Sumitomo Mitsui Financial Group, Inc.

Key Rating Drivers

IDRs Driven by VRs: The group Viability Rating (VR) is in line with the implied VR, which reflects the strong franchise and solid financial profile of Sumitomo Mitsui Financial Group, Inc. (SMFG) and that of its core bank, Sumitomo Mitsui Banking Corporation (SMBC); referred to as SMBC group together with SMFG. This is supported by the group's asset quality and funding and liquidity, although capital is more modest.

The group's Long-Term Issuer Default Ratings (IDRs) are anchored to the group VR. SMFG's Long-Term IDRs are aligned with the VR, while SMBC's are lifted by one notch, as Fitch Ratings expects senior creditors to benefit from resolution funds raised by the ultimate bank holding company, SMFG, in an orderly resolution process under Specified Measure 2 of Article 126-2 of the Deposit Insurance Act (DIA) (SM2).

Stable Operating Environment: We expect Japan's economic growth in 2025 and 2026 to remain above potential growth, which underpins our stable outlook on Japanese banks' operating environment (OE) score.

Solid Business Profile: SMBC group's business profile score at 'a-' is constrained by the OE score. We expect the OE, characterised by low interest rates and structural headwinds, to limit the group's profitability, despite its strong franchise and significant market share in Japan.

Robust Risk Management: We have revised the risk profile score to 'a', from 'a-', so that it is aligned with the asset quality score of 'a' to reflect credit being the dominant risk. We view the group's exposure to market and operational risk as manageable. SMBC group has maintained its growth appetite in key strategic markets and products.

Stable Asset Quality: We expect asset quality to stay stable, with a non-performing loan (NPL)/total loan ratio at about 1.0% through to the financial year ending March 2027 (FYE27). Exposure to consumer finance and medium-sized corporations may leave asset quality more susceptible to economic downcycles than at peers, but the bank manages the risk well. Asset quality should not deteriorate significantly, and loans account for only about 40% of total assets.

Improving Profitability: We expect the operating profit/risk-weighted assets (RWA) ratio, our core earnings and profitability metric, to improve to 1.7% by FYE27, driving our outlook revision on the 'bbb' score to positive, from stable. Earnings should be supported by sound corporate business growth and lower credit costs, to be partially offset by a slight increase in RWAs. We expect profitability to remain the weakest aspect of SMBC group's standalone profile.

Capitalisation to Weaken: We believe SMFG's common equity Tier 1 (CET1) ratio could fall to around 12% in FYE26, from 12.5% at June 2025, and remain around this level. We have revised the outlook on the 'bbb+' capitalisation and leverage score to negative, from stable, to reflect this, as the ratio would be below peers' and weak at the current score. The group's steady earnings retention should partially offset an increase in RWAs from the Basel III framework and investments for growth.

Solid Funding Position: SMBC group's funding profile is underpinned by a strong yen deposit base, which is a credit strength. The group's foreign-currency funding base is stable, helped by deposits and mid- to long-term bond issues and cross-currency swaps. This is reflected in the stable outlook on the 'a' funding and liquidity score.

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F1
Local Currency	
Long-Term IDR	A-
Short-Term IDR	F1
Viability Rating	a-
Government Support Rating	a-
Sovereign Risk (Japan)	
Long-Term Foreign-Currency IDR	A
Long-Term Local-Currency IDR	A
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Fitch Affirms SMBC at 'A' and SMFG and Other Subsidiaries at 'A-'; Outlook Stable (October 2025)

Global Economic Outlook (September 2025)

Global Banks Mid-Year 2025 Outlook Infographic (August 2025)

Developed Markets 100 Largest Banks Monitor (July 2025)

Global Banks' Mid-Year 2025 Outlooks Reflect Trade War (June 2025)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

GSRs

Any weakening in our assumptions about the sovereign's propensity or ability to provide timely support to SMBC group could lead to negative rating action on the GSRs. A downgrade of Japan's sovereign rating to 'A-', on its own, may not automatically lead to a downgrade of the GSRs. A sovereign downgrade appears unlikely in the near term, given the Stable Outlook.

