Compensation

Sumitomo Mitsui Banking Corporation (SMBC) and Its Group Companies

Compensation Framework of SMBC Group

1. Scope of Officers and Employees

The scope of officers, employees and others whose compensation is subject to disclosure under the revised Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. and other applicable regulations is as described below.

(1) Scope of Officers

Officers subject to compensation disclosure are directors of SMBC during the fiscal year under review (excluding outside directors).

(2) Scope of Employees and Others

Employees and others subject to compensation disclosure are employees of SMBC and officers and employees of its major consolidated subsidiaries who are highly compensated and have a material influence on the business management or the assets of SMBC and its major consolidated subsidiaries.

a) Scope of major consolidated subsidiaries

A major consolidated subsidiary is a consolidated subsidiary of SMBC with total assets accounting for more than 2% of the total consolidated assets of SMBC and has a material influence on the management of SMBC and its group companies. Specifically, they are overseas subsidiaries such as SMBC Bank International plc.

b) Scope of highly compensated persons

A highly compensated person is an individual whose compensation paid by SMBC or its major subsidiaries is equal to or more than the base amount. The base amount of SMBC is set at ¥110 million, which is based on the average amount of compensation paid to the officers of Sumitomo Mitsui Financial Group and SMBC (including officers appointed or retired during the fiscal year in question) over the last three fiscal years (hereinafter "executive compensation amount") and is applied to all group companies. This is because many of the officers of Sumitomo Mitsui Financial Group also serve as officers of SMBC, and their executive compensation amount is determined according to their contribution to the group as a whole. With respect to lump-sum retirement payment for officers serving in Japan, the executive compensation amount for the fiscal year in question is "(his/her executive compensation amount – lump-sum retirement payment) + (lump-sum retirement payment/years of service)" and the executive compensation amount calculated using this formula is compared to the base amount.

c) Material influence on the business management or assets of SMBC and its major consolidated subsidiaries

A person has a material influence on the business management or assets of SMBC and its major consolidated subsidiaries if his/her regular transactions or regular matters managed by him/her have a substantial impact on the business management of SMBC and its group companies, or losses incurred through such actions have a significant impact on the financial situation of SMBC and its group companies. Specifically, persons having such influence are directors, corporate auditors and corporate officers of SMBC and its major consolidated subsidiaries, both domestic and overseas.

2. Names, Compositions, and Duties of the Main Bodies, Such as the Committee Responsible for Supervising Business Execution Concerning the Determination of Compensation, Its Payment and Other Related Matters

(1) Determination of compensation for officers

Compensation for SMBC's Directors (excluding members of the Audit and Supervisory Committee) is determined within the limit approved at a shareholders' meeting with the President, delegated by the Board of Directors, determining the amount of compensation for each individual, reflecting the assigned roles and responsibilities as well as achievements at SMBC, in light of the deliberations of the SMFG Compensation Committee.

The details of the above determination are reported to SMBC's Audit and Supervisory Committee.

Individual compensation for Directors who are members of the Audit and Supervisory Committee is determined within the scope approved at a shareholders' meeting, through discussion by Directors who are members of the Audit and Supervisory Committee.

(2) Determination of compensation for employees

Compensation for employees is stated in "Compensation" of Sumitomo Mitsui Financial Group (please refer to "2. Names, Compositions, and Duties of the Main Bodies, Such as the Committee Responsible for Supervising Business Execution Concerning the Determination of Compensation, Its Payment and Other Related Matters (2) For Employees and Others" on page 177).

Assessment of Design and Operation of Compensation Structure

Compensation Policy

Compensation Policies for Officers, Employees and Others

(1) For Officers

Sumitomo Mitsui Banking Corporation hereby establishes the Executive Compensation Policy (the "Policy") in order to determine individual remuneration for its directors and executive officers (the "Executives").
The Policy's aim is that executive compensation pursuant to it shall provide the appropriate incentives for the Executives to pursue our Group Mission while materializing our medium-/long-term vision.

<Basic Concept>
Executive compensation at SMBC shall be determined based on the following concept.

I. SMBC Group's executive compensation aims to provide appropriate incentives for the achievement of our Mission and our Vision.
II. SMBC Group's executive compensation shall reflect the changing business environment and the short-, medium- and long-term performance of the group, and shall account for the contribution to shareholder value, the provision of value to customers, and the creation of a sustainable society.
III. Individual remuneration shall reflect the assigned roles and responsibilities as well as the performance of each Executive.
IV. SMBC Group shall research and review market practices, including the use of third-party surveys, in order to provide its Executives with a competitive remuneration package.
V. SMBC Group's executive compensation shall discourage excessive risk-taking and help develop the prudent risk culture to be expected of a financial institution.
VI. Both external and internal regulations/guidelines on executive compensation shall be observed and respected.
VII. SMBC Group shall establish appropriate governance and controls of the compensation process, and shall regularly review to update its executive compensation practices in accordance with changes in market practices and/or business environment.

