



A trusted partner for the long term

SMBC Bank International plc

Annual report and financial statements
Year ended 31 March 2025

Welcome to our 2025 Annual Report

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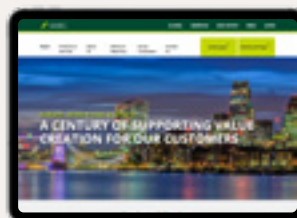
Beyond the Report

Our website

Please visit our website to find out more about the Bank and how we serve our clients in the EMEA region. The website also includes a newly launched careers section.

Join us on LinkedIn

Follow us on LinkedIn to find out more about the work we do with our colleagues and clients.



Find out more online
[smbcgroup.com/emea](https://www.smbcgroup.com/emea)



[linkedin.com](https://www.linkedin.com)

Presentation of information

In this Annual Report, the terms 'Bank' and 'Company' refer to SMBC Bank International plc. The Bank's parent company is Sumitomo Mitsui Banking Corporation, which is shown as 'SMBC'. 'SMBC Group' refers to the corporate group of companies of Sumitomo Mitsui Financial Group, which is shown as 'SMFG' and of which the Bank is a part. The term 'EMEA' refers to Europe, Middle East and Africa. The Bank's affiliate company SMBC Nikko Capital Markets Limited is shown as 'SMBC Nikko CM'.



This Annual Report contains forward-looking statements that involve inherent risks and uncertainties. Please see Forward-looking statements and sustainability matters on page 128

Company registration

Registered as a public limited company in England and Wales under company number 04684034.

Regulatory registration

Authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

Financial Services Register number:
223304

Registered office

100 Liverpool Street, London, EC2M 2AT, United Kingdom.

Website

<https://www.smbcgroup.com/emea/group-companies/smbc-bank-international-plc/>

Pillar 3 document

<https://www.smbcgroup.com/emea/notices-reporting/corporate-disclosures>

Auditor

KPMG LLP, 15 Canada Square, London, E14 5GL

Overview

The Directors present the Strategic Report of SMBC Bank International plc for the year ended 31 March 2025.

The Bank serves corporate and sovereign institutional customers in the United Kingdom, non-European Economic Area countries in Europe, the Middle East and Africa. It is wholly owned by SMBC, which is one of Japan's leading banks and the core unit of SMFG, a Tokyo-based financial services holding company. SMFG and SMBC are together known as SMBC Group. Through its subsidiaries and affiliates, SMBC Group offers a broad range of financial services, including commercial banking, leasing, securities, credit card, investment, venture capital and other credit-related businesses.

The Bank works closely with other SMBC Group companies to provide a full range of financial services solutions. Many of the Bank's transactions are undertaken in cooperation with SMBC Nikko CM, which provides customers with derivative products, and SMBC Bank EU AG, which is a credit institution established in Germany that provides business and financial services in the European Economic Area.

Key client sectors

- Aircraft and aviation
- Automotive and manufacturing
- Chemicals and petrochemicals
- Commodities
- Energy and utilities
- Financial institutions
- Infrastructure
- Maritime and shipping
- Metals and mining
- Sovereign institutions

Products and services

- Corporate lending
- Debt and equity capital markets
- Deposits
- Derivatives ●
- Diversified payment rights
- Equities and fixed income sales and trading
- Foreign exchange
- Fund finance
- Leveraged finance
- Merger & acquisition (M&A) financing and advisory
- Sustainable finance
- Syndicated and bilateral loans
- Trade finance
- Transaction banking

● Offered by SMBC Nikko CM

Customer-facing departments

This overview reflects the comprehensive nature of the Bank's business offering in EMEA.

Corporate and Investment Banking

Capital Markets and Advisory Department

Debt capital markets, equity capital markets and M&A advisory

CEEMEA Corporate Banking Department

Non-Japanese corporates, financial institutions and sovereigns in the Middle East, Turkey and Africa

Corporate Banking Department 1

Japanese and Asian corporates in EMEA

Corporate Banking Department 2

Non-Japanese corporates in Western, Central and Eastern Europe

Global FIG Department

Financial institutions and institutional investors

Global Transaction Banking Department

Electronic and transaction banking

Loan Capital Markets Department

Syndication and asset distribution

Structured Finance Solutions

Global Trade Finance Department

Trade finance products and services

International and Structured Finance Department

Structured finance, advisory, ECA, project finance

Specialised Products Department

Leveraged buyout, securitised products, real estate and fund finance

Transportation Department

Aviation and maritime finance

Sales and Trading

Financial Markets Department

Trading and customer sales

Global Markets Department

Fixed income and equities

Chair's statement



Sophie O'Connor
Chair

It was my pleasure to take up the role of Board Chair this year having previously served as Audit Committee Chair. The Bank has grown and evolved significantly under the tenure of my predecessor, Alan Keir, and the Board would like to offer sincere thanks for his eight years of dedicated service and stewardship.

Against a backdrop of challenging markets and continued geopolitical change, the Bank has shown resilient financial performance. It has made steady progress in terms of its new business pipeline and the rebalance of its portfolio by exiting certain legacy assets to achieve Return on Equity (RoE) of 6.1% for the year.

The Bank's resilience is further demonstrated in our continued strong balance sheet, stable credit profile and significant liquidity reserves. This year we have successfully completed the transfer of the securities business of SMBC Nikko CM to the Bank, further contributing to balance sheet growth.

The transfer has been a multi-year project requiring extensive collaboration across both entities and significant oversight from the Board. Alongside the technical integration, the Bank's front office business vertical structure is now well embedded, enhancing our offering to customers, our operational efficiency, and strengthening our governance. The Board thanks the team of colleagues across the organisation who worked on the transfer. We have also expanded our strategic partnership with Jefferies since the signing of the EMEA Memorandum of Understanding early last year, anchored by collaborations in M&A, and Equity and Debt Capital Markets. These enhancements position the Bank well for future strategic growth in the region and facilitate our global connectivity across SMBC Group, particularly in financial sponsor coverage and global markets business.

“ Building on our culture, heritage and core values, we aim to attract, develop and retain a diverse workforce and create a fair and inclusive workplace where everyone feels as though they belong. ”

As part of this, we also launched our new culture governance framework to ensure continued alignment to our Mission, Vision, Values and Culture Statement, as well as to meet the evolving regulatory expectations. Diversity, Equity and Inclusion (DEI) plays a fundamental role in our corporate landscape, and the Board was happy to oversee the development and implementation of our new DEI strategy. Whilst we are pleased to have reached our initial Women in Finance Charter target of 30% senior female representation, we recognise there is more progress to be made, and I am pleased that we have approved a new Board Diversity Policy to have 40% female Directors by January 2028, bringing the Bank in line with the target recommended by the Financial Conduct Authority (FCA) for listed companies, although the Bank itself is not listed.

From a sustainability perspective, the Bank's priority is to support clients in achieving their environmental, social and governance objectives, alongside our own global net zero and financing commitments. Clients are supported by an expanding range of sustainable financing solutions, and we continue to embed sustainability risk management and culture in all aspects of our business.

The Bank continues to invest in adapting to regulatory change and in enhancing our operational resilience to improve our ability to prevent, adapt and respond to operational disruption and to ensure we maintain optimal service and outcomes for our clients.

As well as our thanks to outgoing Chair Alan Keir, the Board thanks Patricia Jackson and Keith Macdonald who stepped down as independent non-executive Directors and to Kazuya Ikeda who stepped down as SMBC Group representative non-executive Director this year. I welcome John Mahon, who brings extensive experience in corporate banking, risk management and public sector advisory as a new independent non-executive Director and Chair of the Risk Committee. Karen Briggs takes over as Chair of the Audit Committee. After the year-end, Hiroshi Nishimura joined as the Group's representative on the Board and Joanna Meager joined the Board as an independent non-executive Director, with the intention of being appointed Chair of the Remuneration Committee, subject to regulatory approval.