VRs

The group VR could come under pressure from a combination of one or more financial and non-financial key rating drivers deteriorating – particularly if the capitalisation and leverage score in downgraded. These could include:

- The four-year average of the group's operating profit/RWA ratio remaining below 0.9% (FYE22-FYE25 average: 1.4%), with no clear prospects of improvement.
- Weaker asset quality for a sustained period, indicated by a four-year average of the NPL loan ratio staying above 1.5% (FYE22-FYE25 average: 1.0%) or repeated unexpected and large impairments in the securities portfolio.
- A reduction in the CET1 ratio, including unrealised gains, resulting in a ratio consistently below 12% without any credible plan to restore it to above this level (end-June 2025: 12.5%).
- A downward revision in SMBC group's business profile, such as a shift to a less-stable business model and an increase in risk appetite, together with a deterioration in key financial rating factors.

IDRs

SMFG's Long-Term IDRs will only be downgraded if there is concurrent negative rating action on the GSRs and VRs.

The Long-Term IDRs of SMBC will be downgraded if the group VR is downgraded or if we remove the one-notch uplift. The uplift could be removed if we no longer believe external senior creditors would be protected by junior debt instruments if the bank were to fail. This could result from a change in resolution legislation or the amount of debt and equity buffers available to SMBC in a resolution.

A downgrade of Japan's sovereign rating to 'A-' would also lead to a downgrade of SMBC's Long-Term IDR.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

IDRs and GSRs

An upgrade of the sovereign rating could lead to upgrades of the GSRs and SMFG's Long-Term IDRs. An upgrade of the group VR would lead to positive rating action on SMFG's Long-Term IDRs. An upgrade of SMBC's Long-Term IDRs would require an upgrade of both the group VR and the sovereign rating.

VRs

A stable OE, combined with the following factors, could lead to positive action on the VR:

- Sustainable improvement in SMBC group's profitability, measured by the four-year average of the operating profit/RWA ratio remaining consistently at or above 2.0%, supported by a higher interest rate environment. This could also lead to a revision of the OE score to 'a'. The higher profitability could see Fitch revise the business profile score to 'a', provided asset quality remains relatively stable.
- Enhanced capital levels commensurate with the group's risk appetite, with the CET1 ratio sustained at or above 15%.

Other Debt and Issuer Ratings

Rating Level	Rating	Outlook
Sumitomo Mitsui Financial Group, Inc.		
Senior Unsecured: Long Term	A-	n.a.
Sumitomo Mitsui Banking Corporation (SMBC)		
Long-Term Foreign- and Local-Currency IDRs	A	Stable
Short-Term Foreign- and Local-Currency IDRs	F1	n.a.
Viability Rating	a-	n.a.
Government Support Rating	a-	n.a.
Senior Unsecured: Long Term	A	n.a.
Senior Unsecured: Short Term	F1	n.a.
SMBC Bank EU AG (SMBCEU)		
Long-Term Foreign-Currency IDR	A-	Stable
Short-Term Foreign-Currency IDR	F1	n.a.
Shareholder Support Rating	a-	n.a.
SMBC Bank International plc (SMBCBI)		
Long-Term Foreign-Currency IDR	A-	Stable
Short-Term Foreign- and Local-Currency IDRs	F1	n.a.
Shareholder Support Rating	a-	n.a.

Source: Fitch Ratings

Short-Term IDRs

SMFG's Short-Term IDRs are at the higher of the two options available at a Long-Term IDR of 'A-'. SMBC group's funding and liquidity score of 'a' meets our minimum criteria expectation for a Short-Term IDR at 'F1'. The rating is complemented by our expectation that government support is more certain in the short term.

SMBC's Short-Term IDRs are at the lower of the two options available at a Long-Term IDR of 'A'. Its funding and liquidity score of 'a' is below our minimum 'aa-' criteria expectation for a Short-Term IDR at 'F1+'.

Senior Debt

The senior unsecured debt rating on SMBC's euro medium-term note programme is aligned with its Long- and Short-Term IDRs, in line with Fitch's criteria.

SMFG's senior unsecured debt ratings on its euro medium-term note programme and notes are aligned with its IDRs. Japan does not have full depositor preference, so we equalise the bank holding company's senior debt ratings with its IDRs where the bank holding company's senior unsecured debt plus group junior debt buffers are more than 10% of group RWAs. SMFG's buffer was 11.3% as of end-March 2025.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

Short-Term IDRs

The Short-Term IDRs of SMFG will remain at 'F1' unless the Long-Term IDRs are downgraded to 'BBB' or our funding and liquidity score is lowered to 'a-' or below at the same time the GSR is lowered to 'bbb+' or below.

