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SMBC Aviation Capital Ltd.

Primary Credit Analyst:
Philip A Baggaley, CFA, New York (1) 212-438-7683; philip.baggaley@spglobal.com

Secondary Contact:
Betsy R Snyder, CFA, New York (1) 212-438-7811; betsy.snyder@spglobal.com

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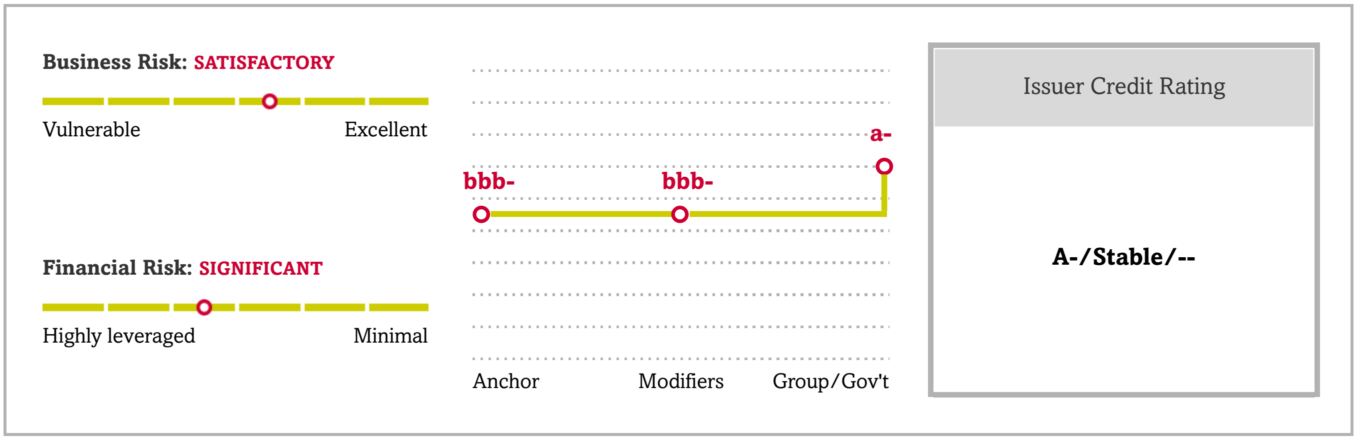
SMBC Aviation Capital Ltd.



Credit Highlights

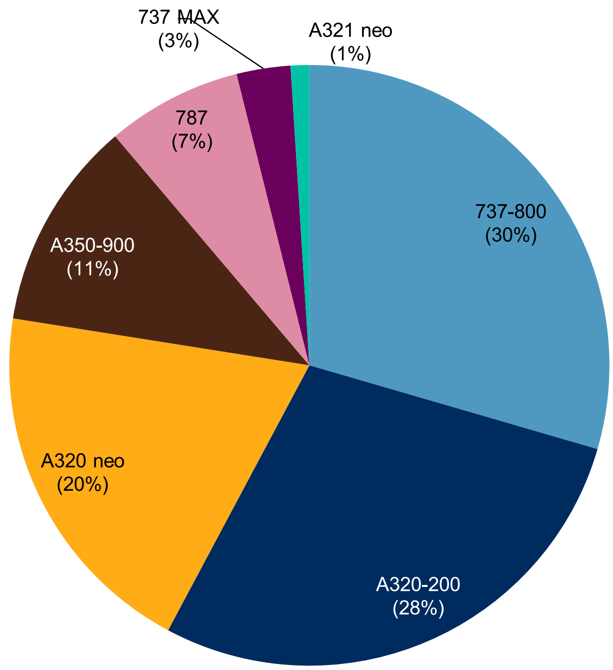
Overview

Key strengths	Key risks
Major aircraft operating leasing company	Slowing economic growth is likely to constrain global air traffic growth
Fleet of modern, widely used, and liquid aircraft	Likely increasing airline customer defaults
Potential support from parent company	Global aircraft leasing industry has attracted substantial investment and debt in recent years, boosting supply of leased aircraft and depressing some lease rates

SMBC Aviation has a fleet of 237 aircraft worth more than $10 billion, consisting entirely of widely used models, positioning it among the top five global provider of aircraft operating leases. SMBC Aviation Capital Ltd. is in the second tier of global aircraft leasing companies, with a fleet consisting entirely of popular, widely used narrowbody Airbus and Boeing aircraft, plus a small number of popular Boeing 787 and Airbus A350 widebody planes. These aircraft are easier to place with new airlines if existing customers default and turn back planes. The average fleet age is a relatively young 4.2 years, compared with about three to seven years for most large aircraft leasing companies (and about 10 years for the total global passenger aircraft fleet). Measured by value, 42% of SMBC Aviation's fleet comprises aircraft models with the latest technology. It also has an order book and other commitments to acquire planes for about 300 aircraft, primarily widely used new-technology narrowbodies such as the Airbus A320 neo and Boeing 737 MAX narrowbody families. In addition to its owned fleet, it manages 182 aircraft for other investors.