<Compensation Program>

I. SMBC executive compensation program (the "Program") shall have three components: base salary, cash bonus, and stock compensation. However, compensation of outside directors and Audit and Supervisory Committee members shall consist of base salary and stock compensation for which the number of shares granted does not vary depending on performance, in light of their role to oversee the execution of duties of executive officers and others.
II. In order to hold Executives accountable for performance and provide them with appropriate incentives, the Program targets a variable compensation component. It changes depending on the business environment, performance, and other factors of total remuneration for each Executive (excluding outside directors and Audit and Supervisory Committee members) within a range of approximately 40% to 60%, in accordance with the corporate titles of each Executive, if paid at standard levels. Corresponding with the performance of SMBC Group, the degree of contribution to the creation of a sustainable society, and the achievements of each Executive (excluding outside directors and Audit and Supervisory Committee members), the variable component shall be paid within a range of 0% to 150% of the standard compensation amount.
III. In order to enhance the shareholding of Executives and align their interests with those of shareholders of Sumitomo Mitsui Financial Group ("SMFG"), the parent, the Program targets its stock-based compensation components of SMFG stocks at approximately 25% to 45% of total remuneration for each Executive (excluding outside directors and Audit and Supervisory Committee members) in accordance with the corporate titles of each Executive, if paid at standard levels. Furthermore, by promoting shareholding in SMFG through the stock compensation plan, it sets shareholding targets equivalent to at least three times the annual base salary for the Chairman and President, and at least two times the annual base salary for other Executives (excluding outside directors and Audit and Supervisory Committee members). The target ratio of stock-based compensation of SMFG stocks to total remuneration for outside directors is approximately 10%.
IV. The above target levels shall be appropriately set in accordance with the roles, responsibilities of each Executive.
V. Base salary shall be periodically paid in cash and shall be, in principle, determined by the corporate titles of each Executive, reflecting the roles, responsibilities.

VI. Annual incentives shall be determined annually based on the performance of SMBC Group in the previous fiscal year, the results of major external ratings regarding the degree of contribution to the creation of a sustainable society, as well as on the performance of each Executive reviewed both from short-term and medium-/long-term perspectives. The determined amount shall be paid in cash. If the amount of a bonus exceeds a predetermined threshold, a portion of the payment shall be deferred over multiple years.

a. Evaluation indices and weight by each evaluation index are as follows:

Target index		Weight
SMFG consolidated net business profit	Annual growth/Target achievement	50%
SMFG net income attributable to owners of parent	Annual growth/Target achievement	50%

Note: If the SMFG Compensation Committee recognizes any element other than the above-mentioned target indices which should be taken into consideration, the SMFG Compensation Committee will, if appropriate, judge the circumstances comprehensively and may adjust the compensation to be paid by a maximum of 5%, plus or minus.

b. The degree of contribution to the creation of a sustainable society shall be reflected as an adjustment to the score determined in a., by a maximum of 5%, plus or minus, based on the results of major external ratings.

VII. Stock compensation plans consist of: Stock Compensation Plan I (the "Plan I"), under which the remuneration of Executives shall be determined based on SMBC Group's medium-term performance and related factors; Stock Compensation Plan II (the "Plan II"), under which a fixed amount of remuneration is paid regardless of performance; and Stock Compensation Plan III (the "Plan III"), determined based on corporate titles and other related factors.

a. Under the stock compensation plans, Executives shall receive remuneration via shares of the SMFG common stock. The transfer of such stock shall be restricted for appropriately defined periods.

b. Remuneration under Plan I shall be determined and paid after the term of SMBC Group's Medium-term Management Plan ends, based on SMBC Group's performance against the Medium-term Management Plan, the performance of SMFG shares, and the status of initiatives concerning key issues identified by SMBC Group. The evaluation shall be calculated using the following weights: 60% for financial indices, 20% for a share-related index, and 20% for non-financial index.

Evaluation indices and weight by each index are as follows:

Evaluation index *1, 2		Weight
Financial index	ROTE	30%
	SMFG consolidated gross profit	30%
Share index	TSR (Total shareholder return)*3	20%
Non-financial index	Initiatives related to Social Value Creation and Employees*4	20%

*1 In addition to the above indices, the SMFG Compensation Committee will make a comprehensive judgment of adjustment factors such as "Build Next Core (laying the foundation for the next stage of growth)" and "compliance, customer-oriented initiatives, and risk management," and reflect them in the evaluation within a range of 10%, plus or minus.