A downgrade of SMBC's Short-Term IDR would require a downgrade of its Long-Term IDR to 'A-', in conjunction with a downward revision in our funding and liquidity score to 'a-' or below at the same time the GSR is lowered to 'bbb+' or below.

Senior Debt

SMFG's and SMBC's senior debt ratings would be downgraded if their respective IDRs are downgraded.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

Short-Term IDRs

The Short-Term IDRs of SMFG could be upgraded if the Long-Term IDRs are upgraded to 'A' and our funding and liquidity score is raised to 'aa-', which appears unlikely in the near term.

The Short-Term IDRs of SMBC could be upgraded if our funding and liquidity score is raised to 'aa-', which appears unlikely in the near term.

The Short-Term IDRs could also be upgraded if the GSRs are upgraded to 'a', which would bring them in line with the sovereign Short-Term IDRs of 'F1+', as support is more likely in the short term.

Senior Debt

An upgrade of SMFG's or SMBC's IDRs would result in an upgrade of their respective senior debt ratings.

Ratings Navigator

Sumitomo Mitsui Financial Group, Inc.

ESG Relevance:

Banks
Ratings Navigator

	Operating Environment	Business Profile	Risk Profile	Financial Profile: Asset Quality	Financial Profile: Earnings & Profitability	Financial Profile: Capitalisation & Leverage	Financial Profile: Funding & Liquidity	Implied Viability Rating	Viability Rating	Government Support Rating	Issuer Default Rating
		20%	10%	20%	15%	25%	10%				
aaa								aaa	aaa	aaa	AAA
aa+								aa+	aa+	aa+	AA+
aa								aa	aa	aa	AA
aa-								aa-	aa-	aa-	AA-
a+								a+	a+	a+	A+
a								a	a	a	A
a-								a-	a-	a-	A- Sta
bbb+								bbb+	bbb+	bbb+	BBB+
bbb								bbb	bbb	bbb	BBB
bbb-								bbb-	bbb-	bbb-	BBB-
bb+								bb+	bb+	bb+	BB+
bb								bb	bb	bb	BB
bb-								bb-	bb-	bb-	BB-
b+								b+	b+	b+	B+
b								b	b	b	B
b-								b-	b-	b-	B-
ccc+								ccc+	ccc+	ccc+	CCC+
ccc								ccc	ccc	ccc	CCC
ccc-								ccc-	ccc-	ccc-	CCC-
cc								cc	cc	cc	CC
c								c	c	c	C
f								f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

Consolidated Group VR

We assess SMBC group's VR on a consolidated basis, reflecting the integration between SMFG and SMBC. This is in addition to the regulator's group-level focus and Japanese legislation, which makes government support equally likely for SMFG and SMBC. We assign the group VR to SMBC, as we believe it has substantially the same failure risk as the group. We also assign the group VR to the holding company, reflecting low double leverage and prudent liquidity management.

SMBC's IDRs Uplifted

SMBC's IDR is one notch higher than its VR, because we expect senior creditors to benefit from resolution funds raised by the ultimate bank holding company in an orderly resolution process. SMBC is a material subsidiary of SMFG, and its loss-absorbing capacity accounted for 13% of the group's RWAs at end-March 2025. We regard the probability of resolution under SM2 as low, given that the government is highly likely to provide pre-emptive support to troubled, systemically important financial institutions in accordance with Specified Measure 1 under the Act.

VR - Adjustments to Key Rating Drivers

The category-implied OE score is at the cusp of 'aa' and 'a'. We have applied economic performance (negative) as an adjustment to arrive at the assigned score of 'a-'.

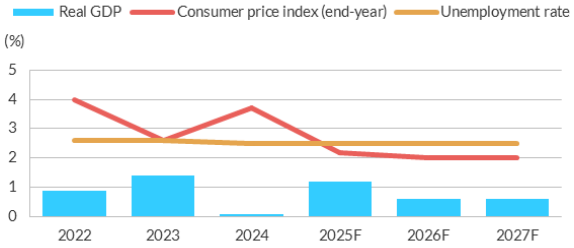
Company Summary and Key Qualitative Factors

Operating Environment

We expect operating conditions for Japan's banks to remain broadly stable. The Bank of Japan increased the policy rate to 0.50% in January 2025, from 0.25%, and our forecast for a further 0.25% increase by end-2025 should support higher lending and investment profits in the core domestic market in the medium term. We expect limited valuation losses on government bond holdings, as duration has been kept short at around two years. However, the profit improvement for Japanese banks is likely to be smaller than for banks in the US and Europe during their rate-hike cycles, as we forecast Japan's interest rate increases to be at a slower pace and smaller size.