Chart 1

Aircraft Fleet Composition, By Book Value, As Of Sept. 30, 2019



Source: Company documents.

Slowing global economic growth will likely trim global air traffic growth to about 4%-5% annually, which is still close to long-term trends. After several years of above-average growth, air traffic is slowing and airline bankruptcies have increased. Large global aircraft leasing companies with a diverse customer portfolio, like SMBC, have generally been able to quickly repossess planes and lease them to new airline customers. A significant proportion of demand for new aircraft is to replace older, less-fuel-efficient models, so even in a slow-growth environment, there is an ongoing need for new aircraft. And longer-term trends toward increasing environmental regulation and charges increase demand for the newer planes that SMBC and its peers own. Leasing companies own about 40% of the world's fleet of commercial passenger aircraft, making them a major source of aircraft for airlines.

SMBC Aviation is owned jointly by Sumitomo Mitsui Financial Group Inc. (SMFG) and Sumitomo Corp., and we incorporate credit for the likelihood of extraordinary support from them, if needed, in our rating. SMBC's owners are major Japanese financial and diversified corporations that have supported SMBC's growth consistently. In November 2018, they provided a $1 billion equity contribution, which lowered SMBC's debt leverage and caused us to raise its stand-alone credit profile (SACP) to 'bbb-' and raise the issuer credit rating on the company to 'A-'. Our view of likely support, if necessary, from the parent companies results in ratings uplift of three notches from the SACP.

Outlook: Stable

The stable rating outlook on SMBC reflects our expectation that gradually increasing earnings and cash flow will support higher debt levels to fund capital expenditures. This should result in fairly stable credit ratios, with EBIT interest coverage at about 2x and a funds from operations (FFO)-to-debt ratio of about 9% through 2021.

Downside scenario

Although unlikely, we could lower our rating on SMBC over the next two years if its FFO-to-debt ratio declined below 6% for a sustained period. This could be caused by reduced aircraft lease rates due to weaker-than-expected demand and overcapacity.

Upside scenario

Although also unlikely, we could raise our rating on SMBC over the next two years if the company's FFO-to-debt ratio approached 13% while debt to capital remained below 70%. This could be driven by stronger-than-expected demand and higher lease rates.

Our Base-Case Scenario

Assumptions

- Global real GDP growth of 3.2% in 2019, 3.3% in 2020, and 3.3% in 2021, and air traffic growth averaging about 4%-5% annually.
- Although contracted aircraft deliveries over the next 12 months are worth $4.3 billion, we anticipate substantially less capital spending, reduced from previous plans by the delay of 737 MAX deliveries. However, this should pick up starting in fiscal 2021. We assume aircraft sales providing proceeds averaging more than $1 billion annually (which is the average rate of sales over the past five and a half years).
- We expect a slight decline in lease yields (lease rentals divided by the value of the aircraft fleet) through our forecast period compared with 2018 levels, due to the addition of newer lower-yielding aircraft and the sale of some older, higher-yielding ones (but the resulting fleet has a lower risk, in our view).

Key Metrics

	2018a	2019a	2020f	2021f
EBIT interest coverage (x)	2.1	1.9	1.9-2.0	1.9-2.0
FFO to debt (%)	8.8	8.8	8-9	8-9
Debt to capital (%)	77.5	69.8	about 70	about 70

Note: Fiscal years ending March 31. EBIT--Earnings before interest and taxes. FFO--Funds from operations. Capital--Debt plus equity. a--Actual. e--Estimate. f--Forecast.

- We do not believe the grounding of the 737 MAX will have a material effect on credit ratios, because only 3% of SMBC's current fleet value comprises that model (but it has large future orders for it). We expect the lower capital spending and debt needed to fund them will offset the lower revenues and earnings.
- Privately owned SMBC Aviation does not disclose its financial results, but makes selected information available.

