

Credit Rating Report

Sumitomo Mitsui Banking Corp.

Issuer Credit Rating*: AAA_{spc}; Outlook: Stable

March 1, 2021

Analysts:

Longtai Chen: +86-10-6516-6065; longtai.chen@spgchinaratings.cn

Cong Cui: +86-10-6516-6068; cong.cui@spgchinaratings.cn

Xiaochen Luan, CFA, FRM: +86-10-6516-6069; collins.luan@spgchinaratings.cn

Contents

Rating Summary	2
Credit Highlights	2
Rating Outlook	3
Related Methodologies, Models & Research.....	3
Attachment: Full Analysis on Sumitomo Mitsui Banking Corp. by S&P Global Ratings	4
Appendix: Rating History of Sumitomo Mitsui Banking Corp. by S&P Global (China) Ratings.....	21

* This rating is an Issuer Credit Rating (ICR). An ICR reflects our view of the senior unsecured credit rating of an issuer and is not specific to an individual issuance that it may issue.

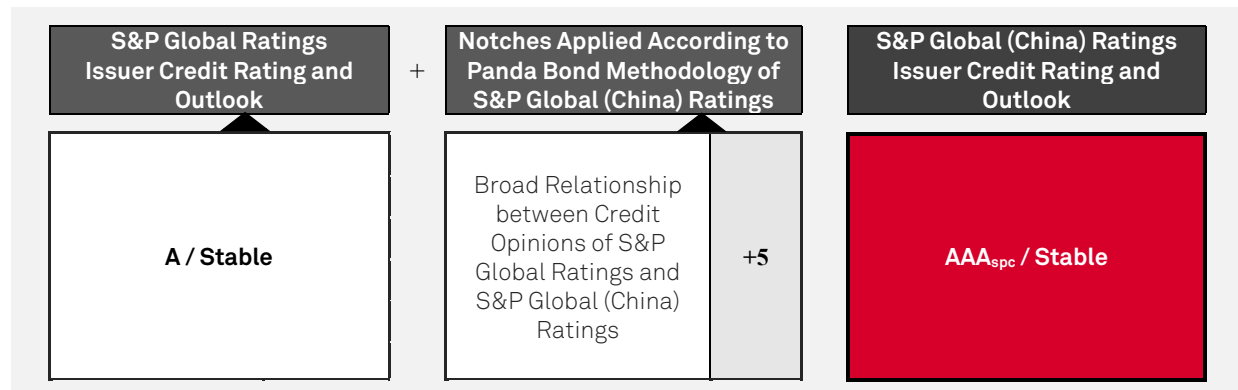
S&P RATINGS (CHINA) CO., LTD. (SP CHINA) RATINGS, AS DESIGNATED BY "spc" AT THE END OF THE RATING SYMBOL, ARE ASSIGNED ON A RATING SCALE THAT IS DISTINCT FROM THE S&P GLOBAL RATING SCALE. AN S&P CHINA RATING MUST NOT BE EQUATED WITH OR REPRESENTED AS A RATING ON THE S&P GLOBAL RATINGS SCALE.

The rating presented in this report is effective from the rating date, until and unless we make any further updates.

This document is prepared in both English and Chinese. The English translation is for reference only, and the Chinese version will prevail in the event of any inconsistency between the English version and the Chinese version.

Rating Summary

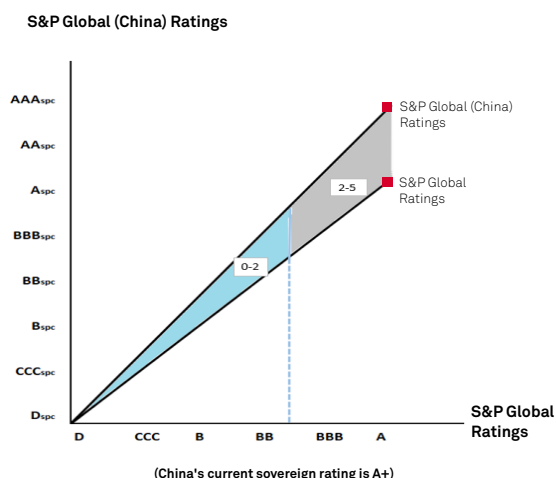
Company Name	Rating Type	Current Rating	Rating Date	Outlook/CreditWatch
Sumitomo Mitsui Banking Corp.	Issuer Credit Rating	AAA _{spc}	March 1, 2021	Stable



We have assigned our AAA_{spc} issuer credit rating to Sumitomo Mitsui Banking Corp. (SMBC), a Japan-based megabank, based on the 'A' issuer credit rating assigned by S&P Global Ratings with a stable outlook, and a five-notch uplift through the application of the Panda Bond Methodology of S&P Global (China) Ratings. The outlook is stable.

According to our Panda Bond Methodology, our analysis of foreign issuers typically considers the credit opinion which S&P Global Ratings may have on that issuer. Where a foreign domiciled issuer has stronger credit quality characteristics, such as "BBB" category or above credit quality as determined by S&P Global Ratings, S&P Global (China) Ratings may assign a view of credit quality typically in the range of two to five notches higher than the credit quality opinion of S&P Global Ratings. Under this methodology, the notch uplift above a rating assigned by S&P Global Ratings is based on the broad relationship observed between the credit quality opinions of S&P Global Ratings and S&P Global (China) Ratings.

Broad Relationship Between Credit Opinions of S&P Global Ratings and S&P Global (China) Ratings



Credit Highlights

The following are strengths and weaknesses of SMBC as identified by S&P Global Ratings:

Strengths	Weaknesses
<ul style="list-style-type: none"> Strong business position backed by a leading market position in Japan Stable funding and strong liquidity backed by a domestic retail deposit base High likelihood of extraordinary government support if needed 	<ul style="list-style-type: none"> Continued decline in net interest margins on domestic loans because of a tough competitive environment A growing need for foreign currency-denominated funds because of rising overseas loan assets while foreign currency funding is weaker than yen funding

Note: This strengths and weakness analysis is an excerpt from the credit report on SMBC from S&P Global Ratings, and it should be used and interpreted in the context of the rating criteria of S&P Global Ratings. See the appendix for the full report from S&P Global Ratings.