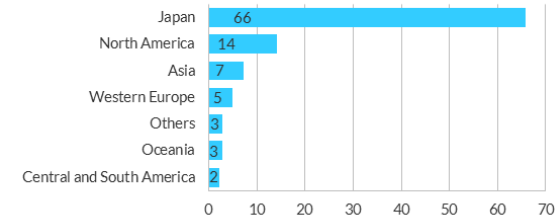
We forecast a gradual expansion of the economy, with solid corporate performance and low levels of unemployment and bankruptcies, although the impact of higher US tariffs is yet to be determined. Bankruptcies have risen due to inflation, the phase-out of government support for companies affected by the Covid-19 pandemic, succession issues and labour shortages. Near-term economic challenges remain, with inflation, financial market and political uncertainty, geopolitical tensions and slowing global growth. We expect Japan's banking industry to continue to face structural challenges, such as fierce competition, accelerated technology investments and changing client needs, which are likely to limit domestic profitability improvement as interest rates rise.

Japanese Economy



Source: Fitch Ratings

SMBC Loan Split by Geography (%)
Non-consolidated at end-March 2025



Source: Fitch Ratings, Fitch Solutions, SMFG

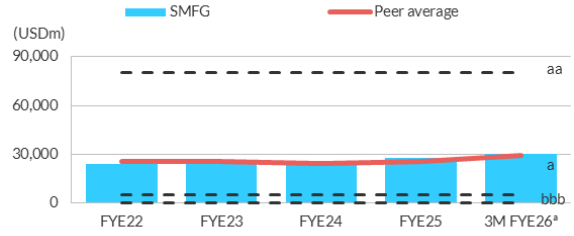
Business Profile

SMBC group's VR is underpinned by a strong domestic franchise and diversified businesses. It is one of the country's three-largest banking groups, with a 10% loan and 13% deposit market share. In addition to the core commercial banking business, SMBC group provides other financial services through subsidiaries and affiliates, including securities brokerage, lease operations, credit cards and consumer finance. It has a leading medium-sized corporates and retail business in the domestic market, with growing trust banking and asset-management operations.

SMBC group continues to expand its overseas operations by strengthening businesses in the US as well as in Vietnam, Indonesia, India and the Philippines under its multi-franchise strategy. Nonetheless, we expect the group's main exposure to remain to the Japanese market. SMFG has a strategic focus on growth, mainly in global corporate and investment banking. The domestic retail and wholesale businesses are focused on improving efficiency through the use of digital technology and allocating resources to growth areas. It also aims to support corporates as they transition to a zero-carbon society, while reducing assets with low profitability to use capital effectively.

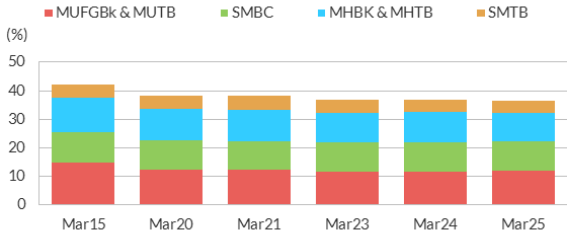
Note on chart titled "Loan Market Share in Japan": MUFGBk is MUFG Bank, Ltd. (A/Stable), MUTB is Mitsubishi UFJ Trust and Banking Corporation (A/Stable), MHBK is Mizuho Bank, Ltd. (A/Stable), MHTB is Mizuho Trust & Banking Co., Ltd. (A/Stable) and SMTB is Sumitomo Mitsui Trust Bank, Limited (A-/Stable)

Total Operating Income



[a] Annualised
Source: Fitch Ratings, Fitch Solutions, banks

Loan Market Share in Japan



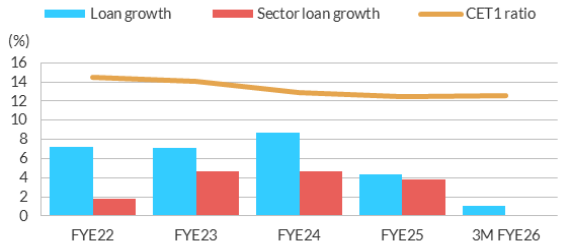
Source: Fitch Ratings, Bank of Japan, MUFG, SMFG, MHFG, SMTG

Risk Profile

SMFG's risk profile score reflects its robust risk controls, with measured appetite for inorganic growth. We expect SMBC group's risk appetite to remain broadly stable, with a focus on balancing risk, returns and capital constraints. The group continues to improve management of non-financial risks, including regulatory, legal and reputational risks.

