

The SMBCE Remuneration 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 (“EMEA” or “EMEA Region”) and the calculation of the bonus fund is based on the results of SMBC in EMEA.

This policy is owned by the Head of PD-HR Group, who will review the policy annually or more frequently if necessary. The Remuneration and Human Resources Committee (“RemCo”) has the authority to make significant revisions to the policy. Minor revisions may be made by PD-HR Group and approved by the CEO, with ratification by the RemCo.

Risk Appetite

SMBCE is a wholly owned subsidiary of SMBC and the emphasis is on long term sustainable growth. The Bank seeks long term sustainable growth and seeks to avoid significant volatility from year to year.

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 employees).

The Bank is committed to ensuring that it has suitable processes in place to ensure that employees fully understand the risks which relate to their activities, and risk considerations are at the heart of Management’s overall planning processes.

The Bank’s Risk Appetite and risk tolerances 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 and other senior management.

The Bank has a comprehensive and well-developed suite of Risk Management Policies, covering Credit, Market, Liquidity and Operational Risk. These policies cover the management of key risk categories, and also the controls which have been established to mitigate risks.

The Bank’s Corporate Strategy emphasises the thorough embedding of its Risk Appetite into its business strategy.

The Bank has adopted a multi-tiered approach, with warning limits and absolute limits in place, ensuring effective monitoring of the current status of risks, and risk-return, in relation to the defined Risk Appetite. The overall governance structure reinforces a robust and risk-aware approach at the business unit level.

Remuneration Policy Objectives

SMBCE’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 and sustainability, particularly of its capital base, and promote steady growth and keen risk awareness;
- 2) Decisions about remuneration policy will be reviewed, considered and approved/ratified by the RemCo.
- 3) Employees should be remunerated by means 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 or 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 accept responsibility for poor performance and/or losses in other years.

Governance

SMBCE has a Remuneration Committee (“RemCo”) comprising two independent Non-Executive Directors (one of whom is Chair of the RemCo) and one Shareholder Non-Executive Director. The RemCo meets quarterly and additionally as necessary. Only the Non-Executive Directors have voting rights on the Committee. Regular additional attendees at the RemCo are the CEO, COO and the Head of HR. The Chief Risk Officer (“CRO”), Head of PD - Legal and Compliance Department (“PD-LCD”) or other senior managers attend as necessary on an ad hoc basis.

The RemCo has the discretion to adjust the bonus pool and individual payments at any stage of the process, from the calculation of the fund itself to the final distribution.

HR Group consults Risk Management Department (“RMD”) and PD-LCD regularly on an informal basis concerning remuneration policy and formally once a year about concerns to be addressed about department, group and/or individual remuneration, particularly variable pay. The Business Performance Rating (“BPR”) of each Department includes an independent assessment by RMD and PD-LCD of their contribution to and engagement with the Bank’s risk management and compliance activities respectively.

Conflicts of Interest

SMBCE endeavours to ensure that remuneration policy avoids conflicts of interest. To that end:

- The Bank has a Remuneration Committee of Non-Executive Directors responsible for the review and approval of all significant remuneration policy and process;
- The independent input of the Chief Risk Officer and Risk Management Department, as well as PD-Legal and Compliance Department, is sought before bonus decisions are made;
- No one manager has the ability unilaterally to determine any individual’s bonus;
- Control functions do not report into business units for any purpose, including performance assessment or remuneration. Each control function is under the authority of a General Manager not connected with front line businesses, and each General Manager has independent authority; and
- Remuneration decisions for control functions are not determined at any point by front line businesses. The BPR of control functions is determined by an assessment of objectives, both quantitative and qualitative, which is independent of business units.

Code Staff

Code Staff for SMBCE have been identified as:

1. Directors
2. General Managers
3. Key control staff (Compliance, HR, Finance, Systems, Risk Management, Operations and the most senior credit sanctioning officers). In Fiscal Year 2013 the following positions have been identified as Code Staff:

CS 1	Chair	CS 20	Co-GM TD
CS 2	Vice Chair	CS 21	GM SYAD
CS 3	Head of EMEA and CEO	CS 22	GM CIFD
CS 4	Director and COO, GM of PD	CS 23	GM SPD
CS 5	Director, Co-GM CBD2	CS 24	GM OAD
CS 6	Co-GM, CBD2	CS 25	GM OAD
CS 7	Director, GM CD	CS 26	Co-GM Audit
CS 8	Director, GM CD	CS 27	Co-GM Audit
CS 9	Director, CRO and GM, RMD	CS 28	Head of Finance
CS 10	JGM, Deputy Head of RMD	CS 29	Head of HR
CS 11	Director, Co-GM LCD; General Counsel	CS 30	Head of ISG
CS 12	GM CBD1	CS 31	Head of RMD MRMG
CS 13	GM SFD	CS 32	JGM, CD
CS 14	GM IBD	CS 33	JGM, CD
CS 15	Co-GM MAFD	CS 34	JGM, CD
CS 16	Co-GM MAFD	CS 35	CCO
CS 17	GM GTFD	CS 36	Non-Executive Director
CS 18	GM GTFD	CS 37	Non-Executive Director
CS 19	Co-GM TD	CS 38	Non-Executive Director