Rating Outlook

The stable outlook considers the rating S&P Global Ratings has assigned to SMBC and the notching elevation we have applied.

Downside Scenario: We may consider the possibility of lowering our rating on SMBC if S&P Global Ratings downgrades the issuer.

Related Methodologies, Models & Research

Methodology Applied:

- [S&P Global \(China\) Ratings -Panda Bond Methodology.](#)
- [S&P Global \(China\) Ratings General Considerations on Rating Modifiers and Relative Ranking.](#)

Models Applied: None.

Attachment: Full Analysis on Sumitomo Mitsui Banking Corp. by S&P Global Ratings

S&P Global
Ratings

RatingsDirect®

**Sumitomo Mitsui Financial Group
Inc.** (Holding Company)

Sumitomo Mitsui Banking Corp. (Lead Bank)

Primary Credit Analyst:

Chizuru Tateno, Tokyo + 81 3 4550 8578; chizuru.tateno@spglobal.com

Secondary Contact:

Toshihiro Matsuo, Tokyo + 81 3 4550 8225; toshihiro.matsuo@spglobal.com

Table Of Contents

Major Rating Factors

Outlook

Rationale

Related Criteria

Sumitomo Mitsui Financial Group Inc. (Holding Company)

Sumitomo Mitsui Banking Corp. (Lead Bank)

SACP	a	+	Support	0	+	Additional Factors	0				
Anchor	bbb+		ALAC Support	0	<table border="1"> <tr> <td>Issuer Credit Rating</td> </tr> <tr> <td>A/Stable/A-1</td> </tr> <tr> <td>Bank Holding Company ICR</td> </tr> <tr> <td>A-/Stable/NR</td> </tr> </table>			Issuer Credit Rating	A/Stable/A-1	Bank Holding Company ICR	A-/Stable/NR
Issuer Credit Rating											
A/Stable/A-1											
Bank Holding Company ICR											
A-/Stable/NR											
Business Position	Strong	+1	GRE Support	0							
Capital and Earnings	Adequate	0	Group Support	0							
Risk Position	Adequate	0	Sovereign Support	0							
Funding	Above Average	+1									
Liquidity	Strong										

Major Rating Factors

Strengths:	Weaknesses:
<ul style="list-style-type: none"> • Strong business position backed by a leading market presence in Japan • Stable funding and strong liquidity backed by its domestic retail deposit base • High likelihood of extraordinary government support if needed 	<ul style="list-style-type: none"> • Continued decline in net interest margins on domestic loans because of a tough competitive environment • A growing need for foreign currency-denominated funds because of rising loan assets overseas while foreign currency funding is weaker than yen funding

*Sumitomo Mitsui Financial Group Inc.***Outlook: Stable**

S&P Global Ratings has stable outlooks on Japan-based SMBC Group's nonoperating holding company, Sumitomo Mitsui Financial Group Inc. (SMFG), its lead bank, Sumitomo Mitsui Banking Corp. (SMBC), and the group's core banking subsidiaries. The stable outlooks reflect our expectation that the entities' credit profiles will remain stable for the coming two years. This reflects our view that the likelihood of government support in times of need will underpin the ratings despite likely deterioration in the banks' performances as a result of weaker operating conditions brought about by the COVID-19 pandemic.

We might consider upgrading SMFG and its core banking subsidiaries if we raise our sovereign credit rating on Japan and believe the group can maintain its asset quality and earnings buffer. We also might upgrade the entities if we raise our group stand-alone credit profile (SACP) for SMBC Group, our assessment of its group creditworthiness excluding the likelihood of extraordinary government support.

Conversely, we might consider lowering our group SACP for SMBC Group if we revise downward credit factors specific to the group. Downward revision of credit factors specific to the group could occur as a result of worsening balances between capital and risk-weighted assets, downward pressure on its foreign currency funding structure as a result of increased foreign currency assets, and substantially weakening credit quality of its asset portfolio. However, as long as the long-term sovereign credit rating remains unchanged, we are likely to maintain our current ratings on the entities unless we lower our group SACP three notches or more. This is because we would take into account of the likelihood of receiving extraordinary government support in times of need.

Rationale

The ratings on SMFG and its core banking subsidiaries reflect our view that SMBC Group maintains a strong competitive position in Japan's commercial banking and retail financial markets and that SMBC Group's revenue is well-diversified by region and business line. The group has taken measures to restructure group companies and reduce strategic shareholdings as part of its endeavor to meet banking regulatory requirements for global systemically important banks (G-SIBs) and to strengthen its governance structure. Our risk-adjusted capital (RAC) ratio for SMBC Group has improved in recent years and we view it as likely remain adequate. However, conditions to generate earnings remain severe. Although the group continues to enjoy higher spreads on domestic lending than other banks, any improvement is unlikely. In addition, the global economic downturn stemming from the COVID-19 pandemic will likely put downward pressure on the group's asset quality and earnings. Therefore, we assess the group SACP as 'a'.

SMBC Group has a high likelihood of receiving extraordinary government support in times of need, in our opinion. However, this does not provide any uplift to the ratings as long as our sovereign rating on Japan is 'A+'. We believe the group's nonoperating holding company, SMFG, is also likely to receive extraordinary government support. However, the long-term issuer credit rating on SMFG is one notch lower than those on its core operating banks, reflecting structural subordination as a nonoperating holding company.

Sumitomo Mitsui Financial Group Inc.

Anchor:'bbb+' for SMBC Group reflects rising overseas exposure and an economic risk score of '3'

We assess SMBC Group's anchor as 'bbb+', equivalent to the anchor for a bank operating primarily in Japan. However, the economic risk score for the group is higher than that for Japan's banking sector. The economic risk score for the group is '3', which reflects the group's expanding exposure to overseas countries and regions we regard as having higher economic risk than Japan, as well as changes in our economic risk scores for these countries and regions. The score also incorporates qualitative assessments of factors such as its business strategies.