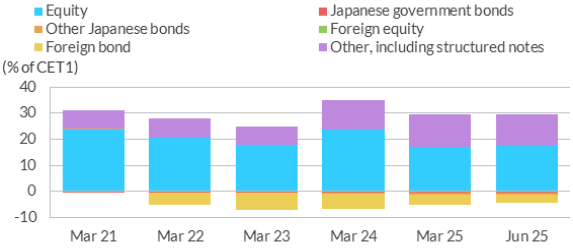
Headroom is likely to be reduced if expansion is focused in markets where we assess the OE as riskier than in Japan and without corresponding increases in loss-absorption buffers. Nonetheless, we believe the group sufficiently offsets this risk through robust financial risk management and controls, thereby mitigating its higher risk appetite relative to Japanese mega-bank peers.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, SMFG

Net Valuation Gain/Loss on Available for Sale Securities



Source: Fitch Ratings, Fitch Solutions, SMFG

Financial Profile

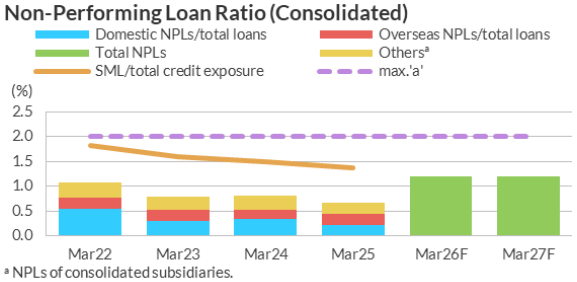
Asset Quality

We expect SMFG to maintain sound loan quality, although its overseas loan portfolio, at about 35% of total loans at FYE25, remains vulnerable to the global economic environment and specific markets that we view as having higher-risk OEs. However, risks are generally well-managed and there is headroom at the current score of 'a', even in the event of asset quality deteriorating by more than we expect.

SMFG's loan quality is also sound, although the NPL ratio is above pre-pandemic levels and "special-mention" loans (on watch but not yet non-performing) were 1.4% of total exposure at end-March 2025. This was down from the 1.8% at end-March 2022, but is still higher than the 1.0% at end-March 2020.

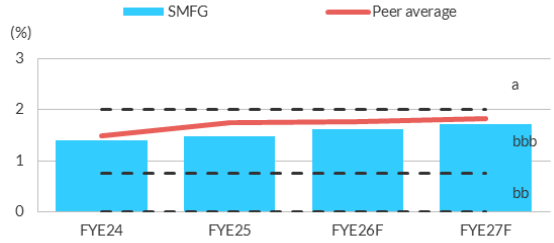
We assess the group's available-for-sale (AFS) securities portfolio, representing about 13% of its balance sheet, to have limited credit risk, as exposures are mainly to investment-grade developed-market government and corporate bonds. However, the portfolio is exposed to market risk. The group's foreign securities comprised about half of the securities portfolio, which had an average duration of 3.5 years at end-June 2025. Gross valuation losses on Japanese government bonds, representing 23% of the AFS securities portfolio, have been limited, as these bonds only had an average duration of 1.8 years at end-June 2025. The AFS securities portfolio continues to carry a large net valuation gain, as the gain on equity holdings more than offsets the losses on the bond portfolio.

Non-Performing Loan Ratio (Consolidated)



[a] NPLs of consolidated subsidiaries.
Source: Fitch Ratings, SMFG

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

We expect SMBC group's profitability to gradually improve, supported by a wider net interest margin from its SME and consumer-finance business, sound corporate business growth and cost control.

The group is likely to focus on strengthening earnings from its investments in Asia and the US, while reducing low return assets to shift the asset mix and managing investments for growth to control RWA growth. SMBC group's investments in finance companies and commercial banks in emerging markets could raise credit costs and RWAs, but provide higher returns than investments in Japan.

We expect credit costs to stay above pre-pandemic levels, despite some moderation, due to the uncertain global economic environment and SMBC group's larger share of consumer finance business relative to other mega banks.

