

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 Material Risk Takers 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 on both financial and non-financial, and qualitative and quantitative by RMD and PD-LCD of their contribution to and engagement with the Bank’s risk management and compliance activities respectively. The Personal Performance Rating (“PPR”) of each individual includes an assessment of their compliance, risk management and overall behaviour.

Material Risk Takers

Material Risk Takers for SMBCE have been identified in line with the quantitative and qualitative criteria as set out by the European Banking Authority. Material Risk Takers have been identified by reason of their role, their seniority, their authority to expose the institution to material credit, market or other identified risks, or the level of their compensation.

The Bank is satisfied that it has identified all 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 Material Risk Takers, 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.

Discretionary Bonus Scheme

All employees are eligible to participate in the annual performance related bonus scheme with Company, Department and personal performance all assessed to form a view on recommended variable pay outcomes.

Risk adjustment

The calculation of the bonus fund will be a percentage of EMEA Net Income after Risk Adjustment which is adjusted for liquidity cost, 50% of credit cost for impaired and non-impaired assets, and 50% of the capital cost of credit, market and operational risks. Each Department is also assessed against 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. These assessments will provide a Business Performance Rating (“BPR”) that dictates the pool available to that Department.

In addition, all support functions are requested to input onto the assessment of all back office and front office departments. This assessment happens on an annual basis and encompasses a wide ranging review of activities with the information provided included as part of the annual assessment of the BPR for each Department.

Individuals’ performance is also assessed, with each given a Personal Performance Rating (“PPR”) based on the following factors with the following weightings in FY14:

| | | |
|---|--|---------------------------|
| 1 | Objectives (professional and personal) | 15% of overall assessment |
| 2 | Quality of Work | 15% of overall assessment |
| 3 | Knowledge and Skills | 10% of overall assessment |
| 4 | Compliance | 20% of overall assessment |
| 5 | Risk Management | 20% of overall assessment |
| 6 | Workplace Behaviours | 20% of overall 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. The maximum bonus capable of being paid to non-Code Staff would be 200% of fixed pay in respect of any one fiscal year

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. The Bank may therefore defer bonus for Material Risk Takers 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 Material Risk Takers 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.

For identified Material Risk Takers, 50% of each tranche 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 change of the share price of Sumitomo Mitsui Financial Group, Inc. between grant date and release date.

Performance Adjustment - Malus and Clawback

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.

FY14 Aggregate Remuneration in respect of Material Risk Takers split into fixed and variable remuneration

| | Senior Managers | "Members of staff who have a material impact on the risk profile of the firm" | All Material Risk Takers |
|--------------------------------|-----------------|---|--------------------------|
| Number of Material Risk Takers | 29 | 21 | 50 |
| Fixed compensation £k | 3,738 | 4,477 | 8,215 |
| Variable compensation £k | 1,740 | 2,454 | 4,194 |

All of SMBCE works in a single business area - international commercial banking, and hence no disaggregation is required.

No employee had remuneration in excess of £1m during FY2014.

No severance payments were made to identified Material Risk Takers during FY2014.