The Board also extends our thanks to the Bank's executive team and talented colleagues who have worked so hard to achieve everything set out in this Report. Their ongoing professionalism and dedication continues to drive value for SMBC Group, our clients, our shareholders and other stakeholders.

“ Our business is strong, and the progress made in the reporting year positions the Bank well for further growth and to navigate the ongoing macroeconomic and global challenges. ”

Sophie O'Connor

Chair

7 July 2025

Chief Executive Officer's statement



Hideo Kawafune
Chief Executive Officer

The external climate over the year has remained challenging for the Bank. The global macroeconomic environment has been marked by muted growth and tighter monetary policies as central banks combat higher inflation, especially in developed economies. Geopolitical tensions and supply chain disruptions further complicate the global outlook.

Despite this, we have seen continued growth in revenue and a more efficient use of our capital, though inflationary effects on the cost base and higher staff numbers through the impact of regulatory projects have somewhat offset overall net performance.

“ This year saw the significant milestone of the transfer of the SMBC Nikko CM securities business to the Bank. We are the first Japanese ‘mega-bank’ to create a universal banking entity in the UK and this important step enhances our customer experience by providing our full suite of products and services in a more efficient manner, further growing our business in the region. ”

I am incredibly grateful to our dedicated employee team throughout the organisation who worked tirelessly on the successful completion of this project.

We are already realising the benefits of our enhanced structure with an increased and competitive product mix and capabilities that continue to grow to meet our customers' evolving needs. I was delighted that 2024 was the first time SMBC Group had achieved a top 10 market share position in both EMEA loan and debt capital markets.

Throughout the year we have focused on our Return on Equity through shifting to higher profitability business and accelerating our capital markets products, deposit taking and transaction banking activities. Going forward, we will continue the penetration of our corporate and investment banking model, leveraging opportunities to grow efficient revenue.

The four pillars I set at the beginning of my tenure - Profitable Growth; Transformation/Simplification; Sustainability; and Governance, Risk and Control - remain priorities for the Bank as we continue to enhance our profitability and market presence. Transformation of our operations through further simplification and efficiency measures, whilst responding to the complex regulatory environment, makes us a more efficient organisation and one that is easy for our customers to transact with. We continue to embed sustainability throughout our businesses to enhance our emissions control and support our clients' transition towards a net zero economy. In line with SMBC Group's global priorities, we also continue to consider how we can create social value alongside economic value. We remain focused on the consistent and continuous development of robust governance and risk and control frameworks to support our matrix organisation structure, fostering a true culture of inclusion.

As the regional headquarters for SMBC Group in EMEA, we are committed to delivering a high quality service to Group entities across the region, and we continue to support the changing regulatory developments in the EU. I am pleased to see the progress made and hard work so far, and recognise the evolving regulatory environment will present further challenges ahead.

The Bank is pleased to be part of the wider SMBC Group which has performed extremely well over the period, and I look forward to our continued contribution to future success.

Hideo Kawafune
Chief Executive Officer
7 July 2025

Purpose, Mission and Vision

'To be a trusted partner for the long term'

The Bank's purpose is underpinned by its business model, which is to provide customers with access to a full suite of corporate finance solutions in a way that is aligned to the Bank's aspiration to deliver long-term sustainable growth whilst ensuring that it remains well funded, well controlled and that there is an appropriate balance between risk and reward.



Read more on page 43.

'Trust' is a cornerstone of the Bank's and SMBC Group's offering.

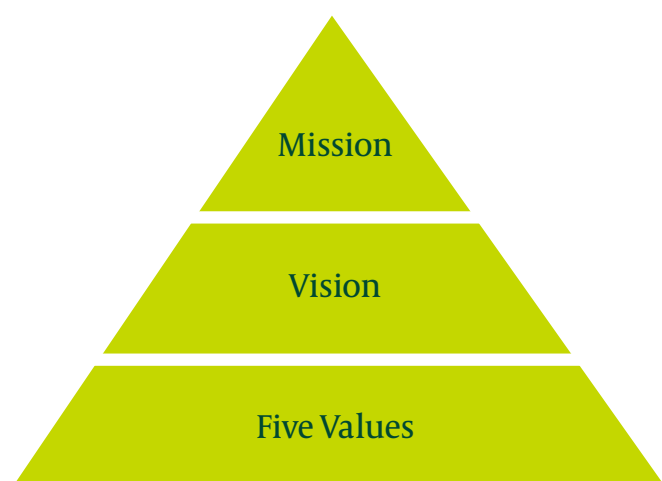
'Partner' and 'partnership' are words frequently used in the Bank and wider SMBC Group as they emphasise the two-way, win-win nature of what the Bank regards as a successful and mutually beneficial relationship.

'Long term' is naturally associated with trust, partnership and stability. Taking a long-term view and nurturing relationships as long-term associations is central to the Bank's business activities and approach..

SMBC Group's Mission, Vision and Five Values

To inform our behaviours and to deliver the best outcomes for our stakeholders

The Bank's purpose and strategy are consistent with and support the wider SMBC Group's Mission, Vision and Five Values.



Mission

- We grow and prosper together with our customers, by providing services of greater value to them
- We aim to maximise our shareholders' value through the continuous growth of our business.
- We create a work environment that encourages and rewards diligent and highly motivated employees.
- We contribute to a sustainable society by addressing environmental and social issues.

Vision

A trusted global solution provider committed to the growth of our customers and advancement of society.

Five Values

Integrity As a professional, always act with sincerity and a high ethical standard.

Customer First Always look at it from the customer's point of view, and provide value based on their individual needs.

Proactive & Innovative Embrace new ideas and perspectives; don't be deterred by failure.

Speed & Quality Differentiate ourselves through the speed and quality of our decision-making and service delivery.

Team SMBC Group Respect and leverage the knowledge and diverse talent of our global organisation as a team.

Review of the year

Strategy and objectives

During the year, the Bank has made good progress on its four corporate objectives.

1 Serving customers

To be the bank of choice for EMEA customers through the provision of high quality value-added services in cooperation with SMBC Group companies

Progress in the year

- Started operations as a universal bank following successful completion of securities business transfer from SMBC Nikko CM (see page 7).
- Implemented the three business verticals structure to enhance coordination of business activities.

2 Sustainable growth

To run the business in a way that is appropriately balanced and sustainable; to develop an efficient and effective infrastructure to support sound business growth; and to provide services to relevant SMBC Group entities through Service Level Agreements

Progress in the year

- Implemented new organisational and committee structures across business promotion and supporting areas to enhance risk management and internal control (see page 57).
- Sales of lower returning legacy assets to allow reinvestment into higher profitability businesses.

3 Competitive edges

To establish and develop those areas where the Bank feels it has a particularly strong position in customer relationships, product capabilities and global reach

Progress in the year

- Expanded the strategic alliance with Jefferies Financial Group, particularly in M&A, and Equity and Debt Capital Markets.
- Contributed to SMBC EMEA's enhanced deal league table positions in 2024 for multiple client segments.

4 Team SMBC Group

To share and help realise SMBC Group's Mission, Vision and social value creation. The Bank also shares the Group's Five Values, which are an important part of the Bank's culture

Progress in the year

- Launched a new employee DEI strategy (see page 18).
- Implemented governance enhancements to oversee development of cultural initiatives (see page 19).
- Implemented an EMEA-wide social value creation initiative led by SMBC Tokyo (see page 19).