Base-case projections

Following the large equity contribution from SMBC's parent companies in late 2018, we expect added debt to fund aircraft purchases to cause debt leverage (debt to capital, the measure we use for leasing companies) to drift up slightly, but remain around 70%. Other measures are likely to stay close to current levels as well, but the timing of the return of the 737 MAX aircraft to service could affect year-to-year comparisons somewhat.

Company Description

Dublin, Ireland-based SMBC is the world's fifth-largest aircraft leasing company, based on the estimated value of its owned and managed aircraft fleet, with a global customer base of airlines.

Business Risk: Satisfactory

SMBC has a solid market position in aircraft leasing as the fifth-largest company globally, with an owned and managed fleet worth about half that of industry leader AerCap Holdings N.V. Its fleet of aircraft is somewhat younger than those of most peers, and consists of about 58% current technology planes, such as the B737-800 and A320, and 42% new technology planes, such as the A320 neo (new engine option) and 737 MAX. It also has substantial orders for additional new aircraft, mostly A320 neo and B737 MAX. About 81% of the value of the fleet comprises narrowbody planes and the remainder new technology widebody planes.

We believe the grounding by regulators of all Boeing 737 MAX aircraft worldwide will not have a material effect on SMBC. These planes represented only 3% of its portfolio value on June 30, 2019. However, they comprise a substantial part of SMBC's contracted fiscal 2020 (ending March 31) aircraft deliveries. Lessors do not have an obligation to compensate airline lessees for the grounding of aircraft--that is between the manufacturer and the airline. The effect on SMBC and other aircraft lessors is to reduce revenues and earnings somewhat, but also reduce capital expenditures and the debt to fund them. So far, there is no evidence that the prolonged grounding will materially affect values of 737 MAX planes over the long term, but there will probably be some discount in lease rates for planes placed near-term. Airbus is well behind schedule delivering the competing A320 neo family planes and in no position to ramp up production further if airlines wanted to switch orders to those planes.

SMBC's aircraft portfolio is less diverse than that of some other lessors such as AerCap and Air Lease Corp., but focuses more on the most popular aircraft models. SMBC also has fewer widebody planes than some peers. Those larger aircraft tend to be somewhat less liquid in the resale market than narrowbody planes, but the airlines that lease them tend to be somewhat better credits and sign long (about 10-year) leases on newly delivered widebodies. Like most large aircraft lessors, SMBC chooses a mix of Airbus and Boeing products, reflecting overall airline demand.

Orders for planes in strong demand from airlines put an aircraft lessor in a good position to negotiate favorable lease terms and, in some cases, to place other planes it owns as part of package deals with airline customers. However, such orders also entail large and costly commitments, requiring ongoing access to a variety of funding sources. Like other aircraft lessors, SMBC also faces cyclical demand and lease rates for its aircraft, and its airline customers often have weak credit quality.

SMBC has a diverse airline customer portfolio, with no single airline accounting for more than 7% of total aircraft book value. This is not as diverse as those of larger lessors such as AerCap and General Electric Capital Aviation Services (GECAS), but still helps mitigate the risk of airline bankruptcies. Among major customers is Colombia-based Avianca, which defaulted on some debt obligations in 2019 but which we expect to restructure successfully. Overall, we would assess the credit quality of SMBC's customers as somewhat weaker than those of some large peers, with a higher-than-typical concentration (more than one quarter) in the Americas (mostly Latin America).

The long period of global economic expansion since the 2008-2009 downturn and robust traffic growth have attracted outside investment and lending to aircraft leasing companies. Chinese and (particularly in the past year) Japanese financial firms have expanded aircraft leasing activities or acquired lessors based elsewhere. Also, private equity and hedge funds have invested increasing amounts in various aircraft leasing ventures. This influx of capital has put pressure on lease rates in the secondary aircraft leasing market, where airlines use sale-leasebacks to finance planes (i.e., the airline sells a plane to a lessor, which leases it back on a medium-term contract to the airline). However, this affects lease rates on planes that lessors order directly from manufacturers (virtually all of SMBC's fleet) to a lesser extent. Also, some of the new investment and lending is targeting older aircraft (so-called "mid-life" aircraft, 12-20 years old), a market that SMBC does not serve. Still, we see an ongoing, more general risk that newer leasing companies with less experience repossessing and selling aircraft from defaulting airlines could depress the leasing market in a downturn by offering planes at very low lease rates.

