

1. Remuneration Policy

The Policy applies to all locally hired employees of Sumitomo Mitsui Banking Corporation Europe Limited ("SMBCE" or "the Bank"). Except for certain aspects of variable pay for Code Staff and other employees as defined below, it does not apply to employees of Sumitomo Mitsui Banking Corporation ("SMBC") seconded from SMBC, whose remuneration is governed by rules established by SMBC in Japan.

The Policy for SMBCE forms a significant part of the Policy for SMBC in Europe, Middle East and Africa.

Management believes that the overall business model of the Bank is conservative, cautious and prudent. Its principles of shared purpose are reflected in the significant collaborative effort from many departments that is involved in transacting business. No piece of business is the sole result of the actions of any one individual and no one individual can on his or her own initiative transact business that might place the Bank at risk. The Board has a framework for setting, managing and monitoring risk appetite, with the aim of optimising the return to, and protecting the interests of, stakeholders (including shareholders, customers and staff).

The Bank has a strong risk culture and is committed to ensuring that it has suitable processes in place to understand and manage the risks which relate to its activities.

The Bank's Risk Appetite and risk tolerance are clearly defined to ensure the appropriate utilisation of its capital as well as for funding and liquidity. Risk Appetite has been determined by the Board.

The Bank's remuneration policy is an expression of the Bank's overall philosophy, aims and objectives.

It is the Bank's intention that:

- 1) Remuneration policy will support the Bank's long term aims. It will seek to encourage and support long term stability, particularly of its capital base, and promote steady growth and acute risk awareness;
- 2) Decisions about remuneration policy will be reviewed, considered and approved/ratified by the Bank's Remuneration and Human Resources Committee;
- 3) Employees should be remunerated by means of any of the following elements - basic salary, allowances, benefits and variable pay - that may be relevant to their location and function;
- 4) The amount of fixed remuneration, including where appropriate salary, allowances and benefits, should be sufficient for an acceptable standard of living in any given location without a dependency on variable pay; and
- 5) Employees should, all things being equal, have the opportunity to share in the success of the Bank in years of good performance and also share the impact of losses in other years.

2. Remuneration and Human Resources Committee

The Bank's Remuneration and Human Resources Committee currently comprises the Bank's independent and shareholder representative Non-Executive Directors. During Fiscal Year 2012 the independent Non-Executive Directors were Ms Noel Harwerth, who chairs the Remuneration and Human Resources Committee, and Mr Derek Ross. The shareholder representative Non-Executive Director was Mr Yasuyuki Kawasaki.

The Remuneration and Human Resources Committee ("Remco") is also attended by the CEO, the COO, and the Head of Human Resources Group ("HR Group"). The CRO and senior members of Risk Management Department and PD Legal and Compliance Department attend the committee as necessary during the year.

The Committee meets quarterly. Its terms of reference are established and authorised by the Bank's Board and include assessing the suitability of remuneration for Directors, General Managers and other senior officers, approving it where appropriate, and full oversight of the Bank's remuneration policies.

Voting rights on the Committee are restricted to the two independent and the one shareholder representative Non-Executive Directors.

Members of the Remuneration and Human Resources Committee receive no compensation from the Bank other than fixed fees. There are no incentive-based compensation structures. The shareholder representative Non-Executive Director receives no compensation from SMBCE.

3. The Role of HR

HR Group is responsible for initiating, managing and administering remuneration policy in the Bank. It monitors market remuneration trends, centralises recruitment activity, liaises with line management to determine appropriate remuneration levels and administers the Bank's discretionary bonus scheme.

HR Group maintains a close informal and formal dialogue with Risk Management Department and PD Legal and Compliance Department throughout the year, the aim being to ensure that remuneration policy properly reflects the Bank's business strategy as well as its Risk, Compliance and other broad management strategies.

4. Code Staff

Code Staff have been assessed as those who Management believes have a material impact on the Bank's risk profile, including staff who perform a Significant Influence Function for the Bank. They will have either regional responsibility for their business, a significant influence on corporate decision-making or are heads of key control functions.

All Directors and General Managers are included, along with Heads of significant functions who are at the corporate level of JGM and, in a limited number of cases, DGM.

The following 32 roles have been identified as Code Staff for the 2012 Fiscal Year:

<i>CS1</i>	<i>Chair & Non-Executive Director</i>	<i>CS17</i>	<i>GM SYAD</i>
<i>CS2</i>	<i>Head of Europe and CEO</i>	<i>CS18</i>	<i>GM CIFD</i>
<i>CS3</i>	<i>Director and COO, GM of PD</i>	<i>CS19</i>	<i>GM OAD</i>
<i>CS4</i>	<i>Director, GM CBD2</i>	<i>CS20</i>	<i>Co-GM Audit</i>
<i>CS5</i>	<i>Director, GM CD</i>	<i>CS21</i>	<i>Co-GM Audit</i>
<i>CS6</i>	<i>Director & CRO, GM RMD</i>	<i>CS22</i>	<i>JGM Head of Finance</i>
<i>CS7</i>	<i>Director and Co-GM LCD</i>	<i>CS23</i>	<i>JGM Head of HR</i>
<i>CS8</i>	<i>GM CBD1</i>	<i>CS24</i>	<i>JGM Head of ISG</i>
<i>CS9</i>	<i>Co-GM CBD2</i>	<i>CS25</i>	<i>JGM Head of RMD MRMG</i>
<i>CS10</i>	<i>GM SFD</i>	<i>CS26</i>	<i>JGM Senior Credit Officer</i>
<i>CS11</i>	<i>GM IBD</i>	<i>CS27</i>	<i>JGM Senior Credit Officer</i>
<i>CS12</i>	<i>Co-GM MAFD</i>	<i>CS28</i>	<i>JGM Senior Credit Officer</i>
<i>CS13</i>	<i>Co-GM MAFD</i>	<i>CS29</i>	<i>DGM CCO</i>
<i>CS14</i>	<i>GM GTFD</i>	<i>CS30</i>	<i>JGM Head of Compliance</i>
<i>CS15</i>	<i>Co-GM TD</i>	<i>CS31</i>	<i>Non-Executive Director</i>
<i>CS16</i>	<i>Co-GM TD</i>	<i>CS32</i>	<i>Non-Executive Director</i>

5. Control Functions

Employees engaged in Risk, Compliance and other control functions are independent of the business units they oversee. Their remuneration, both fixed and variable, is determined centrally and front line business units are not involved in this process.

6. Variable Remuneration

Variable remuneration in fiscal year 2012 means the EMEA Region bonus scheme. There were no other variable remuneration schemes in the year.

6.1. Calculation of Bonus Fund

Calculation of the discretionary bonus pool is based on a Business Performance Rating (BPR) which ranges from 0 (lowest) to 4 (highest). The BPR is based on profitability at the levels of Net Income after Credit and Liquidity Costs (NIACC) as its quantitative element. Additionally, Management will consider qualitative factors such as compliance, risk management, governance and control, the reduction of credit provisions, use of risk weighted assets and funded assets, development of new businesses, accumulation of appropriate deposits and any other factors that management may consider as significant from time to time.

The calculation of the bonus fund will be a percentage of EMEA Net Income (NIACC) after Risk Adjustment (NIARA).

6.2. Risk Adjustment

The Bank seeks to ensure that suitable mechanisms are in place to align risk, reward and returns.

1. Cost and quantity of capital utilised

The financial performance measures take account of credit costs for impaired assets and for non-impaired assets.

2. Current and future capital needs

The financial performance measures take account of credit risk capital cost, market risk capital cost, liquidity risk capital cost, and operational risk capital cost.

6.3. Pay and Performance

All locally hired employees are assessed for bonus based on all or some of the following core criteria - the business performance rating (BPR) of the EMEA region, the Business Performance Rating (BPR) of each Department; (for front office Departments) the Business Performance Rating of each Group; and the Personal Performance Rating (PPR) of the individual.

6.4. Deferral Policy

The Bank believes in principle that those employees who have a material impact on its risk profile in EMEA should have variable pay that is subject to deferral and performance adjustment. The Bank also believes that its risk profile is conservative and the Bank's ratio of variable to fixed pay is low. It is also satisfied that there are no material risk takers or senior management employees who are not also Code Staff. The Bank may therefore defer bonus for Code and other Staff where fixed and /or variable remuneration exceed certain thresholds.

The Bank's deferral policy provides for between 20% and 60% of bonus to be deferred for 2 to 3 years for Code Staff and senior staff at DGM level and above, depending on the particular remuneration of the individual. The policy allows for deferral in cash and non-cash, depending on the particular remuneration of the individual.

As a Level 3 Bank during Fiscal Year 2012 SMBCE has followed FSA guidance to disapply deferral of bonus for bonus awards in respect of Fiscal Year 2012.

6.5. Performance Adjustment

It is the Bank's policy that any deferred bonus is subject to performance adjustment. Performance adjustment seeks to take account of matters that were not apparent at the time of the original bonus award and may result in the loss of bonus. In particular, adjustments may take place where there is reasonable evidence of employee misbehaviour or material error, where there is material downturn in the financial circumstances of the Bank or where there is a material failure of risk management in the Bank.

Decisions on performance adjustment will be considered and decided by Management, the Remuneration and Human Resources Committee and the Board, as necessary.

6.6. Forms of Variable Remuneration Payment

For certain categories of employee 50% of variable remuneration will be awarded in instruments other than cash.

As a Level 3 Bank during Fiscal Year 2012 SMBCE has followed FSA guidance to disapply the payment of bonus in phantom shares.

7. SMBCE Remuneration in FY 2012

SMBCE headcount in 2012 was 792, including employees seconded from SMBC. Aggregate total remuneration was £88.6m. Variable pay accounted for £24.7m (28%) of the total remuneration cost.

Aggregate Code Staff remuneration was £5.94m, of which £1.6m (27%) was in the form of variable pay. No variable pay was deferred in FY2012.

Aggregate total fixed and variable pay for Directors was £1.3m, of which £0.33m (26%) was in the form of variable pay. No variable pay was deferred in FY2012.

8. Guarantees

Only one guarantee of bonus was made to Code Staff during the fiscal year. No discretionary payments were made to any leaver during the same period, including pension payments.