Transfer of securities business

As highlighted in last year's report, on 7 October 2024, the Bank successfully completed a project involving: (i) the transfer to the Bank of the securities business of SMBC Nikko CM, comprising a portfolio of debt securities and other fixed income assets; and (ii) the opening of a branch in the Abu Dhabi Global Market financial centre to support customers located in the Middle East. As part of this process, on 1 August 2024 SMBC Nikko CM's employees transferred to the Bank, many of whom now provide services to SMBC Nikko CM through intra-group Service Level Agreements. As a result, the Bank now operates as a universal bank, which it believes enables it to better serve its customers by offering banking and securities products through a single entity, providing a wider range of financial services.

The transfer of the securities business resulted in an increase in the Bank's asset balances, primarily in Reverse Repurchase Agreements, of circa USD 16.4 billion. It also introduced additional Repurchase Agreement liabilities of circa USD 13.0 billion and net Securities assets of circa USD 1 billion.

Outlook

The Bank believes that the establishment of its universal bank structure positions it well to achieve the further growth and expansion of its business, despite the volatility in macroeconomic and market conditions expected over the coming year. The Bank's focus will remain on how best it can serve its customers, while maximising profitability and ensuring a strong risk management and control environment.

Subject to regulatory and other approvals, and consistent with the Bank's pillar of simplifying/transforming its business, it is planned that in the current year ending 31 March 2026 the business and employees of the Paris Branch will transfer to the Paris Branch of SMBC Bank EU AG. By bringing the two branches together, SMBC Group intends to further strengthen its universal hub in the European Union/European Economic Area and provide its customers with a more comprehensive suite of financial solutions. It is expected that, following completion of all required steps, the Paris Branch will subsequently be closed.



Further information on the Bank's outlook can be found in the Chair's and CEO's statements.

Review of the year continued

Performance commentary

Operating income at USD 1,380.8m increased vs. last year by 8%, primarily driven by increases in fee and commission income.

Net interest income at USD 479.2m increased year-on-year by 9%, mainly reflecting stable balance sheet usage through loans and advances to customers and the increase in balances following the integration of the Securities business from SMBC Nikko CM.

Net fees and commissions income increased by 26% to USD 702m, primarily driven by fees received from customer-led activity and fee income received from other SMBC Group companies. The Bank has Service Level Agreement arrangements leading to additional fees from SMBC Group companies for the Bank's contribution to deals booked in and services provided to SMBC Group's other locations, and has increased in-line with underlying expenses.

Trading income has increased c2% year-on-year, driven by revenue from foreign exchange derivatives and additional trading activities following the integration of the Securities business.

As part of its strategic objective of enhancing return on equity and balance sheet management, the Bank sold some of its assets in the financial year. The Bank incurred net losses on disposal of financial assets of USD 83.7m.

Operating expenses (excluding impairments) increased by c22% to USD 868.9m driven by higher Personnel Expenses of USD 508.8m due to investment in business growth and strategic initiatives and underlying inflation. Other Expenses of USD 298m have increased by 29% compared to the previous year mainly due to cost sharing arrangements and ongoing technology and people investment.

Impairment costs of USD 28.3m increased by USD 1.1m year-on-year. This is driven by higher model-driven provisions with revised economic indicators, and the increase in post model adjustments reflecting economic uncertainty being partially offset by lower levels of specific provisions.

The Bank continues to assess the direct and indirect impact of the Russia-Ukraine conflict when evaluating the provisions on its loan portfolio in the context of exposures affected by ongoing economic challenges. The post-model adjustments in relation to economic uncertainty remained broadly stable with decreases due to reduced exposure partially offset by increased coverage of remaining exposures.

Overall expected credit loss provisions have reduced, with reductions in exposures previously provided against that were either sold or written-off during the financial year. This was partially offset by higher model-driven provisions reflecting economic conditions.

Profit before tax at USD 483.6m decreased 10% year-on-year due to losses incurred on disposal of certain financial assets and higher expenses, being partially offset by higher fee and commission income.

The balance sheet at USD 71.4bn increased by 43% vs. the previous year, driven by the addition of the portfolio of repurchase and reverse repurchase agreements and trading assets and liabilities following the integration of the Securities business.

The full year results are set out in the Statement of Comprehensive Income on page 69. The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2025.

Key performance indicators

The Board and management track the Bank's performance and progress in meeting its strategic and business objectives through a range of financial and non-financial key performance indicators (KPIs). Set out below are a selection of the indicators used.

Financial KPIs

Net profit

Profit for the year attributed to equity holders of the parent

USD 349.6m



Gross income

Operating income

USD 1,380.8m



Total assets

USD 71,386.7m



Return on equity

Profit after tax of USD 349.6 million divided by the average monthly equity in the year of USD 5,781.8 million

6.1%



Cost income ratio

Net operating expenses (excluding impairment losses) of USD 868.9 million divided by operating income of USD 1,380.8 million

62.9%



Regulatory KPIs

Tier 1 capital ratio

Tier 1 capital of USD 5,785.8 million divided by total risk weighted assets of USD 33,888 million

17.1%



Non-performing loan ratio

Gross exposure non-performing loans of USD 164.5 million divided by on-balance sheet gross exposure total loans of USD 21,226.5 million

0.8%



Leverage ratio

Regulatory Tier 1 capital of USD 5,785.8 million divided by Capital Requirements Regulation leverage exposure of USD 57,267 million

10.1%



Non-financial KPIs

Information on non-financial indicator performance can be found as follows:



Gender pay:
see page 18.



Sustainability:
see page 27.



Supplier payment periods:
see page 51.

Risk Review

Review

The external environment remained challenging in the year as ongoing conflicts in Ukraine and the Middle East continued to disrupt energy markets and global supply chains, fuelling market volatility. In addition, 2024 was one of the biggest years for elections globally with government changes in France and Germany creating uncertainty in Europe, while the US Republican party victory in November raised global trade concerns. These changes, coupled with ongoing, relatively high energy prices, downward trending interest rates, a slowdown in China and the rise of artificial intelligence (AI) provided a challenging external environment. Against this backdrop, corporate performance was robust in the year. The Bank has continued to maintain a strong balance sheet and stable credit profile and held significant liquidity reserves. Coupled with robust risk management practices, these measures have allowed the Bank to effectively navigate the volatile market conditions and respond proactively, when required. The acquisition by the Bank of the securities portfolio of SMBC Nikko CM has not materially impacted the Bank’s overall risk profile, with some increase in market and operational risks.

Outlook

Subsequent to the year-end, the external environment has continued to evolve, and the current nature of market, economic and geopolitical uncertainties caused by the US administration’s imposition of tariffs has presented somewhat different challenges to 2024 and generated significant external market volatilities.

The outlook and global macroeconomic environment are characterised by significant uncertainty and volatility that presents a unique mix of challenges and opportunities. Ongoing geopolitical risks are likely to remain elevated. Additionally, the ongoing tensions in Russia and Ukraine, Middle East, Asia, Taiwan and the Korean peninsula are adding to the uncertainty with likely impacts on global trade, inflationary pressures and investment flows. The Bank remains alert to these evolving risks and well prepared to assess the market situation and any consequential impact on its business, and sectors, in order to continue to support its customers.

Risks and uncertainties

The key financial and non-financial risk drivers as at 31 March 2025 are set out below. Emerging risks are those with unknown elements and their impacts could materialise over different timeframes. Principal risks are identified as those with the potential to affect the Bank’s strategy and operations, and the sustainability of the long-term business model.