We believe banks operating in Japan face low economic risks in comparison with banks globally. Japanese banks benefit from operating in a large and diversified economy with various competitive industries. These strengths offset certain structural weaknesses, such as Japan's aging society, low economic growth, and limited fiscal flexibility to stimulate the economy because of the government's debt level, which is one of the highest among developed countries. At the same time, S&P Global Ratings also foresees gradual development of downward pressure on its assessment of Japan's economic risk, due to the COVID-19 pandemic slowing the economy.

Conversely, we view the industry risk that Japanese banks face as relatively higher than that of their peers because of the fragmented market and its low profitability. S&P Global Ratings believes the current situation, in which banks endure ongoing low profitability, poses a risk to the stability of Japan's banking system.

Table 1

Sumitomo Mitsui Financial Group Inc. Key Figures					
--Fiscal year*--					
(Bil. ¥)	2019	2018	2017	2016	2015
Adjusted assets	209,801	193,325	189,608	188,755	178,188
Customer loans (gross)	82,737	78,227	75,275	82,633	77,053
Operating revenues	2,825	2,907	3,020	2,945	2,868
Noninterest expenses	1,722	1,689	1,791	1,783	1,697
Core earnings	760	789	864	829	829

*Fiscal years end March 31 of the following year.

Business position: Strong in domestic commercial and retail banking

We view SMBC Group as maintaining a strong competitive position in the domestic commercial and retail banking markets. Groupwide revenue is well-diversified by region and business line. These factors support our assessment of the group as having a strong business position. SMFG is a bank holding company that owns one of the largest banks in Japan, with ¥226 trillion in total assets as of June 30, 2020. The group's main operating bank, SMBC, provides traditional commercial banking services using its nationwide network in Japan and its overseas operations. Other group companies engage in leasing, brokerage and investment services, and credit card and consumer finance.

SMBC Group's expansion of its overseas operations in recent years has allowed it to establish a well-balanced business portfolio, in our view. We expect the group to maintain this business portfolio in coming years. Profit from the international business unit made up 34% of the group's total net operating profit in fiscal 2019 (ended March 31, 2020). Under its new medium-term management plan for the three years through March 2023, the group aims to achieve an increase of ¥100 billion in consolidated net operating profit (on a net basis), with an expectation of ¥90 billion in profit growth from its global corporate and investment banking (GCIB) business and Asian operations. Forming part of this

Sumitomo Mitsui Financial Group Inc.

foothold in Indonesia is PT Bank BTPN Tbk, the bank established through the merger of PT Bank Sumitomo Mitsui Indonesia and PT Bank Tabungan Pensiunan Nasional Tbk, and it had total assets of about ¥1.4 trillion as of March 31, 2020. The group is likely to continue to strengthen overseas businesses with growth potential, such as banking in Asia excluding Japan.

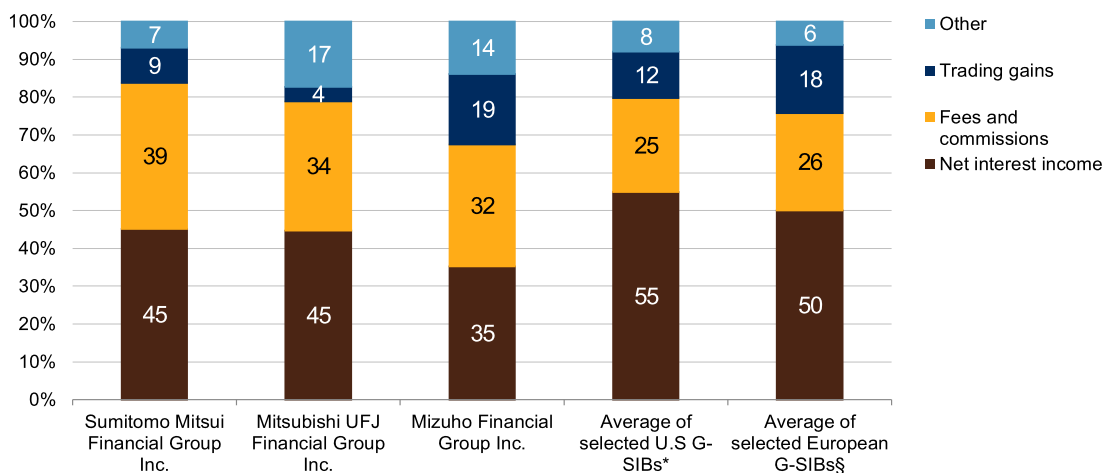
Nevertheless, SMBC Group does not have an extensive retail deposit base in major currency countries outside Japan. This may pressure its ability to take on foreign currency funding stably when market conditions deteriorate. This contrasts with its ample liquidity and abundant funding in the domestic currency. It also constrains further growth of its overseas business. As a result, through flexible control of its overseas loan assets, the group aims to strengthen its revenue base in areas that do not require material growth in foreign currency assets.

SMBC Group has stable customer bases in both retail and corporate banking in Japan, in our view. Domestic retail deposits are stable. SMBC Group has strong main bank relationships with many corporate customers, and these customers have maintained long-term relationships with the group. SMBC Group has established groupwide business units to further support client needs. Specifically, it has integrated its management structure across the group's legal entities, including SMBC and nonbank group companies.