Capitalisation and Leverage

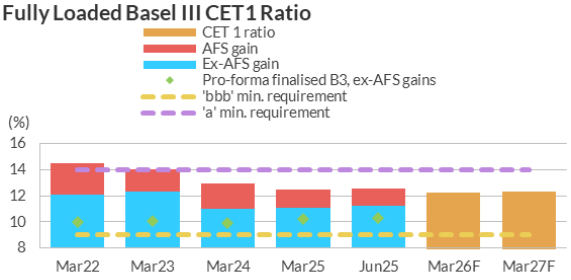
SMFG's CET1 ratio fell to 12.4% by end-March 2025, from 12.9% at end-March 2024, due to lower valuation gains on its securities portfolio. We expect the ratio to fall again in FYE26 as the group invests for growth, then to remain broadly flat in FYE27. SMFG has indicated a CET1 ratio target of around 10%, excluding net unrealised gains on securities (10.3% at end-June 2025), by end-March 2029.

A rise in exposures to higher-risk sectors or offshore markets without a commensurate increase in risk buffers, issues with the execution of the group's capital recycling strategy and poor RWA control could pressure the capital ratios and the capitalisation and leverage score. SMFG's capital ratios include about 1.3pp of unrealised gains on securities, which add to the volatility of its ratios. SMBC group has a strategic target to reduce its cross-shareholdings at book value by JPY600 billion by FYE29, from JPY1.01 trillion. About 35% of the target was met by June 2025, with another 14% agreed but not yet sold. The group aims to reduce the market value of strategic shareholdings as a proportion of consolidated net assets to below 20% by FYE29 (29.2% at June 2025).

SMBC group's Basel III leverage ratio rose to 5.3% by end-June 2025 from 5.0% at end-March 2024, well above the 3.7% minimum regulatory requirement.

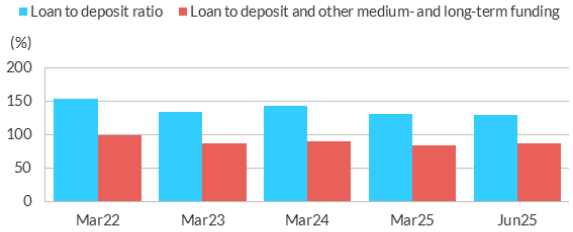
SMFG is subject to total loss-absorbing capacity (TLAC) capital requirements as one of Japan's global systemically important banks. SMFG meets the requirements, and we expect SMFG to continue to issue TLAC-eligible senior unsecured debt in overseas markets to support its foreign-currency funding needs.

Fully Loaded Basel III CET1 Ratio



Source: Fitch Ratings, SMFG

Foreign-Currency Liquidity - Operating Bank



Includes loans and securities
Source: Fitch Ratings, SMFG

Funding and Liquidity

We expect SMBC group's funding profile from a stable yen deposit base to remain a strength, supported by the strong domestic franchise. The group's foreign-currency loan/deposit ratio remains at above 100%, as its foreign-currency funding remains dependent on wholesale markets. The group has diversified its foreign-currency funding sources through issuance of bonds and cross-currency swaps to ensure stable and longer-term funding sources. We expect its overall liquidity and funding to remain solid. The group also has access to Japanese yen and foreign-currency liquidity facilities provided by the central bank when necessary.

Additional Notes on Charts

The forecasts in the charts reflect Fitch's forward view on the bank's core financial metrics per Fitch's *Bank Rating Criteria*. They are based on a combination of Fitch's macroeconomic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'a' category. Peer average includes Mitsubishi UFJ Financial Group, Inc. (A-/Stable) and Mizuho Financial Group, Inc. (A-/Stable). Financial year end of SMFG, Mitsubishi UFJ Financial Group, Inc. and Mizuho Financial Group, Inc. is end-March.