The **emerging** risks and uncertainties at the year-end are as follows:

Externally driven

- Political volatility
- Middle East conflict
- Russia – Ukraine conflict
- Cyber threat landscape

Internally driven

- IT systems/infrastructure and resilience

The **principal** risks and uncertainties are classified as shown in the table on the following pages.

Risk classification		
Type	Description	How risks are managed
Credit	The risk of any losses the Bank may incur due to reduction or loss of the value of assets (including off-balance sheet assets) arising from any credit events, such as the deterioration of a borrower's financial standing.	Credit risk is identified, managed and monitored individually and in aggregate. A number of approaches are used such as limits, indicators and stress testing. Example key indicators include earnings volatility, obligor, sector and country concentration limits and credit quality metrics.
Counterparty Credit	The risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.	Counterparty risk is mitigated through collateral, daily margin calls and netting agreements. Collateral is predominantly in the form of cash, mainly in major currencies, and securities collateral is mostly high grade government and corporate bonds.
Liquidity	The risk that the Bank cannot meet its liabilities, unwind or settle its positions as they become due.	Liquidity risk is identified, managed and monitored using a number of approaches such as limits, indicators and stress testing. Example key indicators include the liquidity coverage ratio, net stable funding ratio and survivability period metrics under stress scenarios.
Market	The risk that movements in interest rates, bond spreads, foreign exchange rates, or stock prices will change the market value of financial products, leading to a loss.	The Bank uses Value at Risk to a 99% confidence interval to measure and control market risk alongside other relevant metrics.
Conduct	The risk of the Bank's actions, inactions or behaviours resulting in poor outcomes for its customers and stakeholders, damaging the integrity of the financial markets or undermining effective competition.	The Conduct Rules form the basis of the Bank's approach to conduct risk management, including non-financial misconduct. The Bank assesses conduct using a suite of targeted metrics.
Operational and other non-financial	<p>The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. There is also an increasing regulatory and Bank focus on operational resilience.</p> <p>As a result of the Bank's activities, it assumes other potential risk impacts, such as reputational, conduct and others, which it manages within the overall policy framework.</p>	<p>Operational risk is managed with a view to maximising resilience and continuity whilst maintaining acceptable levels of residual risk.</p> <p>Example key indicators used to monitor, measure and report operational risk include operational risk losses and an operational risk profile score underpinned by diverse operational risk indicators.</p>
Cyber	The risk of cyber-attack which can result in wide-ranging impacts, from information theft to unavailability of systems and services. Any cyber-attack may result in loss of customer confidence, damage to the Bank's reputation, financial loss (including recovery costs and increased costs of working) and possible regulatory penalties or intervention.	The Bank has implemented technical and procedural controls at multiple levels to detect, prevent, and respond to potential threats and anomalous behaviour. Any incidents are escalated through the Bank's incident management process, which is tested regularly. All staff receive comprehensive security awareness training and participate in regular simulated phishing campaigns. A number of themes related to cyber events also feature in the Bank's operational risk scenario exercise and are reflected in operational risk capital assessment.

Risk Review continued

Risk classification		
Type	Description	How risks are managed
Model	The potential loss resulting from errors in the development, implementation or use of internal models.	<p>Model risk is managed through a comprehensive Model Risk Management Framework covering eight key dimensions. These include: Governance Structure, Model Inventory, Identification, Tiering and the Model Lifecycle. Additionally, the Framework includes an Ongoing Periodic Assessment, a Post Model Adjustments Framework and a Model Risk Appetite Framework.</p> <p>A dedicated Model Risk Committee was established during the year and the Model Framework was enhanced as the Bank opted to adopt SS1/23 as best practice on a proportionate basis.</p>
Sustainability, including climate change	Sustainability risk is defined as a cross-cutting risk that can manifest across all traditional risk types. Sustainability risk results from environmental, social and governance (ESG) issues, events or conditions that have the potential to substantially impact (financially, reputationally, or physically) the Bank, SMBC Group, its clients, the environment, and/or society. This risk can manifest itself across all risk types.	Management of these risks is articulated in the Sustainability Risk Management Framework which is integrated across the three lines of defence. The framework aligns to business strategy and follows the 'IMMMR' approach (identifying, measuring, monitoring, managing, and reporting).
Reputational risk	The risk of current and prospective impact on earnings and capital arising from litigation or a decline in customer base from negative public opinion regarding the Bank's business practices, and therefore negatively impacting the ability to establish new relationships or continue serving existing relationships.	The EMEA Reputational Risk Committee was established in the year as a standalone committee to oversee events that could present reputational risks for SMBC across EMEA. The Committee continues to assess the reputational risks of clients and transactions, whilst extending governance oversight of legal, people, and communication and media matters. Further enhancements to the Reputational Risk Framework and governance are expected over the coming year.

Non-Financial and Sustainability Information Statement

Below is the Non-Financial and Sustainability Information Statement as required by sections 414CA and 414CB of the Companies Act 2006. The location of each disclosure is referenced in the table.

One requirement of section 414CB is to include information on the policies pursued on the five areas shown below. The Bank has policies and processes in place which govern the way in which it carries out its business in these and other areas. Information on the relevant principal policies is shown below, together with page references where further information can be found.

Reporting requirement	Relevant policies and documents	Section of the annual report	Page
Environmental matters	– Credit policies	– Sustainability and social value – Climate-related financial disclosures	15 to 16, 20 21 to 33
Employees	– Employee Handbook – Whistleblowing 'Speak Up' Policy – Conduct policies – Gender Diversity targets	– People and culture – Stakeholders – Colleagues	17 to 19 50
Social matters	– Compliance policies – Customer Voice Policy – Anti-Money Laundering and Combating Terrorist Finance Policy	– Sustainability and social value – Stakeholders – Environment and Community	17, 20 49
Respect for human rights	– Anti-Slavery Policy – Slavery and Human Trafficking Statement	– Sustainability and social value	17
Anti-corruption and anti-bribery	– Anti-Bribery and Corruption Policy	– Sustainability and social value	17
Climate-related financial disclosures		– Climate-related financial disclosures	21 to 33
Description of the business model		– Overview – Strategy and objectives	1, 5 to 6
Principal risks		– Risk review	11 to 12
Explanation of amounts in financial statements		– Review of the year	8
Non-financial key performance indicators		– People and culture – Climate-related financial disclosures – Stakeholders – Suppliers	18 27 51

Sustainability and social value

SMBC's Group Mission includes contributing to a sustainable society by addressing environmental and social issues.

Central to this is the concept of social value creation through which the Group seeks to balance economic growth with the resolution of social issues to achieve 'fulfilled growth' for the benefit of wider society. The Bank shares this Mission, and all employees are encouraged to participate in the Bank's social value creation initiatives.

In this section

Further information on the Bank's sustainability and social value initiatives can be found below:



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2 Social, people and communities	17
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3 Operations, compliance and prevention of financial crime	20
Sustainability Strategy: Our Business	20
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Sustainability Strategy

SMBC Group defines sustainability as the creation of “a society in which today’s generation can enjoy economic prosperity and wellbeing and pass it on to future generations”.

The Bank seeks to support the Group’s vision of sustainability through its regional Sustainability Strategy, which is based on four pillars:



Our Customers
Support customers in their journey to sustainability



Our Solutions
Be recognised as a leading provider of green and sustainable finance solutions



Our Business
Embed sustainability risk management in our culture, risk appetite and all aspects of our business



Our Impact
Pursue long-term economic growth through social value creation for stakeholders

1 Environment



Sustainability Strategy:

Our Customers

Support customers in their journey to sustainability

Given the Bank's key client sectors and supported markets, it is exposed to businesses that are natural-resource intensive and markets that are at varying stages of regulating environmental and social standards. The Bank believes that the most direct means of assisting clients to meet their sustainability goals is by using its long-standing client relationships to help identify their most material sustainability-related issues and opportunities, share insights on sector strategies and leading practice, and offer financing and advisory services for firms to invest in their performance.