Peer comparison

We show aircraft leasing peers with 'BBB' or 'BBB-' issuer credit ratings or SACP's, as we feel SMBC's 'bbb-' SACP is the most relevant comparison of operating and financial performance. Credit measures for these companies are fairly similar, but the size of the companies varies significantly. AerCap is the world's largest aircraft leasing company, with a fleet that is very diverse but somewhat older than that of SMBC. BOC Aviation is the most closely comparable lessor, with a similarly young fleet focused on narrowbody planes and majority ownership by an Asian (Bank of China) financial institution. Aviation Capital Group is also fairly similar, with a 'bbb-' SACP and ownership that is currently shifting from a U.S. insurance company to a Japanese financial company.

Table 1

SMBC Aviation Capital Ltd.--Peer Comparison

Industry sector: transportation equipment and services

	SMBC Aviation Capital Ltd.	**AerCap Holdings N.V.**	**Aviation Capital Group LLC**	**BOC Aviation Ltd.**
Ratings as of Nov. 20, 2019	A-/Stable/--	BBB/Stable/--	A-/Watch Neg/A-3	A-/Stable/--
	--Fiscal year ended March 31, 2019--	**--Fiscal year ended Dec. 31, 2018--**		
(Mil. $)				
Revenue	1,107.1	4,598.7	1,015.6	1,653.8
EBITDA	992.7	4,046.5	961.6	1,537.3
Funds from operations (FFO)	656.2	2,711.1	698.0	1,119.7
EBIT	736.9	2,434.6	492.7	1,062.3
Operating income	645.8	2,519.1	488.7	992.6
Net income from cont. oper.	296.7	1,015.6	265.9	620.4
Interest expense	392.4	1,280.1	297.2	405.9
Cash interest paid	304.7	1,334.8	263.6	361.8
Cash flow from operations	719.3	2,838.8	617.8	1,363.2
Capital expenditure	2,796.6	5,846.7	2,047.4	4,143.3
Free operating cash flow (FOCF)	(2,077.3)	(3,007.9)	(1,429.7)	(2,780.1)
Discretionary cash flow (DCF)	(2,077.3)	(3,850.7)	(1,429.7)	(3,002.4)
Cash and short-term investments	368.5	1,204.0	460.9	243.0
Debt	7,498.5	27,614.1	6,662.1	12,102.7
Equity	3,238.2	9,630.6	3,224.7	4,199.0
Adjusted ratios				
EBITDA margin (%)	89.7	88.0	94.7	93.0
EBIT margin (%)	66.6	52.9	48.5	64.2
Return on capital (%)	7.4	6.7	5.3	6.9
EBITDA interest coverage (x)	2.5	3.2	3.2	3.8
EBIT interest coverage (x)	1.9	1.9	1.7	2.6
FFO cash interest coverage (x)	3.2	3.0	3.6	4.1
Debt/EBITDA (x)	7.6	6.8	6.9	7.9
Total debt/debt plus equity (%)	69.8	74.1	67.4	74.2
FFO/debt (%)	8.8	9.8	10.5	9.3
Cash flow from operations/debt (%)	9.6	10.3	9.3	11.3
FOCF/debt (%)	(27.7)	(10.9)	(21.5)	(23.0)
DCF/debt (%)	(27.7)	(13.9)	(21.5)	(24.8)

Financial Risk: Significant

SMBC match funds its leases (i.e., its average debt term is close to its average remaining lease term) more closely than do many aircraft lessors, a practice that we believe reduces risk from interest rate movements or capital markets dislocations. SMBC's ability to match fund is aided by the fact that its parent companies provide almost half of its total debt, and the terms of those loans can be tailored to achieve that goal. Virtually all of SMBC's debt is unsecured, implying that the company would have substantial unencumbered aircraft to offer as collateral for secured borrowing in a stress scenario.