Chart 1

Revenue Sources Are Diversified

Sumitomo Mitsui Financial Group breakdown of operating revenue comparison



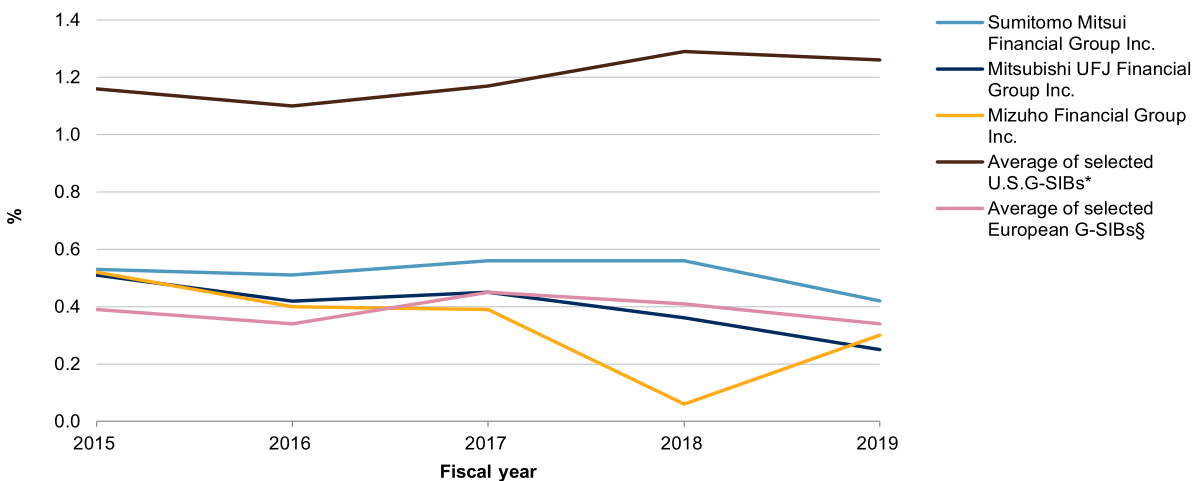
As of March 31, 2020, for Japanese banks; as of Dec. 31, 2019, for U.S. and European G-SIBs. *U.S. global systemically important banks: Citigroup, Bank of America, JP Morgan, Wells Fargo. §European global systemically important banks: Barclays, HSBC, BNP Paribas, Deutsche Bank. Source: S&P Global Ratings, based on company disclosures.

Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

Sumitomo Mitsui Financial Group Inc.

Chart 2**Weaker Profitability Than Global Peers**

Sumitomo Mitsui Financial Group pretax return on assets comparison



Fiscal years end March 31 of the following year for Japanese banks. *U.S. global systemically important banks: Citigroup, Bank of America, JP Morgan, Wells Fargo. §European global systemically important banks: Barclays, HSBC, BNP Paribas, Deutsche Bank. Source: S&P Global Ratings, based on company disclosures. Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

Capital and earnings: Capital remains adequate despite temporary downward pressure from the pandemic

We expect SMBC Group to maintain adequate capital in the next two years or so. We expect a group RAC ratio of 7.3%-7.8% during the period (it was 7.3% as of March 31, 2020), followed by moderate improvements from fiscal 2021. The group RAC ratio will likely come under temporary pressure. We base this on our view that the ratio of the group's credit costs to average loan balance will rise to about 0.5% in fiscal 2020 amid the pandemic from 0.14% prior to it in fiscal 2018. We also expect its loan balance to increase about 6% year on year as of the end of March 2021 in response to major corporate customers' needs for liquidity on hand.

SMBC Group's RAC ratio is susceptible to volatility in unrealized gains on equity holdings. As of the end of March 2020, market risk exposures made up 11% of its risk-weighted assets. This included exposure to equities and fund-related holdings in its banking account, excluding the trading account. If a fall in stock prices lowers unrealized gains, its risk-weighted assets would increase and weaken its RAC ratio. This is because we factor in unrealized gains in such exposure. As of the end of March 2020, market risk-weighted assets in SMBC Group's banking book that we include in its RAC ratio had risen more than 30%, due mainly to a decline in stock prices.

We estimate SMBC Group's earnings buffer at 35-45 basis points (bps) over the next one to two years. We consider this modest, reflecting our view that net interest margins will remain low. We base our estimate on our assumption that the normalized loss rate over its credit risk exposure would be 0.26% under our RAC framework. Although the

Sumitomo Mitsui Financial Group Inc.

economic slowdown amid the COVID-19 pandemic may temporarily raise the actual loss rate beyond our estimate of the group's normalized loss rate, the group's actual credit costs remained lower than our estimate amid Japan's stable credit market of recent years.

Table 2**Sumitomo Mitsui Financial Group Inc. Capital And Earnings**

(%)	--Fiscal year*--				
	2019	2018	2017	2016	2015
Tier 1 capital ratio	16.6	18.2	16.7	14.1	13.7
Double leverage	106.3	107.1	111.4	111.7	116.7
Net interest income/operating revenues	45.2	45.8	46.0	46.1	49.6
Fee income/operating revenues	38.5	36.6	35.4	34.5	35.1
Market-sensitive income/operating revenues	11.9	6.7	8.5	9.5	9.7
Cost to income ratio	61.0	58.1	59.3	60.5	59.2
Provision operating income/average assets	0.5	0.6	0.6	0.6	0.6
Core earnings/average managed assets	0.4	0.4	0.4	0.4	0.4

*Fiscal years end March 31 of the following year.

Table 3**Sumitomo Mitsui Financial Group Inc. Risk-Weighted Assets And Risk-Adjusted Capital Ratios**

