News Release

Japan Credit Rating Agency, Ltd.

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JCR's Rating Review of Megabank Groups

JCR has reviewed the ratings of bank holding companies and core companies of Japan's megabank groups (Mitsubishi UFJ Financial Group, Mizuho Financial Group and SMBC Group; collectively, the "Groups"). Rating viewpoints in this review are given below. Please refer to the press releases dated today (26-D-0922, 26-D-0923 and 26-D-0924) for the rationale for the ratings of individual companies.

(1) JCR has affirmed the long-term issuer rating on the bank holding company and core companies with a Stable outlook for the Groups alike. Earnings capacity is improving on the back of rising interest rates, increasing corporate activities and so forth. Business base is also becoming stronger thanks to such measures as strategic capital and budget allocation. Furthermore, a high capital level is maintained under the disciplined capital policy. While factors like uncertainties in the global economy require attention, JCR assumes that the Groups possess sufficient earnings and financial resilience to withstand stress events.

(2) Business base is exceptionally robust. The Groups have entities with strong presence across wide-ranging sectors, especially in banking, trust and securities, and enjoy an exceptionally robust customer base in Japan. Amid intensifying competition for acquiring deposits, they are implementing measures to maintain and enhance competitiveness, including the expansion of comprehensive financial services for retail customers and enhancement of the payment business for corporate clients. Overseas, they are focusing on the global CIB business, which provides comprehensive financial solutions to large companies through collaboration across the banking, securities and other sectors, and are expanding their earnings, driven by integrated management with market-related operations. While performance in the Asian business, one of the focus areas, has been somewhat sluggish, the Groups are steadily pursuing their strategies aimed at medium- to long-term profit growth, including investments in local financial institutions. They have ample capacity for growth investments thanks to improved period income/loss and enhanced capital base, and JCR assumes that the business base will keep expanding further going forward, too.

(3) Earnings capacity has improved. Robust funding demand, particularly from large corporations, together with other factors including interest rate hikes, has helped boost net interest income. Moreover, efforts undertaken under the previous ultra-low interest rate environment to strengthen non-interest businesses and overseas operations, improve the profitability of investment and financing operations and so forth are yielding results, and profit levels are higher than before even when excluding external factors like the weak yen and rising interest rates. Because the Groups conduct conservative balance sheet management in anticipation of further interest rate hikes, they also have some room for improving ROA in line with trends in interest rates. At the same time, they are in a situation where constraints on balance sheet management—such as intensifying competition for deposits and trends in NSFR (net stable funding ratio)—have become more prominent than before. JCR will keep an eye on trends in deposit balances and the outcomes of the initiatives aimed at improving balance sheet efficiency.

(4) Asset quality is sound. Non-performing loans ratio under the Financial Reconstruction Act of the Groups on a consolidated basis is low at around 1%. Large and mid-sized companies with a good financial profile constitute the primary customer base in Japan, while highly rated borrowers account for a large proportion of overseas lending. Despite exposure to the areas where risk is perceived to be increasing, including overseas funds and Middle East-related businesses, the Groups have been taking a selective approach under the prudent credit risk management policy, and thus there are currently no signs that would lead to substantial credit costs. Market risk is managed at an acceptable level, and substantial unrealized gains, primarily on strategic equity holdings, serve as a risk buffer.

(5) Capital adequacy is strong. Even as risk assets are expanding partly because of an increase in loans, adjusted Tier 1 ratio remains at a level commensurate with JCR's AA rating category thanks to the accumulation of retained earnings. Under the disciplined capital policy that emphasizes soundness, the Groups are actively deploying capital for shareholder returns, growth investments, etc. JCR finds no particular concerns about fund liquidity, either. The funding base for yen-denominated deposits is

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robust, and that for foreign currencies is stable, without reliance on short-term market funding to finance long-term investment.

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<Reference>
Issuer: Mitsubishi UFJ Financial Group, Inc.
Long-term Issuer Rating: AA Outlook: Stable

Issuer: MUFG Bank, Ltd.
Long-term Issuer Rating: AA Outlook: Stable

Issuer: Mitsubishi UFJ Trust and Banking Corporation
Long-term Issuer Rating: AA Outlook: Stable

Issuer: Mizuho Financial Group, Inc.
Long-term Issuer Rating: AA Outlook: Stable

Issuer: Mizuho Bank, Ltd.
Long-term Issuer Rating: AA Outlook: Stable

Issuer: Mizuho Trust & Banking Co., Ltd.
Long-term Issuer Rating: AA Outlook: Stable

Issuer: Sumitomo Mitsui Financial Group, Inc.
Long-term Issuer Rating: AA Outlook: Stable

Issuer: Sumitomo Mitsui Banking Corporation
Long-term Issuer Rating: AA Outlook: Stable

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