Financials

Financial Statements

	31 Mar 23 12 months (JPYbn)	31 Mar 24 12 months (JPYbn)	31 Mar 25 12 months (JPYbn)	30 Jun 25 1st quarter (JPYbn)	31 Mar 26F 12 months (JPYbn)	31 Mar 27F 12 months (JPYbn)
Summary income statement						
Net interest and dividend income	1,718	1,881	2,338	626	-	-
Net fees and commissions	1,226	1,490	1,569	402	-	-
Other operating income	282	440	214	116	-	-
Total operating income	3,170	3,739	4,127	1,088	4,425	4,724
Operating costs	1,949	2,251	2,402	600	2,548	2,703
Pre-impairment operating profit	1,277	1,560	1,719	544	1,877	2,020
Loan and other impairment charges	210	274	345	76	301	257
Operating profit	1,066	1,286	1,375	469	1,576	1,763
Other non-operating items (net)	32	56	325	13	-	-
Tax	282	374	513	102	-	-
Net income	816	969	1,187	379	1,404	1,444
Other comprehensive income	215	1,661	-474	-76	-	-
Fitch comprehensive income	1,032	2,630	713	304	-	-
Summary balance sheet						
Assets						
Gross loans	100,573	109,290	114,080	115,345	117,502	119,852
– of which impaired	928	1,023	882	1,014	-	-
Loan loss allowances	750	818	926	943	-	-
Net loans	99,823	108,473	113,154	114,401	-	-
Interbank	5,685	5,334	5,198	5,429	-	-
Derivatives	38	2	140	-	-	-
Other securities and earning assets	58,861	70,133	80,254	74,894	-	-
Total earning assets	164,406	183,942	198,746	194,724	-	-
Cash and due from banks	75,914	78,143	75,591	72,274	-	-
Other assets	16,415	18,282	16,805	17,003	-	-
Total assets	256,735	280,367	291,142	284,001	298,691	305,551
Liabilities						
Customer deposits	158,770	164,839	171,499	170,640	176,644	181,943
Interbank and other short-term funding	38,359	43,712	53,991	48,987	-	-
Other long-term funding	23,991	26,362	22,839	22,472	-	-
Trading liabilities and derivatives	8,067	9,690	9,727	8,977	-	-
Total funding and derivatives	229,187	244,602	258,055	251,075	-	-
Other liabilities	13,991	19,501	16,377	16,226	-	-
Preference shares and hybrid capital	767	1,465	1,870	2,092	-	-
Total equity	12,790	14,799	14,841	14,607	-	-
Total liabilities and equity	256,735	280,367	291,142	284,001	298,691-	305,551-
Exchange rate	USD1= JPY133.4800	USD1= JPY151.3800	USD1= JPY149.4800	USD1= JPY144.7400	-	-

Source: Fitch Ratings, Fitch Solutions, SMFG

Key Ratios

	31 Mar 23	31 Mar 24	31 Mar 25	30 Jun 25	31 Mar 26F	31 Mar 27F
Ratios (%; annualised as appropriate)						
Profitability						
Operating profit/risk-weighted assets	1.4	1.4	1.5	2.0	1.6	1.7
Net interest income/average earning assets	1.0	1.1	1.2	1.3	1.3	1.4
Non-interest expense/gross revenue	61.5	60.2	58.2	55.1	57.6	57.2
Net income/average equity	6.5	7.1	7.9	10.3	-	-
Asset quality						
Impaired loans ratio	0.9	0.9	0.8	0.9	1.0	1.0
Growth in gross loans	7.1	8.7	4.4	1.1	3.0	2.0
Loan loss allowances/impaired loans	80.9	79.9	105.0	93.0	103.4	103.0
Loan impairment charges/average gross loans	0.2	0.3	0.3	0.3	0.3	0.2
Capitalisation						
Common equity Tier 1 ratio	14.0	12.9	12.4	12.5	12.2	12.3
Fully loaded common equity Tier 1 ratio	10.9	10.9	10.7	10.8	-	-
Tangible common equity/tangible assets	4.7	5.0	4.8	4.8	-	-
Basel leverage ratio	5.0	5.3	5.0	5.3	-	-
Net impaired loans/common equity Tier 1	1.6	1.7	-0.4	0.6	-	-
Funding and liquidity						
Gross loans/customer deposits	63.4	66.3	66.5	67.6	66.5	65.9
Gross loans/customer deposits + covered bonds	63.1	-	-	-	-	-
Liquidity coverage ratio	130.5	131.2	137.8	136.7	-	-
Customer deposits/total non-equity funding	69.6	67.5	66.1	67.4	-	-
Net stable funding ratio	124.1	117.8	116.4	-	-	-

Source: Fitch Ratings, Fitch Solutions, SMFG

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a- or bbb+
Actual jurisdiction D-SIB GSR	a-
Government Support Rating	a-
Government ability to support D-SIBs	
Sovereign Rating	A/ Stable
Size of banking system	Negative
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Positive
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Positive
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Influence: Light blue = lower; Dark blue = moderate; Red = higher

Government Support

We expect there to be a very high likelihood of government support for SMBC group, if required, as a systemically important bank in Japan. Support will come from various schemes under the DIA, whereby the government sets aside a national budget annually to support financial institutions.