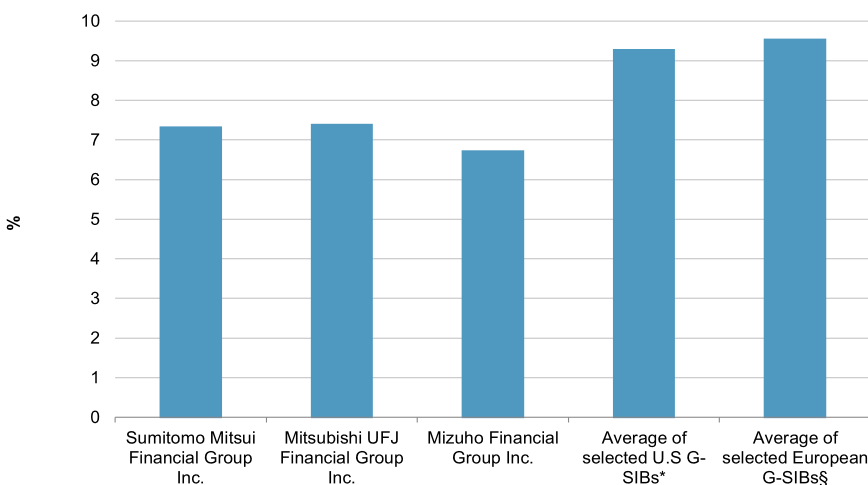
	(Bil. ¥)
S&P Global Ratings' risk-weighted assets (S&PGR RWA): Total credit risk (1)	88,545
Government and central banks	1,344
Institutions and central counterparties	5,401
Corporate	65,663
Retail	8,344
Securitization	3,738
Other assets	4,055
S&PGR RWA: Credit valuation adjustment (2)	0
S&PGR RWA: Total market risk (3)	16,099
S&PGR RWA: Total operational risk (4)	5,663
S&PGR RWA before diversification (5)=(1)+(2)+(3)+(4)	110,306
Total adjusted capital (TAC) (6)	8,079
Risk-adjusted capital (RAC) (%) (7)=(6)/(5)	7.3

As of March 31, 2020.

Sumitomo Mitsui Financial Group Inc.

Chart 3**Adequate Capital Maintained**

Sumitomo Mitsui Financial Group risk-adjusted capital ratio comparison



As of March 31, 2020, for Japanese banks, as of Dec. 31, 2019, for U.S. and European G-SIBs. *U.S. global systemically important banks: Citigroup, Bank of America, JP Morgan, Wells Fargo. §European global systemically important banks: Barclays, HSBC, BNP Paribas, Deutsche Bank. Source: S&P Global Ratings, based on company disclosures.

Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

Risk position: Credit costs rise temporarily and asset quality remains favorable

SMBC Group's credits cost will inevitably increase temporarily in fiscal 2020, given the influence of the spread of COVID-19. However, we expect the group's asset quality to remain largely sound. In our view, the major risk to SMBC Group is credit risk related to commercial banking. SMBC Group has average business complexity compared with major global financial groups. SMBC Group has extensive operations in multiple countries and regions, making its business somewhat complex. However, investment banking business accounts for a limited portion of the group's overall earnings.

We estimate the ratio of SMBC Group's credit costs to average loan balance is likely to deteriorate to about 0.5% in fiscal 2020 and about 0.3%-0.4% in fiscal 2021. This estimate incorporates a stagnant economy amid the COVID-19 pandemic followed by a scenario of economic recovery. S&P Global Ratings' macroeconomic forecast forms our estimate, and Japan's real GDP, for example, will shrink 5.5% in 2020 before rebounding 2.7% in 2021. We also see some downside risks, including a delay in or further weakening of a recovery in the global economy. In addition, one characteristic of Japan's banking industry is a main bank system, where banks and corporations value long-term stable relationships. Thus, if deterioration occurs in the business performance of large borrowers with which SMBC Group has close relationships, the group may incur large losses or experience an increase in nonperforming loans (NPLs). The group's ratio of gross NPLs remained low at 0.9% and the ratio of its credit costs to average loan balance was about

Sumitomo Mitsui Financial Group Inc.

0.5% as of the end of September 2020.

SMBC Group is focused on overseas expansion. As a consequence, we think the weaker global economy may adversely affect the group. The international business division accounted for about 35% of the group's regulatory risk-weighted assets as of the end of March 2020. Assets with low probability of default under the group's internal rating scores dominate its overseas loan exposures. Therefore, the group's overseas loan portfolio is unlikely to cause losses far exceeding the normalized loss amount, about ¥550 billion-¥600 billion per year, under our RAC framework, in our opinion.

We believe SMBC Group is exposed to market risk mainly from its cross-shareholdings and government bond portfolio. In particular, its banking book has material exposure to interest rate risk that the RAC framework does not cover. Nevertheless, SMBC Group's Japanese government bondholdings were about ¥10.3 trillion as of Sept. 30, 2020, a significant reduction from about ¥27 trillion as of March 31, 2013. SMBC Group held about ¥10.2 trillion in foreign bonds in the same period. We believe SMBC Group's interest risk is likely to remain manageable. According to the group's disclosure of interest rate risk in its banking book, the calculated maximum decline in present economic value of equity under a scenario of an upward parallel shift in interest rates was equivalent to 9.6% of its Tier 1 capital as of March 31, 2020.

Table 4**Sumitomo Mitsui Financial Group Inc. Risk Position**

(%)	--Fiscal year*--				
	2019	2018	2017	2016	2015
Growth in customer loans	5.8	3.9	(8.9)	7.2	2.8
New loan loss provisions/average customer loans	0.2	0.1	0.1	0.2	0.1
Net charge-offs/average customer loans	0.2	0.2	0.3	0.3	0.1
Gross nonperforming assets/customer loans + other real estate owned	0.8	0.9	0.9	1.1	1.2
Loan loss reserves/gross nonperforming assets	76.3	69.3	81.6	74.4	67.5