*2 (Knock-out provision) If the "CET1 ratio (Post-Basel III reforms basis, excluding net unrealized gains (losses) on other securities)" falls below a designated level at the end of each fiscal year, no compensation under Plan I will be paid for the relevant fiscal year.

*3 The SMFG Compensation Committee calculates the performance achievement level through a relative evaluation of TSR during the period of the Medium-Term Management Plan.

*4 The SMFG Compensation Committee will determine the evaluation with respect to "Initiatives related to Social Value Creation and Employees" based on the status of initiatives and the achievement of KPIs related to the materialities for Social Value Creation (Green Planet, Thriving People, and Fulfilled Growth) and Employees (Talent Policy Scores, calculated by combining the results of each item in the employee engagement survey).

c. Remuneration under Plan II shall be paid to outside directors and Audit and Supervisory Committee members as a fixed amount of remuneration, regardless of performance.

d. Remuneration under Plan III shall be determined based on corporate titles, roles, and responsibilities.

VIII. In the event of material amendments to the financial statements, material damage to the reputation of SMBC Group, or other similar events, SMFG shall introduce a mechanism under which remuneration under Plan I and Plan III, as well as bonuses subject to deferred payment, may be reduced, forfeited, or subject to clawback.

IX. Notwithstanding the matters set forth in "Compensation Program," if the SMFG Compensation Committee determines that it is not appropriate to apply the above matters due to the role of an Executive in each Group company or other reasonable circumstances, or with respect to locally hired Executives overseas or Executives residing or working outside Japan, compensation shall be designed on an individual basis and determined not only in accordance with the above <Basic Concept>, but also with consideration to local regulations, tax rules, guidelines, and other local market practices, while ensuring that the compensation does not create incentives for excessive risk-taking.

<Governance and Control of the Compensation Processes>

I. This Policy is determined at SMBC's Board of Directors in light of the "Executive Compensation Policy" determined by SMFG Compensation Committee.

II. Compensation for SMBC's Directors (excluding members of the Audit and Supervisory Committee) is determined within the limit approved at a shareholders' meeting with the President, delegated by the Board of Directors, determining the amount of compensation for each individual, reflecting the assigned roles and responsibilities as well as achievements at SMBC, in light of the deliberations of the SMFG Compensation Committee.

III. The details of the determination in II above are reported to SMBC Audit and Supervisory Committee.

IV. The specific amount, payment period, and method of compensation for SMBC's executive officers is determined by the President, reflecting the assigned roles and responsibilities as well as achievements at SMBC.

V. Individual remuneration for Directors who are members of the Audit and Supervisory Committee is determined within the limit approved at a shareholders' meeting, through discussion by Directors who are members of the Audit and Supervisory Committee.

Consistency between Compensation Structure and Risk Management and Link between Compensation and Performance

Consistency between compensation structure and risk management and link between compensation and performance is stated in "Compensation" of Sumitomo Mitsui Financial Group (please refer to "Consistency between Compensation Structure and Risk Management and Link between Compensation and Performance" on page 180).

Type, Total Amount Paid, and Payment Method of Compensation for Officers, Employees and Others of SMBC and Its Group Companies

1. Compensation Allocated in the Applicable Fiscal Year (SMBC consolidated)

(Headcount, millions of yen)

Item No.			(a) Officers	(b) Employees and others
1	Fixed compensation	Number of applicable officers, employees and others	13	410
2		Total fixed compensation (3+5+7)	862	25,797
3		of which: cash compensation	802	25,343
4		of which in 3: deferred amount	—	—
5		of which: amount of stock compensation or stock-linked compensation	42	92
6		of which in 5: deferred amount	42	92
7		of which: other compensation	17	361
8		of which in 7: deferred amount	—	—
9	Variable compensation	Number of applicable officers, employees and others	9	408
10		Total variable compensation (11+13+15)	713	32,530
11		of which: cash compensation	245	30,037
12		of which in 11: deferred amount	—	11,102
13		of which: amount of stock compensation or stock-linked compensation	467	2,492
14		of which in 13: deferred amount	467	1,732
15		of which: amount of other compensation	—	—
16		of which in 15: deferred amount	—	—
17	Retirement allowance	Number of applicable officers, employees and others	1	377
18		Amount of retirement allowance	—	9,672
19		of which: deferred amount	—	—
20	Other compensation	Number of applicable officers, employees and others	—	10
21		Amount of other compensation	—	496
22		of which: deferred amount	—	—
23	Total compensation, etc. (2+10+18+21)		1,576	68,496

Notes: 1. Compensation amount includes those amounts of major consolidated subsidiaries.
2. Stock Compensation Plan III is classified as fixed compensation because the amount allotted depends on the individual's position. Other stock compensation involves an amount of issuance prone to performance-linked fluctuations, and is thus classified as variable compensation.