The Bank has invested in its own capabilities by hiring technical experts from industry, working with external expert advisors to develop sector-specific research and ensuring functional specialists are involved in key external forums, such as the Expert Advisory group of the Science Based Targets initiative (SBTi) and the Loan Markets Association Sustainable Finance Steering Committee so that employees can contribute to the development of the market and stay informed on leading practice. In addition to meeting individually with customers on their sustainability strategies, the Bank has continued to organise customer events through which it has shared insights and connected clients with functional specialists.



Sustainability Strategy:

Our Solutions

Be recognised as a leading provider of green and sustainable finance solutions

The Bank recognises that maintaining the integrity of the sustainable finance market is critical in allowing capital to flow toward more sustainable business activities. Therefore, the Bank has set an ambition to not only make a significant contribution to SMBC Group's cumulative JPY 50 trillion target by 2030 for sustainable finance, but to do so in a way that respects market standards and aims to support ambitious performance. The Bank has put in place procedures, employee training and a governance process to facilitate sustainable finance transactions that are aligned to market standards.

The Bank's sustainability finance performance is measured by the value of sustainable finance transactions, the number of transactions for which the Bank is in the sustainability coordinator role, league table performance among our peer banks in EMEA, and the number of transactions that are escalated for review. Further information on the Bank's metrics and targets can be found in the Climate-related financial disclosures on pages 26 to 33.

Example of a transaction closed in the year

SMBC's Düsseldorf Branch acted as joint coordinator, bookrunner and Mandated Lead Arranger, documentation agent and sole sustainability coordinator for a debut Sustainability-linked Samurai Loan transaction that assisted our customer, Axpo Holding AG, in securing capital for furthering its expansion and diversification, whilst reinforcing its strong commitment to sustainability. As part of the Bank's strategic ambition to support customers in their journey to sustainability, the Bank's Sustainability Solutions team worked with the client on their financing structure and Sustainability-Linked performance indicators related to their expansion of renewable energies, the proportion of women in management positions, and the number of apprentices employed. Although the lending for this transaction was ultimately undertaken by SMBC Group's Düsseldorf Branch, rather than the Bank, in line with our regional support model, the Bank's specialist teams provided the expertise and engaged with the client and other counterparties to the transaction.

Sustainability and social value continued

1 Environment continued



Sustainability Strategy:

Our Impact

Pursue long-term economic growth through social value creation for stakeholders

SMBC Group's current Medium-Term Management Plan emphasises the Group's commitment to pursuing economic value and creating social value. A key way in which it can do so is by supporting our clients' transition to a low carbon economy, in line with SMBC Group's public commitments to achieve net zero emissions in its own operations by 2030 and in its overall loan and investment portfolio by 2050. SMBC Group has also set medium-term GHG emissions reduction targets for the power, oil and gas, coal, steel and automotive sectors and has also established a Net Zero Transition Plan.

SMBC Group is a signatory to the Poseidon Principles. The Group measures the carbon emissions of its lending portfolio of financed ships and discloses the alignment of its portfolio with the trajectory to achieve the United Nations' International Maritime Organisation's Greenhouse Gas (GHG) Strategy, which was updated in 2023 in order to manage well-to-wake emissions.

The Bank's Net Zero Strategy is focused on using the key levers available to it to assist our customers to thrive in a low carbon economy. This year, the Bank continued to make progress in supporting SMBC Group's net zero commitment by scoring the majority of clients against our framework for evaluating client transition strategies and directly engaging with customers. This client-level engagement is a key lever available to the Bank to steer its portfolio, alongside Bank policies and the development of new, net zero aligned business activities.

2 Social, people and communities

Human rights and modern slavery

During the year, the Board reviewed and approved the Bank's Slavery and Human Trafficking Statement, and this has been signed by the CEO on behalf of the Board.

The Bank's approach to slavery and human trafficking is guided by the principle that it should not be involved, directly or indirectly, in the commission or facilitation of the offences set out in the Modern Slavery Act 2015.

This approach is documented in an Anti-Slavery Policy and supported by operational Standards, which set out the requirements and obligations applicable to all employees to prevent modern slavery and/or human trafficking and on which training is given. The Policy and Standards are prepared in consideration of best practice guidance issued by the UK Home Office and international bodies, including the United Nations' Guiding Principles on Business and Human Rights.

The Bank's Standards require risk-based anti-slavery due diligence to be undertaken on customers, suppliers, and any other third parties. This includes seeking an Anti-Slavery Statement or equivalent document and undertaking adverse news screening incorporating specific terms relevant to slavery and human trafficking. The Bank has an ongoing commitment to maintaining and improving its systems and processes to mitigate the risk that it might be involved in the commission or facilitation of slavery and human trafficking in any part of its operations, supply chain (including customers, suppliers and other third parties), products, services and employee activities. The Bank also expects its employees, customers and suppliers to undertake ethical business practices, particularly in, but not limited to, activities where there is a higher risk of slavery and human trafficking.

SMBC Group is a supporter of the United Nations Global Compact and the 10 principles related to human rights, labour standards, environment and anti-corruption measures. It sets human rights as one of its priority issues and has publicly announced its efforts to prevent, mitigate and remediate negative impacts on human rights. SMBC Group is not only committed to preventing, mitigating, and remedying negative impacts across the entire supply chain, but also to tackling social issues related to human rights such as poverty, inequality and DEI. It aims to secure trust from society, enhance corporate value, and contribute to creating a positive impact on society. It also participates in the 'Industrial Federation for Human Rights, Tokyo', thorough which it aims to establish respect for human rights as a core part of its corporate culture.

Further information can be found as follows:



Slavery and Human Trafficking Statement:

<https://www.smbcgroup.com/emea/notices-reporting/corporate-disclosures#antislavery>



SMBC Group's Statement on Human Rights:

https://www.smfg.co.jp/english/sustainability/group_sustainability/forrights/Statement_on_Human_Rights_e.pdf

People and culture

The Bank recognises that equity, fairness, and transparency are key to enabling our colleagues to be their most authentic selves at work. The Bank is an inclusive and equal opportunities employer, and our policy is that all individuals are appointed, trained, developed and promoted on the basis of merit and ability. Selection criteria and procedures are designed to eliminate bias, and opportunities for challenge are embedded within these to ensure processes are fair and equitable.


The Board recognises the importance of the Bank attracting, developing and retaining diverse talent. At an executive level, diversity and inclusion initiatives are coordinated and overseen by the EMEA Diversity and Inclusion Steering Committee, the Chair of which is responsible for reporting to the Board and Executive Committee on the progress made in progressing actions under the DEI Strategy.

Sustainability and social value continued

2 Social, people and communities continued

Diversity, Equity and Inclusion Strategy

During 2024, the Bank launched a new DEI Strategy following consultation with the Board, Executive Committee, Diversity & Inclusion Steering Committee and representatives from across the Bank. Our vision is to harness the power of our difference to serve our customers, communities and each other through focusing on the three priority areas below.