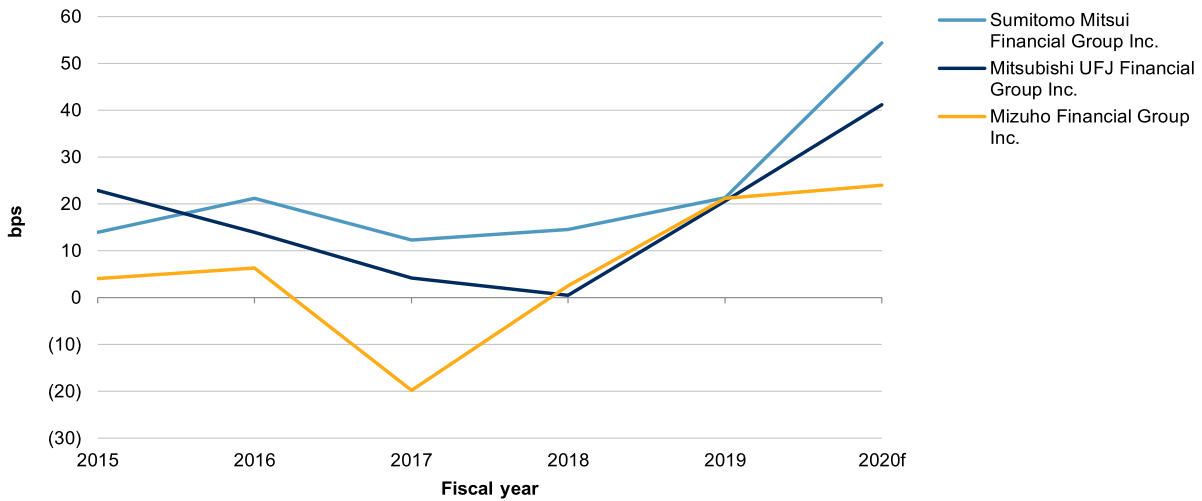
*Fiscal years end March 31 of the following year.

Sumitomo Mitsui Financial Group Inc.

Chart 4

Credit Costs Rise Due To COVID-19

Sumitomo Mitsui Financial Group credit costs ratio comparison



Fiscal years end March 31 of the following year. bps--basis points. f--Forecast. Source: S&P Global Ratings, based on companies' disclosures.

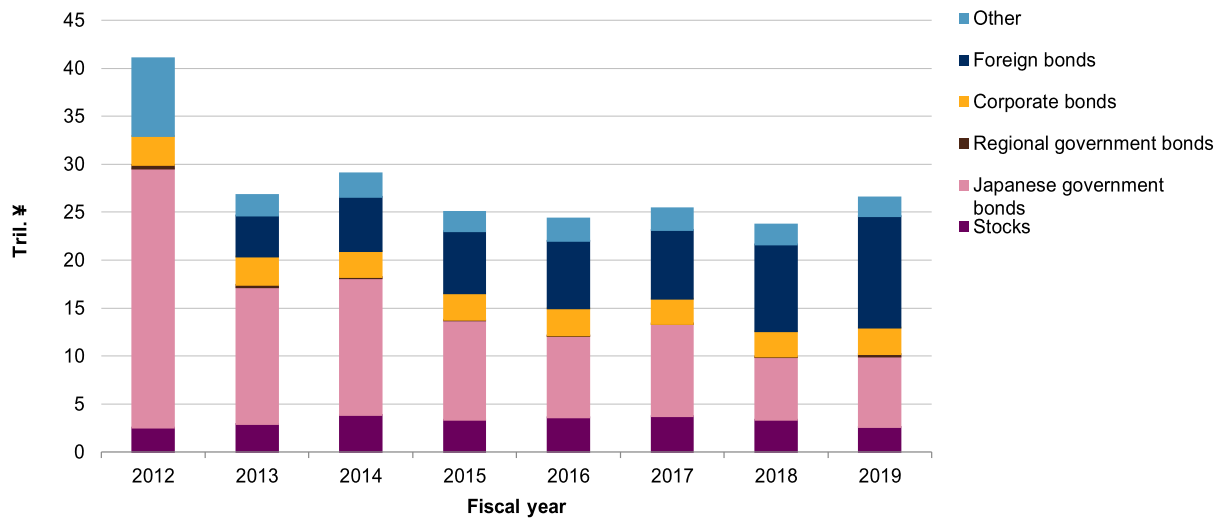
Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

Sumitomo Mitsui Financial Group Inc.

Chart 5

Foreign Bondholdings Increase

Sumitomo Mitsui Financial Group securities holdings, held-to-maturity and available-for-sale



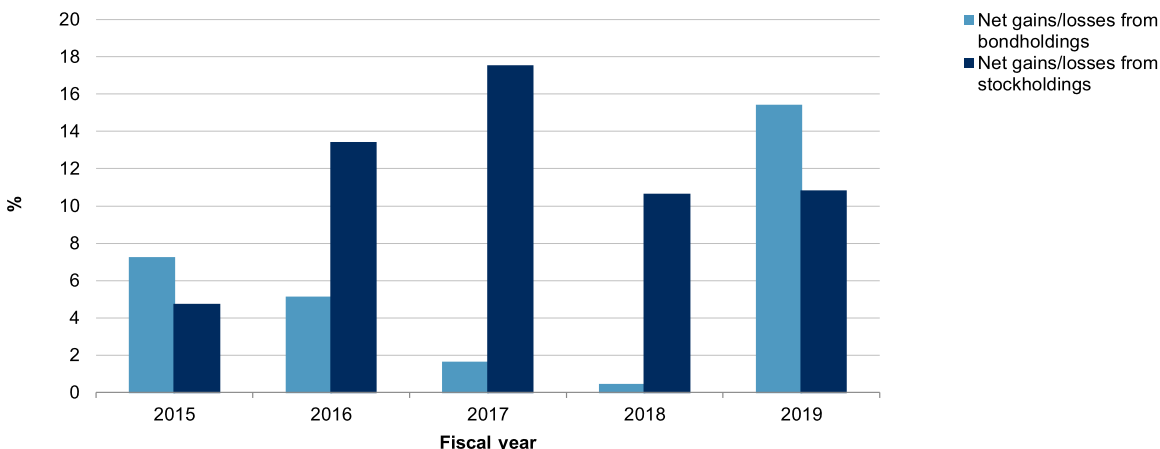
Fiscal years end March 31 of the following year. Note: The "Other" category includes foreign bonds in fiscal 2012.
 Source: S&P Global Ratings, based on company disclosures.

Sumitomo Mitsui Financial Group Inc.

Chart 6

Continuing Contribution From Gains From Stockholdings

Sumitomo Mitsui Banking Corp.'s net gains/losses from bondholdings and stockholdings as a percentage of pretax profit



Fiscal years end March 31 of the following year. Source: S&P Global Ratings, based on company disclosures.

