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Panel Discussion on Risk Management

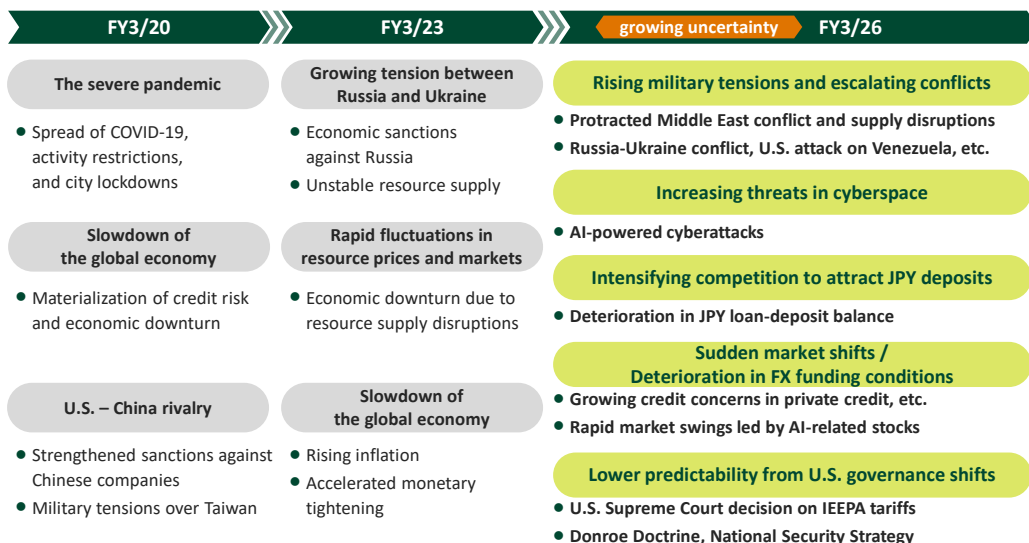
May 25, 2026

 **SMBC** SUMITOMO MITSUI
FINANCIAL GROUP

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Changes in the Environment and Risk Recognition

Responded to external environment changes including the spread of COVID-19, the Russia-Ukraine conflict, and U.S. tariffs. Recently, uncertainty has further increased due to geopolitical risks, cyber threats, and liquidity risks.



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The external environment surrounding us has become increasingly uncertain.

While we have responded to various developments such as COVID-19 and the Russia-Ukraine conflict, as well as U.S. tariffs shown on the left, new risks shown on the right are emerging in quick succession.

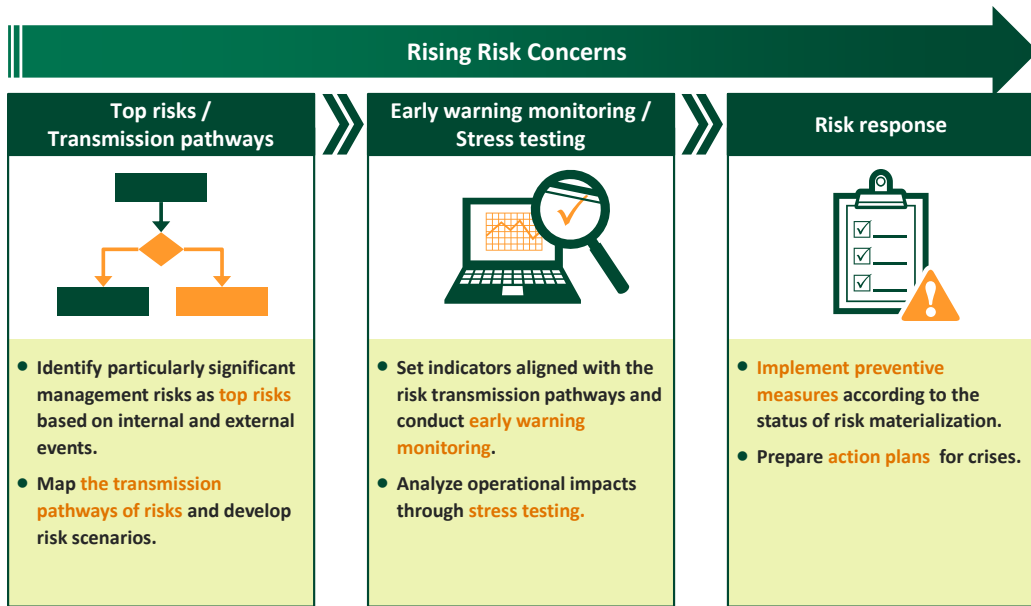
Protracted and escalating Middle East conflict have heightened concerns over renewed inflation through supply chain disruptions.