We assess Japan's propensity to support the financial system – especially the country's systemically important financial institutions – as one of the strongest among developed countries. We expect the government's propensity to extend support to remain robust, even if the sovereign ratings are at lower levels. The Japanese sovereign has high debt, but we believe it will issue government bonds to support the financial system when required.

The government can provide financial assistance pre-emptively to a solvent bank-holding company when a serious system disruption is anticipated under Specified Measure 1 in Article 126-2 of the DIA.

The government has made consistent and strong statements about its intention to support the financial system, backed by its long history of support and the pre-emptive support framework under the DIA, which was introduced together with the orderly resolution framework. We expect the government to maintain its position to avoid disruptions to the financial markets.

We may equalise SMBC group's GSR with Japan's IDR should the sovereign rating be downgraded to 'A-', because of the very high likelihood that SMBC group would receive government support. We expect the one-notch differential to remain if Japan is rated at 'A' or 'A+', similarly reflecting our view of the government's very high propensity to support the financial system, especially systemically important financial institutions.

Subsidiaries and Affiliates

SMBC Bank EU AG

Shareholder support	
Shareholder IDR	A-
Total adjustments (notches)	0
Shareholder Support Rating	a-

Shareholder ability to support	
Shareholder rating	A-/Stable
Shareholder regulation	Equalised
Relative size	Equalised
Country risks	Equalised

Shareholder propensity to support	
Subsidiary role and relevance	Equalised
Reputational risk	Equalised
Integration	Equalised
Support record	1 Notch
Subsidiary performance and prospects	1 Notch
Legal commitments	1 Notch

SMBC Bank International plc

Shareholder support	
Shareholder IDR	A-
Total adjustments (notches)	0
Shareholder Support Rating	a-

Shareholder ability to support	
Shareholder rating	A-/Stable
Shareholder regulation	Equalised
Relative size	Equalised
Country risks	Equalised

Shareholder propensity to support	
Subsidiary role and relevance	Equalised
Reputational risk	Equalised
Integration	Equalised
Support record	1 Notch
Subsidiary performance and prospects	Equalised
Legal commitments	1 Notch

The colours indicate the weighting of each KRD in the assessment.
Influence: Light blue = lower; Dark blue = moderate; Red = higher

The Long-Term IDRs on SMBC Bank International plc (SMBCBI, A-/Stable) and SMBC Bank EU AG (SMBCEU, A-/Stable) and are driven by their Shareholder Support Ratings (SSRs), which are in line with SMFG's Long-Term IDR, the anchor rating. This is based on the subsidiaries' key roles within the group and the high level of group integration in business operations and management.

The Short-Term IDRs of the two subsidiaries are at the higher of the two options available at a Long-Term IDR of 'A-' to reflect that support is more likely in the short term.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

SMBCBI's and SMBCEU's SSRs and Long-Term IDRs would be affected by negative rating action on SMFG's Long-Term IDR or if the subsidiaries were to become less important to the operations of SMBC group.

A downgrade of SMFG's Short-Term IDR would lead to similar action on the subsidiaries' Short-Term IDRs.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

Positive rating action on SMFG's Long-Term IDR is likely to lead to similar action on the subsidiaries' SSRs and Long-Term IDRs, provided SMBC group's propensity to support the subsidiaries remains unchanged.

The Long-Term IDRs on the subsidiaries may also be upgraded if significant resolution buffers are put in place and maintained at the subsidiaries.

An upgrade of SMFG's Short-Term IDR is likely to lead to similar action on the subsidiaries' Short-Term IDRs.

Environmental, Social and Governance Considerations

FitchRatings **Sumitomo Mitsui Financial Group, Inc.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Sumitomo Mitsui Financial Group, Inc. has 5 ESG potential rating drivers

- Sumitomo Mitsui Financial Group, Inc. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

				ESG Relevance to Credit Rating
key driver	0	issues	5	
driver	0	issues	4	
potential driver	5	issues	3	
not a rating driver	4	issues	2	
	5	issues	1	

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3'means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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