Funding and liquidity: Solid core deposit base and ample liquidity

We view SMBC Group as having a large pool of domestic retail customers, which provides a stable base of core deposits from which to draw its funding needs. This underpins our assessment that it has above-average funding and strong liquidity. Core customer deposits make up about 70% of its funding base. At the same time, the group's stable funding ratio, as we define it, has held steady at around 120% (involving some proxies for calculating the ratio) in the past three to four years.

We think foreign currency-denominated funding remains an important issue for SMBC Group, which has embarked on measures to secure stable foreign currency funding. Its ability to secure foreign currency funding constrains further growth in its overseas loan portfolio, in our view. SMBC Group is dependent on wholesale funding in foreign currencies because of a lack of overseas retail deposits. As of the end of March 2020, overseas loans that SMBC and the group's major overseas banking subsidiaries had extended totaled \$275 billion, up about 40% in five years, excluding the effects of foreign exchange rates. In tandem, SMBC Group has secured stable foreign currency funding through about a 30% increase in customer deposits, including central bank deposits, to \$226 billion over five years. It has also diversified its funding, issuing the Japanese euro-denominated covered bonds since November 2018. It has also reduced reliance on short-term market funding in foreign currencies. Indeed, its outstanding balance of foreign currency-denominated bonds, including total loss-absorbing capacity (TLAC) debt, totaled about \$67.5 billion as of the end of March 2020.

Sumitomo Mitsui Financial Group Inc.

Table 5

Sumitomo Mitsui Financial Group Inc. Funding And Liquidity

(%)	--Fiscal year*--				
	2019	2018	2017	2016	2015
Core deposits/funding base	69.0	71.2	69.7	70.8	71.1
Customer loans (net)/customer deposits	64.7	63.6	64.2	69.6	69.1

*Fiscal years end March 31 of the following year.

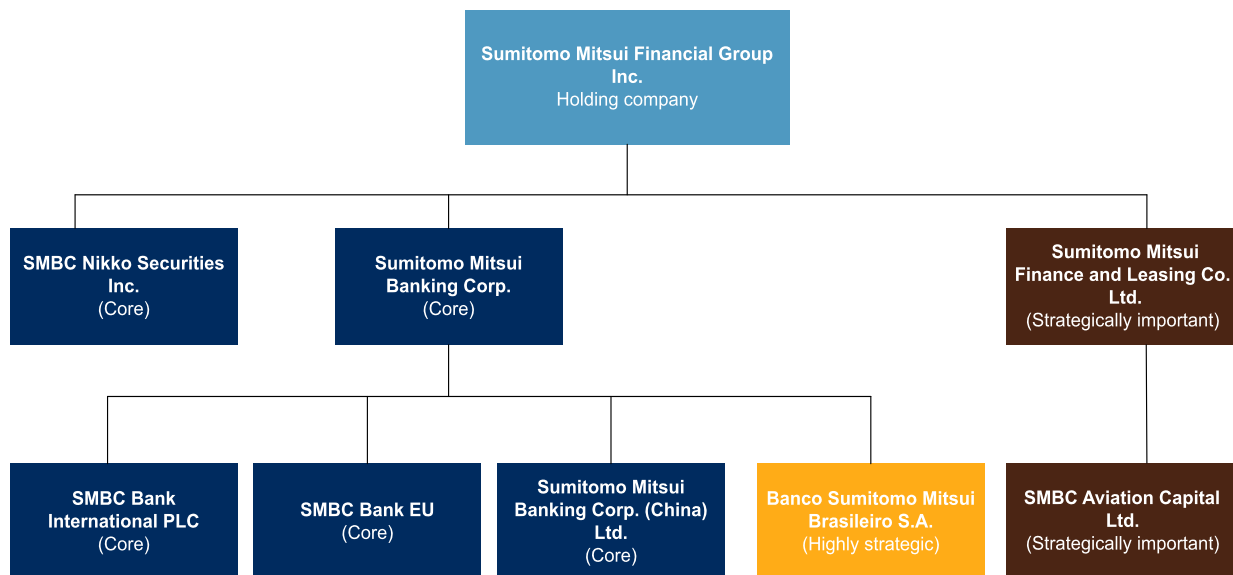
Support: High systemic importance in Japan, but no notch-up

We consider SMBC Group highly likely to receive extraordinary government support in times of need. This reflects our view of the group's high systemic importance in Japan and the government's highly supportive tendency toward private-sector banks in Japan. We base our assessment on SMBC Group's large presence in the Japanese financial system as one of three megabank groups, as well as laws stipulating potential support, and the government's record of support for the banking sector.

Nevertheless, our issuer credit ratings on SMBC Group's core operating banks are on par with the group SACP even after accounting for the likelihood of the group receiving extraordinary government support. This is because its group SACP is only one notch lower than our sovereign rating on Japan, which limits the degree of government support factored into our issuer credit ratings.

Chart 7

Sumitomo Mitsui Financial Group Rated Entities



Note: Entities in the chart include non-Japan registered ratings. Group status based on S&P Global Ratings' Group Rating Methodology. Source: S&P Global Ratings, using our Group Rating Methodology. Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

Sumitomo Mitsui Financial Group Inc.

Environmental, social, and governance

We view ESG credit factors for SMBC Group as broadly in line with those of industry and local peers in Japan. SMBC Group estimated its lead bank's credit costs for the energy and power sectors will increase ¥2 billion-¥10 billion annually due to transition risk under a climate change scenario. In addition, the group has disclosed that carbon-related assets comprise 6.9% of all the bank's loans, suggesting the group's diversified portfolio of investments and loans somewhat mitigates its exposure to environment risk. Still, as a large international bank with a large corporate portfolio, management of risk related to energy transition is a challenge.

SMBC Group faces limited social exposure and risks from deficiencies in governance structure that may cause serious financial and reputational damage. This is primarily because of significant regulation and supervision. For example, Sumitomo Mitsui Banking Corp. entered into a written agreement with the Federal Reserve in the U.S. in April 2019 to improve its New York branch's compliance with local laws and regulations.