Financial summary

Table 2

SMBC Aviation Capital Ltd.--Financial Summary

Industry sector: transportation equipment and services

	--Fiscal year ended March 31--				
	2019	**2018**	**2017**	**2016**	**2015**
(Mil. $)					
Revenue	1,107.1	1,032.9	1,090.6	974.5	879.9
EBITDA	992.7	924.8	986.6	856.5	776.2
Funds from operations (FFO)	656.2	628.1	704.2	588.2	514.6
EBIT	736.9	626.5	628.2	495.9	490.7
Operating income	645.8	595.6	613.0	474.2	438.2
Net income from continuing operations	296.7	275.7	270.7	175.0	164.5
Interest expense	392.4	307.1	315.7	292.1	296.5
Cash interest paid	304.7	283.5	281.8	262.4	254.7
Cash flow from operations	719.3	430.0	582.9	753.9	612.6
Capital expenditure	2,796.6	2,011.5	1,772.3	1,303.6	2,215.6
Free operating cash flow (FOCF)	(2,077.3)	(1,581.5)	(1,189.4)	(549.7)	(1,603.0)
Discretionary cash flow (DCF)	(2,077.3)	(1,581.5)	(1,189.4)	(549.7)	(1,603.0)
Cash and short-term investments	368.5	240.0	255.2	159.6	234.9
Gross available cash	368.5	240.0	255.2	159.6	234.9
Debt	7,498.5	7,174.1	7,348.9	7,058.2	7,137.7
Equity	3,238.2	2,075.0	1,786.3	1,471.1	1,322.5
Adjusted ratios					
EBITDA margin (%)	89.7	89.5	90.5	87.9	88.2
EBIT margin (%)	66.6	60.6	57.6	50.9	55.8
Return on capital (%)	7.4	6.8	7.1	5.8	5.9
EBITDA interest coverage (x)	2.5	3.0	3.1	2.9	2.6
EBIT interest coverage (x)	1.9	2.0	2.0	1.7	1.7
FFO cash interest coverage (x)	3.2	3.2	3.5	3.2	3.0
Debt/EBITDA (x)	7.6	7.8	7.4	8.2	9.2
Debt/debt and equity (%)	69.8	77.6	80.4	82.8	84.4
FFO/debt (%)	8.8	8.8	9.6	8.3	7.2
Cash flow from operations/debt (%)	9.6	6.0	7.9	10.7	8.6
FOCF/debt (%)	(27.7)	(22.0)	(16.2)	(7.8)	(22.5)
DCF/debt (%)	(27.7)	(22.0)	(16.2)	(7.8)	(22.5)

Liquidity: Strong

We assess SMBCAC's liquidity as strong. We believe that the company's sources will likely be about 3x its uses over the next 12 months and about 3.5x over the following 12 months. We believe it would maintain enough liquidity to exceed needs even if EBITDA declines by 30% and that it has prudent risk management.

Principal Liquidity Sources	Principal Liquidity Uses
• $460.4 million unrestricted cash and short-term investments as of Sept. 30, 2019; • FFO of more than $650 million a year; • Availability under its various credit facilities from its shareholders and other banks; • Proceeds from aircraft sales; and • Potential capital markets transactions.	• Debt maturities of $763.7 million over the next 12 months and as of Sept. 30, 2019; and • Committed capital spending for new aircraft as of March 31, 2019, was about $1.7 billion for 2020 and about $1.9 billion for 2021, but this is likely to be less in 2020 and greater in 2021 because of the suspended 737 MAX deliveries.

Debt maturities

Table 3

Debt Maturities*	
2020	661.4
2021	477.5
2022	1,166.1
2023	1,166.1
2024	1,166.1
Thereafter	3,194.0

*As of March 31, 2019.

Covenant Analysis

Compliance expectations

The company does not disclose covenant information, but it was in compliance with its covenants as of Sept. 30, 2019, and we expect it to remain so.

Environmental, Social, And Governance

We view SMBC Aviation as better positioned than most of its peers on environmental factors due to its aircraft fleet and order book, which have significant proportions of aircraft with the newest technology. SMBC's exposure to the airline industry means that environmental considerations are more important than social factors. The average age of its fleet is slightly over four years, which is younger than those of most of its leasing peers (whose average fleet ages generally range from three years to seven years). About 40% of its fleet (by book value) comprises of new technology, fuel-efficient aircraft models, as are almost all of its large order book future deliveries. The remaining aircraft are current technology planes that we expect to remain in widespread use for many years.

Aircraft lessors are subject to the airline industry's environmental risk. We view the airline industry as having moderately high exposure to environmental risk, principally because of a long-term trend toward tighter regulation of GHG emissions, which will result in strong demand for new, more fuel efficient aircraft. Regarding social factors, airlines and manufacturers are generally more exposed to safety risk (either liability or reputational) than are leasing companies.

We view SMBC as on par with the industry in terms of social risk and governance. Social risk is minimal, as labor is not unionized and accounts for only a small percentage of operating costs. Risk relating to safety is mitigated by the requirement that airline customers carry insurance on the planes they lease. We view management and governance of SMBC favorably and assess it as satisfactory. Management has significant experience in the industry and, although the company is owned by Japanese corporations, it has operated fairly independently. We assess management and governance as satisfactory.

Group Influence

We assess SMBC Aviation as strategically important to its parent companies, Sumitomo Mitsui Financial Group Inc. (SMFG) and Sumitomo Corp. This results in a three-notch uplift from SMBC Aviation's 'bbb-' SACP, and thus an 'A-' issuer credit rating.