2. Special Compensation, Etc.

(Headcount, millions of yen)

	(a)	(b)	(c)	(d)	(e)	(f)
	Bonus guarantee		One-off recruitment payment		Additional retirement allowance	
	Headcount	Total amount	Headcount	Total amount	Headcount	Total amount
Officers	—	—	—	—	—	—
Employees and others	31	4,520	7	739	1	51

1. Compensation Allocated in the Applicable Fiscal Year (SMBC non-consolidated)

(Headcount, millions of yen)

Item No.			(a) Officers	(b) Employees and others
1	Fixed compensation	Number of applicable officers, employees and others	13	218
2		Total fixed compensation (3+5+7)	862	13,645
3		of which: cash compensation	802	13,191
4		of which in 3: deferred amount	—	—
5		of which: amount of stock compensation or stock-linked compensation	42	92
6		of which in 5: deferred amount	42	92
7		of which: other compensation	17	361
8		of which in 7: deferred amount	—	—
9	Variable compensation	Number of applicable officers, employees and others	9	216
10		Total variable compensation (11+13+15)	713	15,548
11		of which: cash compensation	245	15,094
12		of which in 11: deferred amount	—	5,285
13		of which: amount of stock compensation or stock-linked compensation	467	454
14		of which in 13: deferred amount	467	442
15		of which: amount of other compensation	—	—
16		of which in 15: deferred amount	—	—
17	Retirement allowance	Number of applicable officers, employees and others	1	197
18		Amount of retirement allowance	—	6,177
19		of which: deferred amount	—	—
20	Other compensation	Number of applicable officers, employees and others	—	2
21		Amount of other compensation	—	48
22		of which: deferred amount	—	—
23	Total compensation, etc. (2+10+18+21)		1,576	35,421

Notes: 1. Compensation amount includes those amounts of major consolidated subsidiaries.
2. Stock Compensation Plan III is classified as fixed compensation because the amount allotted depends on the individual's position. Other stock compensation involves an amount of issuance prone to performance-linked fluctuations, and is thus classified as variable compensation.

2. Special Compensation, Etc.

(Headcount, millions of yen)

	(a)	(b)	(c)	(d)	(e)	(f)
	Bonus guarantee		One-off recruitment payment		Additional retirement allowance	
	Headcount	Total amount	Headcount	Total amount	Headcount	Total amount
Officers	—	—	—	—	—	—
Employees and others	17	2,229	5	689	—	—

Other Information Regarding Compensation Structures of SMBC and Its Group Companies

Amount of Deferred Compensation, Etc. (SMBC consolidated)

Deferred compensation, etc.

(Millions of yen)

		(a) Balance of deferred compensation, etc.	(b) Of the amount in (a), balance of deferred compensation, etc. subjected to adjustment or prone to fluctuations	(c) With respect to post allocation compensation, amount of fluctuation after adjustment not linked to fluctuations of criteria in the applicable fiscal year	(d) With respect to post allocation compensation, amount of fluctuation after adjustment linked to fluctuations of criteria in the applicable fiscal year	(e) Amount of deferred compensation, etc. paid in the applicable fiscal year
Officers	Amount of cash compensation	—	—	—	—	—
	Amount of stock compensation or stock-linked compensation	1,287	1,262	—	—	110
	Amount of other compensation	—	—	—	—	—
Employees and others	Amount of cash compensation	37,721	1,575	—	—	7,230
	Amount of stock compensation or stock-linked compensation	2,469	2,442	—	415	747
	Amount of other compensation	—	—	—	—	14
Total amount		41,478	5,279	—	415	8,102

Amount of Deferred Compensation, Etc. (SMBC non-consolidated)

Deferred compensation, etc.

(Millions of yen)

		(a) Balance of deferred compensation, etc.	(b) Of the amount in (a), balance of deferred compensation, etc. subjected to adjustment or prone to fluctuations	(c) With respect to post allocation compensation, amount of fluctuation after adjustment not linked to fluctuations of criteria in the applicable fiscal year	(d) With respect to post allocation compensation, amount of fluctuation after adjustment linked to fluctuations of criteria in the applicable fiscal year	(e) Amount of deferred compensation, etc. paid in the applicable fiscal year
Officers	Amount of cash compensation	—	—	—	—	—
	Amount of stock compensation or stock-linked compensation	1,287	1,262	—	—	110
	Amount of other compensation	—	—	—	—	—
Employees and others	Amount of cash compensation	17,543	—	—	—	3,542
	Amount of stock compensation or stock-linked compensation	1,233	1,205	—	—	46
	Amount of other compensation	—	—	—	—	14
Total amount		20,063	2,468	—	—	3,712