Hybrid issue ratings

We rate SMFG-issued Basel III-compliant subordinated bonds as 'BBB+', two notches below the group SACP. The notching reflects subordination risk and structural subordination because the nonoperating holding company issued the bonds. We did not deduct any additional notch for loss absorption upon occurrence of a nonviability event. This is because:

- We believe the government would likely provide extraordinary, preemptive support to systemically important banks at a relatively early stage if they were to suffer financial distress; and
- Preemptive government support through a capital injection would not constitute a nonviability event and, therefore, would not lead to a writedown of principal or equity conversion of the hybrid.

Table 6**Sumitomo Mitsui Financial Group Inc. Combination of SACP and Sovereign Rating**

Stand-alone credit profile	Government local currency rating				
	AA	AA-	A+	A	A-
aa	AA				
aa-	AA-	AA-			
a+	AA-	A+	A+		
a	A+	A+	A	A	
a-	A+	A	A	A-	A-
bbb+	A	A	A	A-	BBB+
bbb	A	A-	A-	A-	BBB+
bbb-	A-	A-	BBB+	BBB+	BBB+

Source: Extract from table 21 of S&P Global Ratings' "Banks: Rating Methodology and Assumptions."

Sumitomo Mitsui Financial Group Inc.

Related Criteria

- Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Group Rating Methodology, July 1, 2019
- Guarantee Criteria, Oct. 21, 2016
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Commercial Paper I: Banks, March 23, 2004
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Risk-Adjusted Capital Framework Methodology, July 20, 2017
- Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of December 16, 2020)*

Sumitomo Mitsui Financial Group Inc.

Issuer Credit Rating	A-/Stable/NR
Senior Unsecured	A-
Subordinated	BBB+

Issuer Credit Ratings History

24-Apr-2020	A-/Stable/NR
16-Apr-2018	A-/Positive/NR
29-Nov-2017	A-/Stable/NR
29-Nov-2016	A-/Positive/NR

Sumitomo Mitsui Financial Group Inc.

Ratings Detail (As Of December 16, 2020)*(cont.)**Sovereign Rating**

Japan A+/Stable/A-1

Related Entities**Banco Sumitomo Mitsui Brasileiro S.A.**

Issuer Credit Rating

Brazil National Scale

brAAA/Stable/brA-1+

SMBC Aviation Capital Ltd.

Issuer Credit Rating

A-/Negative/--

SMBC Bank EU AG

Issuer Credit Rating

A/Stable/A-1

SMBC Bank International PLC

Issuer Credit Rating

A/Stable/A-1

SMBC Derivative Products Ltd.

Issuer Credit Rating

AA-/Stable/--

SMBC Nikko Securities Inc.

Issuer Credit Rating

A/Stable/A-1

Sumitomo Mitsui Banking Corp.

Issuer Credit Rating

A/Stable/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/Stable/A-1

Sumitomo Mitsui Banking Corp. (Dusseldorf Branch)

Commercial Paper

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/--

Senior Unsecured

A-

*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.

Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.

Appendix: Rating History of Sumitomo Mitsui Banking Corp.by S&P Global (China) Ratings

Issuer Credit Ratings

Rating Type	Ratings	Outlook	Rating Date	Analysts	Related Reports
Initial Rating	AAA _{spc}	Stable	2020-6-9	Longtai Chen, Cong Cui, Xiaochen Luan	Credit Rating Report: Sumitomo Mitsui Banking Corp..June 9, 2020
Surveillance	AAA _{spc}	Stable	2020-8-25	Longtai Chen, Cong Cui, Xiaochen Luan	Credit Rating Report: Sumitomo Mitsui Banking Corp..August 25, 2020
Surveillance	AAA _{spc}	Stable	2021-3-1	Longtai Chen, Cong Cui, Xiaochen Luan	Current report.

Note: these ratings are conducted based on [S&P Global \(China\) Ratings -Panda Bond Methodology](#), and no quantitative model is used.

Copyright © 2021 by S&P Ratings (China) Co., Ltd. All rights reserved.

S&P Ratings (China) Co., Ltd. ("S&P Ratings") owns the copyright and/or other related intellectual property rights of the abovementioned content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content). No Content may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Ratings. The Content shall not be used for any unlawful or unauthorized purposes. S&P Ratings and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively "S&P Parties") do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P Ratings' opinions, analyses, forecasts and rating acknowledgment decisions (described below) are not and should not be viewed as recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Ratings assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and / or clients when making investment and other business decisions. S&P Ratings does not act as a fiduciary or an investment advisor except where registered as such. While S&P Ratings has obtained information from sources it believes to be reliable, S&P Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

S&P RATINGS IS NOT PART OF THE NRSRO. A RATING ISSUED BY S&P RATINGS IS ASSIGNED ON A RATING SCALE SPECIFICALLY FOR USE IN CHINA, AND IS S&P RATINGS' OPINION OF AN OBLIGOR'S OVERALL CREDITWORTHINESS OR CAPACITY TO MEET SPECIFIC FINANCIAL OBLIGATIONS, RELATIVE TO THAT OF OTHER ISSUERS AND ISSUES WITHIN CHINA ONLY AND PROVIDES A RANK ORDERING OF CREDIT RISK WITHIN CHINA. AN S&P RATINGS' RATING IS NOT A GLOBAL SCALE RATING, AND IS NOT AND SHOULD NOT BE VIEWED, RELIED UPON, OR REPRESENTED AS SUCH. S&P PARTIES ARE NOT RESPONSIBLE FOR ANY LOSSES CAUSED BY USES OF S&P RATINGS' RATINGS IN MANNERS CONTRARY TO THIS PARAGRAPH.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P Ratings reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. S&P Ratings disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P Ratings keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P Ratings may have information that is not available to other S&P Ratings business units. S&P Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P Ratings may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Ratings reserves the right to disseminate its opinions and analyses. S&P Ratings' public ratings and analyses are made available on its Web site www.spgchinaratings.cn, and may be distributed through other means, including via S&P Ratings' publications and third-party redistributors.