megabanks, SMFG aims to focus more on the US, and reduce low return RWAs in Europe and Asia ex-Japan.
- SMFG has made a number of acquisitions and taken stakes in banks and NBFIs in Vietnam, the Philippines, India and Indonesia. The group took JPY 135 bn of goodwill impairments in FY24 on its Vietnam investments. RoE on these investments has been poor.
- It is increasing its 15% stake in Jefferies to 20%, to develop revenue opportunities for SMBC Nikko. Further investments in SMBC Nikko will be required.
- Credit costs have seen volatility and its NPL ratio increased in the last quarter.
- Its CET1 ratio is the lowest amongst peers, and it has been tapped by the rating agencies to increase its CET1 ratio buffer.

CREDIT QUALITY SCORE (CQS) ²

As of 13 Oct 2025

CURRENT CQS

54

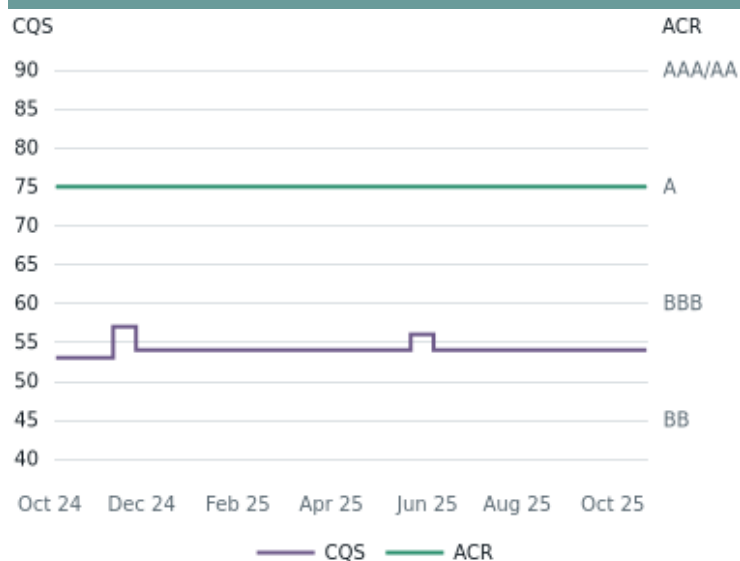
CQS OUTLOOK ³

NEGATIVE

STABLE

POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 23 Sep 2025

JPY BN	FY21	FY22	FY23	FY24	1Q25
Net Interest Revenue/Average Assets	0.64%	0.68%	0.70%	0.82%	0.87%
Operating Income/Average Assets	1.23%	1.26%	1.39%	1.44%	1.51%
Operating Expense/Operating Income	62%	61%	60%	58%	55%
Pre-Impairment Operating Profit / Average Assets	0.48%	0.51%	0.58%	0.60%	0.76%
Impairment charge/Average Loans	(0.31%)	(0.22%)	(0.27%)	(0.32%)	(0.27%)
ROAA	0.30%	0.32%	0.36%	0.41%	0.52%
ROAE	5.9%	6.5%	7.0%	8.0%	10.3%

BUSINESS DESCRIPTION

As of 23 Sep 2025

- The core unit of SMFG is Sumitomo-Mitsui Banking Corp (SMBC), whose main predecessors were Sumitomo Bank and Mitsui Bank.
- SMFG's group companies include the securities firm SMBC Nikko, SMBC Trust Bank, SMBC Card Company, SMBC Consumer Finance, Sumitomo Mitsui Finance and Leasing, SMFG India Credit Company (SMICC), Sumitomo Mitsui DS Asset Management, and SMBC Aviation Capital.
- SMFG does not have a large trust business as Sumitomo Trust and Chuo Mitsui Trust chose not to join SMFG, but merged with each other to form the separate Sumitomo Mitsui Trust Holdings.
- It has been acquisitive over the years, particularly in emerging Asia and leasing assets. In 2021, the group took a 49% stake in Vietnam's FE Credit, 74.9% of Indian NBFIs Fullerton Capital (now called SMICC), 4.99% of Philippines' RCBC, and 4.5% of US investment bank Jefferies. In 2022, it increased its stake in RCBC to 20%. In 2023, it acquired a 15% stake in Vietnam's VP Bank, and said it would increase its stake in Jefferies from 4.5% to 15%, and in 2024 took its stake in SMICC to 100%. In 2025 it announced it would take a 24% stake in India's Yes Bank, and increase its Jefferies stake to 20%.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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