DEI strategic pillar	Progress in the year
Where We Belong Our behaviours create a culture where everyone feels part of Team SMBC	<ul style="list-style-type: none"> – The Bank understands that psychological safety is key to our colleagues' sense of belonging and we have focused on building a shared understanding of what actions can be taken to support psychological safety in the workplace. – The Bank introduced paid Carers' Leave in the UK, recognising the impact on our employees of managing caring responsibilities alongside work. – Building on our existing family support policies, the Bank introduced a healthcare app to provide specific health services and extended our fertility and parenthood support. – Our DRIVE (diversity, respect, inclusion, value and equality) Employee Resource Groups continued to play a key role in creating an inclusive workplace and many of their members participated in the development of our new strategy. We regard DRIVE as a critical enabler for increasing colleague awareness and support.
Every Moment Matters Our decisions and actions ensure we are an equitable organisation where everyone can fulfil their potential	<div>  <p>Further information can be found in the Gender Pay Report at: https://www.smbcgroup.com/emea/about-us/diversity-inclusion/#gender</p> </div> <ul style="list-style-type: none"> – The Bank continued to analyse how our recruitment and talent development processes impact the balance of our talent. Actions taken to continuously improve these processes have enabled us to sustain our progress on gender diversity and drive a positive uplift in female representation at both senior and junior levels. This has resulted in a reduction of our mean and median gender pay gaps in 2024 by, respectively, 2.4% and 0.9%. – Our Disability Confidence Working Group has supported an enhanced approach to workplace adjustments and our Race at Work Steering Group has facilitated progress against the Bank's commitments under the Race at Work Charter. – Improving access to careers in financial services for all underrepresented groups is a core focus of the Bank's early talent programmes: <ul style="list-style-type: none"> – The 2024 London cohort to our graduate programme for Corporate and Investment Banking and Global Markets was 50% female, with 38% of participants identified as minority ethnic and 70% with at least one social mobility indicator. – The intake for our most recent UK Industrial Placement Programme was 63% female, with students joining from 18 universities. – Diversity and inclusion remains a key metric in senior management performance evaluation, accounting for approximately 10% of variable remuneration.
Making a Difference Through collaboration with our clients and communities, our contribution to society supports wider change	<ul style="list-style-type: none"> – SMBC Group is a proud signatory of HM Treasury's Women in Finance Charter, the UK's Race at Work Charter, and the Valuable 500 initiative, and is registered under the UK Government's Disability Confident Scheme. This year, the Bank also joined Progress Together to contribute to advocating for greater socio-economic diversity at senior levels in financial services, and the Mind Forward Alliance, supporting their vision to build workplaces that prioritise mental wellbeing. – Through closer connectivity between our Corporate Social Responsibility (CSR) and DEI initiatives, we have driven an increase in volunteering, particularly in support of widening access to careers in financial services.

Culture

The Bank promotes high ethical standards and a culture where everyone feels able to be their authentic selves at work. The Bank's culture is based on five pillars which are designed to both reflect the current situation and be aspirational for the future:

- 1 **Provide an excellent service to customers and colleagues through collaboration, teamwork and a sense of shared purpose.**
- 2 **Build the Bank's brand by being a reliable and trusted partner to our customers and contribute positively to the societies in which we operate.**
- 3 **Protect the Bank's customers and markets by conducting our business in a transparent, prudent and compliant manner.**
- 4 **Treat each other with respect and integrity and embrace diversity in all its forms.**
- 5 **Be focused, creative and proactive in evolving the business to meet new challenges.**

The Chair of the Board and CEO are accountable for the Bank's culture. Recognising the evolution of regulatory and corporate governance expectations on culture, during the year the Board reviewed and provided input into proposals for the development of the Bank's culture framework.

The outcome of this work has been:

- the establishment of an EMEA Culture Governance Panel, chaired by the CEO and with membership from across the business, which is responsible for providing strategic direction, oversight and assurance on culture matters across the Bank and SMBC's EMEA region.
- development of an annual plan of Board engagement with a range of employee groups.

The impact of these developments will be assessed over the coming year. During the reporting year, the overall employee engagement score has remained consistent.

Communities

The Bank recognises the importance of making a positive contribution to the societies in which it operates and encourages all employees to think about how they can create social value as part of their day-to-day roles as well as in the wider community. We offer colleagues a variety of ways to support and engage with community activities, including a paid volunteering allowance, matched funding of employee donations (up to a certain limit), and a Give-As-You-Earn salary sacrifice scheme. The Bank's CSR activities in the year included:

- Donation for a second year to the Broadgate Community Fund to provide essential funding for local grassroots charities and social enterprises that positively impact the local communities. The Bank's participation in the fund underscores our commitment to social value creation, fostering an environment that enhances both economic and social prosperity.
- The development of our partnership with the East London Business Alliance to support community partners by sharing our skills and knowledge through individual and team volunteering.
- The expansion of our schools outreach programme, facilitated by the social mobility charity Career Ready, to provide mentoring, masterclasses, City Taster Days and summer internships to young people. The Bank also hosted a Careers Insight Day for 90 Career Ready students from across the country with the aim of widening access to careers in financial services.
- A globally coordinated social value creation week of CSR activities, where colleagues across EMEA took part in a series of practical and skills-based volunteering events.

Sustainability and social value continued

3

Operations, compliance and prevention of financial crime



Sustainability Strategy:

Our Business

Embed sustainability risk management in our culture, risk appetite and all aspects of our business

Risk management

The Bank recognises sustainability risk as a key component of the risk landscape. During the year, the Bank continued to enhance the governance over the way it assesses this risk with the support from the Sustainability Risk Management Committee (SRMC) and the regional Sustainability Risk Framework. This framework facilitates integration of sustainability risk into the wider Risk Management Framework and will evolve in line with regulatory requirements and market best practices.

The Bank considers sustainability risk, including climate change, in the same manner as all risk types, through the IMMMR approach and uses the three lines of defence model to manage risk across the business (further information on page 56).

The Bank's sustainability risk priorities are:

- Governance: enabling management and the Board to effectively oversee sustainability risk management and strategy integration.
- Risk management: development and implementation of risk management policies, processes, and portfolio monitoring.
- Data, tools and reporting: continued enhancement to the IMMMR approach for sustainability risk.

Sustainability training

The Bank has established the Sustainability University to train its people on sustainability topics with the objective of building the skills, knowledge and expertise required to deliver the Sustainability Strategy. The curriculum aligns with the four pillars of the Bank's Sustainability Strategy and is updated regularly. It includes modules on Net Zero Alignment, Financed Emissions, Sustainable Finance, and Reputational Risk and includes mandatory training for all employees. The Bank also delivers additional employee engagement initiatives and learning opportunities, including a dedicated week focused on sustainability and social value creation.

Compliance Policy Framework

This framework aims to help everyone who works for the Bank to understand good conduct, positive behaviours and how to raise and address concerns. The policies set out the Bank's approach to the identification, understanding and management of conduct risk at individual, product, departmental and organisational levels. They also explain that conduct applies to both financial and non-financial behaviours and that conduct is recognised as being closely linked to the Bank's values, culture and an environment of psychological safety. Policies are regularly reviewed and conduct-related key risk indicators reported to senior management including to the Risk Committee.

Prevention of financial crime

The Bank has no appetite for serious, repeated or material violations of the spirit or letter of applicable laws, rules, regulations and industry guidance in relation to financial crime, including money laundering, terrorist financing, proliferation financing, bribery and corruption, fraud, tax evasion, slavery and human trafficking, and non-compliance with financial sanctions. The Bank has developed, and will continue to develop, financial crime-related systems and controls for mitigating financial crime risks, including policies, standards, procedures, guidance, training and risk assessment models. All employees are required to adhere to the Bank's prevention of financial crime policies, on which they receive training on joining the Bank and annually thereafter. The Money Laundering Reporting Officer reports at least annually to the Risk Committee on the operation and effectiveness of the arrangements to counter the risk of the Bank being used to further financial crime.