Issue Ratings - Subordination Risk Analysis

Capital structure

SMBC Aviation's debt capital structure consisted of $8.4 billion of debt as of Sept. 30, 2019, all but 0.1% of which is unsecured. This consists of loans from parent entities and third-party bank and capital markets financing. Third-party unsecured notes are issued by SMBC Aviation Capital Finance DAC, a financing subsidiary, and are guaranteed by SMBC Aviation. We count $300 million of subordinated debt from parent entities as equity in our analysis.

Analytical conclusions

We equalize our issue-level rating on senior unsecured debt issued by SMBC Aviation and its subsidiaries with our issuer credit ratings on those subsidiaries and on SMBC because no significant elements of subordination risk are present in its capital structure.

Reconciliation

Table 4

Reconciliation Of SMBC Aviation Capital Ltd. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. $)

	--Fiscal year ended March 31, 2019--			
SMBC Aviation Capital Ltd. reported amounts				
	Debt	**Shareholders' equity**	**Operating income**	**S&P Global Ratings' adjusted EBITDA**
	7,831.1	2,938.2	645.8	992.3
S&P Global Ratings' adjustments				
Cash taxes paid	--	--	--	(31.7)
Cash taxes paid: other	--	--	--	--
Cash interest paid	--	--	--	(304.7)
Reported lease liabilities	36.0	--	--	--
Accessible cash and liquid investments	(525.5)	--	--	--
Nonoperating income (expense)	--	--	91.1	--
Equity: other	300.0	300.0	--	--
Total adjustments	(189.5)	300.0	91.1	(336.4)
S&P Global Ratings' adjusted amounts				
	Debt	**Equity**	**EBIT**	**Funds from operations**
	7,498.5	3,238.2	736.9	656.2

Ratings Score Snapshot

Issuer Credit Rating

A-/Stable/--

Business risk: Satisfactory

- **Country risk:** Intermediate
- **Industry risk:** Intermediate
- **Competitive position:** Satisfactory

Financial risk: Significant

- **Cash flow/leverage:** Significant

Anchor: bbb-

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb-

- **Group credit profile:** a
- **Entity status within group:** Strategically important (+3 notches from SACP)

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria - Corporates - Industrials: Key Credit Factors For The Operating Leasing Industry, Dec. 14, 2016
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	**bbb-/bb+**	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of December 18, 2019)*

SMBC Aviation Capital Ltd.	
Issuer Credit Rating	A-/Stable/--
Issuer Credit Ratings History	
29-Nov-2018	A-/Stable/--
26-Nov-2018	BBB+/Watch Pos/--
02-Dec-2014	BBB+/Stable/--
Related Entities	
Banco Sumitomo Mitsui Brasileiro S.A.	
Issuer Credit Rating	
Brazil National Scale	brAAA/Stable/brA-1+
SMBC Bank EU AG	
Issuer Credit Rating	A/Positive/A-1
SMBC Derivative Products Ltd.	
Issuer Credit Rating	AA-/Stable/--
SMBC Nikko Securities Inc.	
Issuer Credit Rating	A/Positive/A-1
SMFG Preferred Capital JPY 3 Ltd.	
Preferred Stock	BBB-
Sumitomo Mitsui Banking Corp.	
Issuer Credit Rating	A/Positive/A-1
Commercial Paper	A-1
Senior Unsecured	A
Senior Unsecured	A-1
Short-Term Debt	A-1
Subordinated	A-
Sumitomo Mitsui Banking Corp. (Brussels Branch)	
Commercial Paper	A-1
Sumitomo Mitsui Banking Corp. (China) Ltd.	
Issuer Credit Rating	A/Positive/A-1
Sumitomo Mitsui Banking Corp. (Dusseldorf Branch)	
Commercial Paper	A-1

Ratings Detail (As Of December 18, 2019)*(cont.)	
Sumitomo Mitsui Banking Corp. Europe Ltd.	
Issuer Credit Rating	A/Positive/A-1
Sumitomo Mitsui Banking Corp. (Sydney Branch)	
Certificate Of Deposit	A/A-1
Senior Unsecured	A
Sumitomo Mitsui Finance and Leasing Co. Ltd.	
Issuer Credit Rating	A-/Stable/--
Sumitomo Mitsui Financial Group Inc.	
Issuer Credit Rating	A-/Positive/NR
Senior Unsecured	A-
Subordinated	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.