In addition, the emergence of advanced AI technologies such as Mythos has increased the threat of cyberattacks leveraging such technologies.

Furthermore, intensified competition for JPY deposits due to changes in the domestic financial environment and the resulting impact on loan-to-deposit balance, growing credit concerns in the private credit market, and sharp fluctuations in financial markets including AI-related stocks require close monitoring.

In addition, declining predictability due to changes in U.S. governance has led us to recognize that we are facing an even more uncertain business environment.

Strengthening Resilience in an Uncertain Business Environment



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In this environment, strengthening resilience is our top priority.
No matter what happens, we continue our business.

We identify 'top risks' based on internal and external events, map the transmission pathways of risks and develop risk scenarios.

We also set indicators aligned with the transmission pathways to conduct "early warning monitoring," and analyze the operational impacts through stress testing.

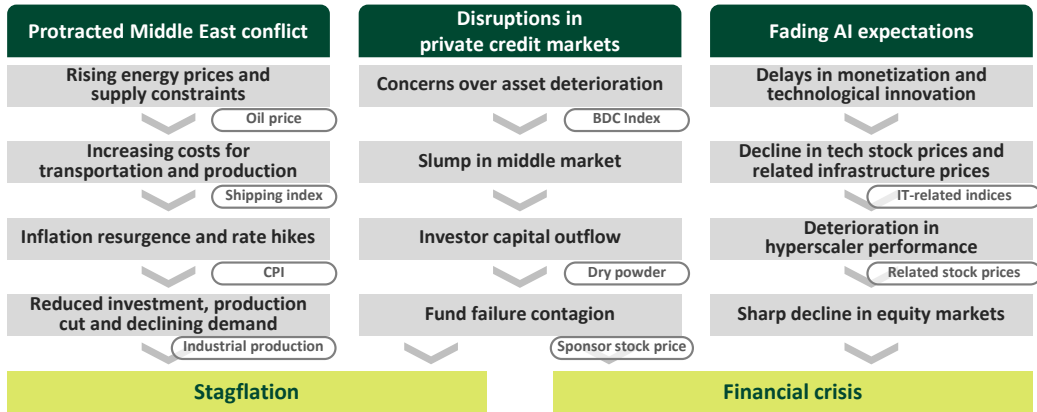
In addition, preventive measures such as reviewing business operations according to the status of risk materialization and prepare action plans for crises.

Risk Transmission Pathways Analysis and Early Warning Monitoring

Map the transmission pathways of risks including severe cases where multiple risks materialize simultaneously. Risk scenarios include protracted Middle East conflict, disruptions in private credit markets, and fading AI expectations.

- ➔ Set monitoring indicators depending on the transmission pathways. Visualize the status of materializations by setting target management level for each indicator.

▶ The risk transmission pathways and monitoring indicators examples



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This slide shows how we analyze the risk transmission pathways and monitor early warning indicator.

We are structuring the transmission pathways of various risk scenarios, including severe cases where multiple risks materialize simultaneously.

Among them, here we introduce scenarios of "Protracted Middle East conflict," "Disruptions in private credit markets," and "Fading AI expectations" occur convergently.

For example, in the "Protracted Middle East conflict", we have mapped the spillover pathways from rising energy prices to resurgence of inflation and stagflation.

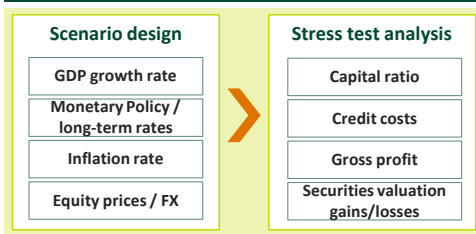
Within these pathways, we set indicators such as oil prices and CPI, define target ranges, and continuously monitor the current status.