Climate-related Financial Disclosures

The Bank fully supports SMBC Group's climate objectives and works closely with colleagues across the Group. As a result, certain aspects of this section describe activities the Bank has undertaken as part of SMBC Group. Although there is close cooperation with SMBC Group, the Board and its Committees retain responsibility for overseeing and making key decisions in respect of the Bank's own activities.



SMBC Group's Sustainability Report can be accessed here:
<https://www.smfg.co.jp/english/sustainability/materiality/environment/climate>

This section is structured on the four pillars of the Task Force on Climate-related Financial Disclosures recommendations to disclose information on: Governance, Strategy, Risk management and Metrics and targets. This table provides an overview of the Bank's progress in the year and includes the references to the disclosure requirements of sections 414CA and 414CB of the Companies Act 2006.

Progress against TCFD recommendations			
TCFD disclosures	CA2006 s.414CB	Page	Focus areas in the year
Governance			
(a) Describe the board’s oversight of climate-related risks and opportunities.	(a)	22, 39	– Training and learning opportunities focused on sustainability and social value creation.
(b) Describe management’s role in assessing and managing climate-related risks and opportunities.		22	
Strategy			
(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	(d), (e), (f)	23 to 24	– Continued integration between strategy and risk.
(b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.		23 to 24	
(c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.		23 to 24	
Risk management			
(a) Describe the organisation’s processes for identifying and assessing climate-related risks.	(b), (c)	25 to 26	– Enhancements to risk assessment tools for climate change, ESG and stress testing.
(b) Describe the organisation’s processes for managing climate-related risks.		25 to 26	
(c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.		20, 25 to 26	
Metrics and targets			
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	(g), (h)	26 to 33	– Work on automation of the financed emissions model to improve monthly analysis and monitoring.
(b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.		26 to 33	
(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.			

Climate-related Financial Disclosures continued

Governance

Sustainability governance – oversight

The Board, supported by its Committees, is responsible for setting and monitoring the development of the Sustainability Strategy. Information on the sustainability activities undertaken by the Board in the year can be found on page 39.

Sustainability is an important element of the Board's ongoing education plan. During the year, the Directors received briefings from internal and external specialists on various sustainability topics, including developments in sustainability regulation and the establishment of the International Sustainability Standards Board (ISSB).

Sustainability governance – implementation and execution

The Chief Financial Officer (CFO) is responsible for overseeing the Bank's climate and sustainability initiatives, developing the Sustainability Strategy and ensuring this is embedded within the overall Corporate Strategy, developing the Sustainability Risk Framework, escalating significant business and strategic developments to the Board and overseeing overall climate governance. He is supported in this work by the Executive Committee, SRMC, the EMEA Reputational Risk Committee, Finance Committee and functional specialists.

The Executive Committee's responsibilities include receiving monthly updates on performance against sustainability targets and other significant sustainability topics, such as ongoing discussions with SMBC Group on sustainability. The EMEA Reputational Risk Committee's responsibilities include reviewing the reputational aspects of transactions with sustainability considerations. The Finance Committee's responsibilities include overseeing the preparation of non-financial disclosures, matters relating to sustainability disclosure activities, and approving disclosure-related sustainability policies.

The SRMC is a monthly meeting, chaired by the Head of Enterprise Risk, and is responsible for overseeing sustainability risk governance in EMEA and for providing recommendations to the Board and other relevant approval forums on sustainability risk matters. It is the primary escalation point for business-as-usual sustainability risk matters, providing executive review and governance of the Sustainability Risk Framework and sustainability risk-related matters. The SRMC allows for effective information sharing, governance, and escalation or recommendation of items to the relevant Boards or approval forums across the EMEA Region.

Given the Bank's role as SMBC's headquarters in EMEA, the scope of the SRMC also includes SMBC Nikko CM and other SMBC Group entities in EMEA, which facilitates good coordination and alignment in sustainability activities.

Governance

SMBC BI Board of Directors

Other SMBC Group entities in EMEA

Executive Committee

Finance Committee

Sustainability Risk Management Committee (SRMC)

EMEA Reputational Risk Committee

Run the Bank/Change the Bank

Committees and Projects on topics including: DEI disclosures and capital allocation

Sustainability Solutions
1st Line of Defence Client Facing

Sustainability Strategy
1st Line of Defence Control & Support

Sustainability Risk
2nd Line of Defence

Vertical Office

Strategic Planning Department

Risk Management Department

Execution of coordinator roles in Sustainable Finance transactions

Strategy & Governance

Definition of Sustainability Risk Framework and Appetite

ESG Advisory

Sustainability Data and Performance Measurement

Setting and monitoring portfolio risk limits and thresholds

Sustainability Services (1LOD Sustainability Controls)

Change Management

2LOD Review of Sustainable Finance Transactions

Policies, Procedures and Training

2LOD Review of environmental and social due diligence

Strategy

The Bank recognises that climate change will present both risks and commercial opportunities for its business, which will vary by time horizon considered. These risks and opportunities are considered in the Bank's strategic planning process. SMBC Group organises climate-related risks by category. These risks are expected to have extensive knock-on effects and materialise over various timeframes, as shown in the table below.

Climate change – examples of main risk events by category			
Risk category	Definition	Event examples relating to physical risks <Timeframe>	Event examples relating to transition risks <Timeframe>
Credit risk and counterparty risk	Risk for the Bank of incurring losses due to reduction or loss of asset value (including off-balance sheet assets) resulting from credit events such as deterioration of financial condition of obligors.	– Risk of increasing credit costs for SMBC Group along with the deterioration of customer performance or impairment of collateral items due to natural disasters. <Short to long term>	– Risk of increasing credit costs for SMBC Group along with the deterioration of customer performance resulting from a decline in revenue or impairment of existing assets. <Medium to long term>
Market risk	Risk of incurring losses due to fluctuation in the market value of financial instruments resulting from changes in interest rates, currency rates, stock prices, etc.	– Risk of falling prices of our strategically held stocks and funds along with the deterioration of customer performance due to natural disasters. <Short to long term>	– Risk of falling prices of our strategically held stocks and funds along with the deterioration of customer performance resulting from a decline in revenue or impairment of existing assets. <Short to long term>
Liquidity risk	Risk of difficulty in procuring funds necessary for settlement due to mismatch in the period between fund management and procurement or unexpected outflow of funds; risk of incurring losses due to forced procurement of funds at a significantly higher interest rate than usual.	– Risk of losing deposits from SMBC Group along with the deterioration of customer performance due to natural disasters. <Short to long term>	– Risk of deterioration of the funding environment and risk of a funds drain from deposits due to deterioration of the Group's reputation. <Short to long term>
Operational risk	Risk of incurring losses resulting from improper or non-functional internal processes, people and/or systems, or from the occurrence of external events.	– Risk of business discontinuation due to damage to the Head Office and branch offices; risk of increasing costs due to the need for a response and recovery. <Short to long term>	– Risk of incurring losses due to fines and court proceedings relating to sales of products and services that do not meet climate change measures and green finance criteria. <Short to long term>
Reputational risk	Risk of leading to impairment in enterprise value or a decline in customer trust due to failure in meeting expectations regarding high ethics, sincerity, etc. by stakeholders, resulting from certain business operations of SMBC Group or a certain act conducted by its employee or another related person.	– Risk of being criticized for a delayed response for business recovery from a damaged Head Office and/or branch offices. <Short to long term>	– Risk of deterioration in the reputation of SMBC Group due to a lack of responses to climate change and a delayed response to requests from stakeholders for information disclosure. <Short to long term>

(Short term: approximately 3 years; Medium term: approximately 4 to 10 years; Long term: over 10 years).