The Bank is satisfied that other than Code Staff CS1 to CS38 there are no employees who have significant risk-taking or approval authority or who can place the Bank at risk in respect of their delegated authority.

Employees, including Code Staff, understand that their bonus is based on the Risk Adjusted performance of the EMEA region as a whole and that individual performance at the revenue level will not have any direct influence on their individual bonus. They also know that credit cost will directly affect the calculation of the bonus fund and that there is therefore a clear incentive to develop prudent sustainable business.

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.

Variable Remuneration

Variable remuneration in fiscal year 2013 means the EMEA Region bonus scheme. There were no other variable remuneration schemes in the year.

Calculation of Bonus Fund

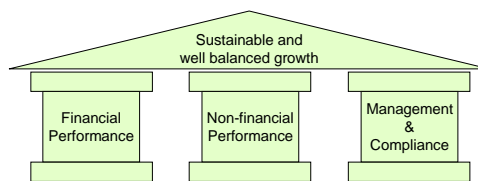
Calculation of the discretionary bonus pool is based on a Business Performance Rating (BPR) which ranges from 0 (lowest) to 4 (highest).

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

Assessment of Business and Personal Performance

Business Performance Rating (“BPR”)

The Business Performance Rating (BPR) of each department is determined by three core considerations, each of equal weighting, that Management believes are essential for the sustainable growth of the EMEA Region. These are Financial Performance, Non-Financial Performance and Management and Compliance.



Personal Performance Rating (“PPR”)

The Personal Performance Rating (“PPR”) is a rating between “a” (high) and “d” (low) based on the following weighted factors:

1	Objectives (professional and personal)	15% of over all assessment
2	Quality of Work	15% of over all assessment
3	Knowledge and Skills	10% of over all assessment
4	Compliance	20% of over all assessment
5	Risk Management	20% of over all assessment
6	Workplace Behaviours	20% of over all assessment

These weightings may change from year to year, subject to the approval of the RemCo.

Leverage

The Bank believes that fixed pay should be sufficient for any individual to maintain an acceptable standard of living, without reliance on variable pay. The Bank also believes that variable pay should continue to be a relatively modest aspect of total remuneration. The Bank seeks an appropriate balance of fixed and variable remuneration.

Code staff cannot receive more than 100% of their fixed pay as bonus in respect of any one fiscal year. A maximum of 200% of fixed pay may be paid with the approval of SMBC, the sole shareholder of SMBCE.

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.

Performance Adjustment and Malus

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 RemCo and the Board, as necessary.

The RemCo and the Board have the authority to withhold payment of any bonus in the event of significant organisational stress or incident, including but not limited to the following circumstances:

- (a) there is reasonable evidence of employee misbehaviour or material error; or
- (b) there is reasonable evidence that the employee participated in or was responsible for conduct which resulted in significant losses to the Bank; or
- (c) there is reasonable evidence that the employee failed to meet appropriate standards of fitness and propriety; or
- (d) the firm or the relevant business unit suffers a material downturn in its financial performance; or
- (e) the firm or the relevant business unit suffers a material failure of risk management.

Forms of Variable Remuneration Payment

For certain categories of employee 50% of variable remuneration will be awarded in instruments other than cash. To this end, SMBCE has established a Phantom Share Scheme. Benefits under the scheme are linked to the share price of SMFG.

SMBCE Remuneration in FY 2013

SMBC EMEA headcount in 2013 was 1,123, including employees seconded from SMBC. Average variable remuneration per capita was £32.1k.

Aggregate variable remuneration represented 30% of total remuneration in Fiscal Year 2013.

Aggregate Code Staff remuneration was £11.26m, of which £3.6m (32%) was in the form of variable pay.

A total of £630,000 variable pay was deferred in FY2013, in respect of a total of 10 employees. A total of £303,000 of variable pay was awarded through the SMBCE Phantom Share Scheme, in respect of 9 employees.

No employee had remuneration in excess of £1m during FY2013.

No severance payments were made to Code Staff during FY2013.

Guarantees

One guarantee was made to a Code Staff during the fiscal year. No discretionary payments were made to any leaver during the same period, including pension payments.