We take the same approach to risks related to private markets and AI.

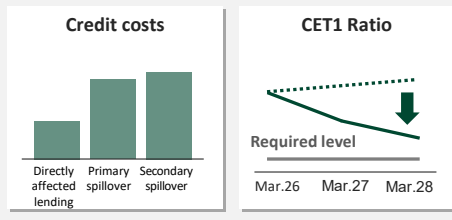
Stress Testing / Risk Response

Analyze financial soundness under risk scenarios and confirm available management resources through stress testing. Prepare action plans for crisis situations in addition to reviewing credit operations.

► Stress testing



Stress testing results (Illustrative)



► Risk response

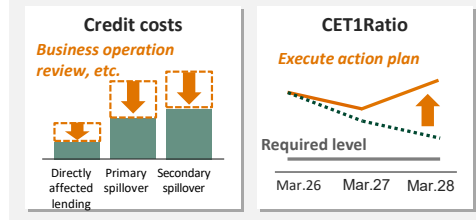
Preventive actions

- Business operation policies according to risk conditions
- Review sector-based credit management and deal selection criteria

Establish crisis response arrangements

- Prepare action plans for crisis situations
- Enhance effectiveness of action plans through drills, etc.

Risk response (Illustrative)



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Through stress testing, we analyze financial soundness in the event that risk scenarios materialize and confirm the availability of management resources.

Using macro scenarios, including equity prices and long-term interest rates, we simulate the impact on credit costs and capital ratios.

Based on the results, we take preventive actions, such as reviewing business operating policies according to the risk environment.

We also prepare action plans for crisis situations and conduct drills and other initiatives to enhance their effectiveness.

Basic Policy for Risk Management

Goals for the next three years

Establish a robust, forward-looking risk management framework, supporting the SMBC Group's aspirations

Strengthen resilience in uncertain environment and complicated risk

Business environment

- Normalization of domestic monetary policy
- Renewed inflation and financial instability in the U.S.
- Rising geopolitical tensions, etc

- Enhance balance sheet management
- Strengthen stress testing and early warning monitoring
- Improve crisis responsiveness

Promote sound risk-taking to execute business strategy

Business strategy

- Expansion of Asia and capital markets businesses
- Strengthening of asset-light businesses, etc.

- Develop risk management frameworks
- Foster a sound risk culture

Strengthen group/global risk management infrastructure

Risk management environment

- Increasing difficulty in securing talent
- Widening scope of risk management and required expertise

- Strengthen risk governance
- Promote system development and AI utilization

This is our Basic Policy for Risk Management.

Our goals for the next three years are to establish a robust, forward-looking risk management framework, supporting the SMBC Group's aspirations.

In addition to strengthen resilience in uncertain environment and complicated risk, we will develop risk management frameworks and foster a sound risk culture to promote sound risk-taking to realize business strategy.

Furthermore, to strengthen group/global risk management infrastructure, we will enhance risk governance and promote system development and AI utilization.

Overview of Risk Committee

Supervision

Board of Directors



Execution



► Profile

Position	Internal Committees of SMFG Board of Directors
# of meetings	4 times a year
Main Role	<p>Responsible for deliberation on important matters relating to risk management, including</p> <ol style="list-style-type: none"> 1.Environmental and risk awareness 2.Operation of the Risk Appetite Framework 3. Implementation of risk management systems

► Members

Outside directors	Charles D. Lake II	Chairman and Representative Director of Aflac Life Insurance Japan Ltd.
	Isao Teshirogi	Representative Director, President, and CEO of Shionogi & Co., Ltd.
Internal directors	Kazuyuki Anchi	Group CFO and Group CSO
External experts	Hirohide Yamaguchi	Former Deputy Governor of the Bank of Japan, Chairman of the Advisory Board of Nikko Research Center
	Tatsuo Yamasaki	Former Vice-Minister of Finance for International Affairs, Specially appointed professor of International University of Health and Welfare