Climate-related Financial Disclosures continued

Considering the Bank's climate and wider sustainability-related opportunities, the Bank believes that SMBC Group's status as one of the world's leading project financiers and renewable energy lenders positions it well to finance the significant investment needed into new energies, renewable energy and power infrastructure in the short to medium term. The Bank also has close and long-standing relationships across the energy, power, transportation and building sectors where transition advisory services are in high demand.

These risks and opportunities are reflected in the Bank's Sustainability Strategy, which has been approved by and is overseen by the Board.

The Bank's Sustainability Solutions team, a focused group of sustainability experts who provide guidance to colleagues as well as advice to customers on topics such as how to finance their low carbon transition needs, technological and sectoral developments, and investor perspectives on ESG considerations, has been key in allowing the Bank to capitalise on sustainability-related opportunities. In conjunction with this team, the Bank is embedding sustainable finance in all aspects of the business through a network of Sustainability Champions, and sustainability-related business has continued to grow because of this strong collaboration.

At present the Bank offers the following sustainable finance solutions: Green Loans and Bonds, Sustainability-Linked Loans and Bonds, Guarantees and Bonds, Social Loans and Bonds, Green Deposits, Renewable energy, new energy and energy transition lead arranging and advisory and ESG ratings and framework advisory. Additionally, in partnership with SMBC Nikko CM, the Bank can offer ESG derivatives.

The Bank labels loans Green, Social or Sustainability-Linked where they comply with market-standard guidance from external parties, such as the Loan Market Association (LMA), which can be verified by a Second Party Opinion if necessary. The Bank also takes a wider view of the sustainability-related aspects of the financing of renewable energy and other facilities related to the energy transition, in accordance with SMBC Group's Transition Finance Playbook and supporting taxonomy. Resources are made available to employees through the Bank's intranet and supported with regular training. Members of the Sustainability Solutions team represent SMBC Group on the LMA's Sustainable Finance Steering Committee, which provides guidance to the industry on loan structuring, as well as on the SBTi Oil and Gas Expert Advisory Group to ensure the Bank's energy sector clients have access to robust and science-based advice.

Whilst developing the sustainable finance business is important, the Bank recognises that its Sustainability Strategy needs to be integrated into all aspects of business strategy. The Bank is taking a two-pronged approach of engaging with existing customers to understand their transition plans and focusing on growing its business by serving customers who it believes are either embarking on a credible transition or already engaged in business activities needed to support the future net zero economy. The Bank requires that a sustainability-related risk assessment is undertaken for most customers, with methodologies updated regularly to reflect developments such as the EU Taxonomy and industry best practice.

The Bank performs scenario analysis using three of the Network for Greening the Financial System scenarios, reviewing both physical and transition risk. The Bank believes its top risk is transition risk for high emitting sectors, such as power and energy, which will likely be impacted by government policy updates or changes in consumer preferences in the medium term. This is reflected in the Bank's strategy through its current or planned efforts to engage with clients in these sectors to evaluate and support their transition maturity, offer sustainable finance solutions to meet their needs, and adjust the appetite for future business opportunities based on clients' transition maturity.

Risk management

Sustainability risk arises from ESG-related issues, events or conditions that have the potential to substantially impact (financially, reputationally, or physically) the Bank, SMBC Group, its customers, the environment and/or society. Sustainability risk can manifest across all risk types. The integration of the securities business into the portfolio has changed the overall risk profile. Management of ESG risk relating to the securities business is conducted at the Securities Transaction Approval Committee, which evaluates transactions based on defined criteria, which include ESG-related matters.

Information relevant to this section can also be found in the Sustainability Report as follows:

Disclosures	Page
Sustainability risk governance and how implemented in the Risk Management Framework	20

Risk-based approach to client assessment

Over the year, the Bank has continued to develop and embed sustainability risk management across the three lines of defence. SMBC Group's approach is to currently focus on the highest risk sectors as defined by its policies and processes, and it is evolving the tools, processes and factors to assess sustainability risk materiality. Sustainability risk is assessed and managed at the client or transaction level across three key areas: Net Zero alignment, Sustainability risk and Sustainable Finance and Greenwashing.

The key tools in place that inform business and strategy decisions include the following:

- Climate Change Ratings Assessment
- Portfolio Monitoring and Reporting
- Stress Testing and Individual Capital Adequacy Assessment Process (ICAAP)
- Risk Register/Taxonomy
- Principal and Emerging Risks
- Regulatory Horizon Scanning Tool
- Risk Appetite Framework

Description of tools and processes:

Climate Change Ratings Assessment (CCRA)

The Bank continues to develop and enhance sustainability risk management tools to better understand the impacts of sustainability risk, including climate change. CCRA is one such example, having been internally developed in 2020.

CCRA is embedded within the Bank's Sustainability Risk Framework and is an important component of the Bank's risk management toolkit, through which the Bank can assess each counterparty. These ratings enable the Bank to better understand its exposure to climate-related risks within the portfolio.

CCRA is enhanced by the Environmental and Social Due Diligence tool which assesses the impact of environmental and social risks affecting credit and reputational risks.

Portfolio Monitoring and Reporting

Using the output from CCRA and other tools, the Bank undertakes portfolio monitoring so that performance is appropriately managed.

Stress Testing and ICAAP

The Bank has undertaken climate risk scenario analysis and stress testing since 2019, with a modelling horizon of 30 years.

The Bank's scenario analysis is broadly aligned with the Bank of England's (BoE's) Climate Biennial Exploratory Scenario (announced in November 2020 with results published in May 2022) and, through it, the Bank analyses the stress impact on its portfolio of three scenarios: No additional policy (>4°C temperature change), Early Policy Action (<2°C) and Late Policy Action (<2°C). The stress scenarios inform the potential credit impact of climate change in the existing portfolio over the long term, and the results are included within the Bank's capital assessment and ICAAP document.

Climate risk modelling is still in its early stages within the industry, with both banks and regulators actively learning and evolving their approaches. The Bank is committed to continuous monitoring and enhancement as data and methodology progress and further mature in the climate modelling space.

Climate-related Financial Disclosures continued

Risk Register/Taxonomy

An internal taxonomy of key risks and controls is used to inform the ongoing identification of risks. The Bank recognises that sustainability risks, including climate change, are inherent across the spectrum of risk categories. This has allowed the Bank to consider how climate change risk impacts each of the risk drivers and the control environment in place to manage them. The Bank continues to enhance the integration of Sustainability risk factors into the Risk Register in preparation for International Sustainability Standards Board adoption.

Principal and Emerging Risks

The primary objective of the Principal and Emerging Risks process is to inform senior management of the most pertinent risks currently facing the Bank. ESG components are incorporated into the risks identified.

Regulatory Horizon Scanning Tool

The Bank uses a Regulatory Horizon Scanning Tool to monitor sustainability-related consultations and legislative and regulatory developments across EMEA. Outputs from this tool are reviewed by relevant teams and subject-matter experts. Items requiring further action to meet expectations are formally escalated and assigned to a workstream to oversee delivery and ensure compliance. Sustainability-related matters are reported to SRMC.

Risk Appetite Framework

The purpose of risk appetite is to define the broad-based level of risk that the Bank is able and willing to undertake in pursuit of its objectives. The Risk Appetite Framework ensures formal identification and consensus about the strategic-level risks that the Bank is facing and is a key tool for the business. With effect from 1 April 2023, SMBC Group introduced targets, of which a number were climate-related, to manage portfolio GHG emissions in each sector/business unit. The Bank is aligned to the Group's climate-related targets. The Bank has Key Risk Indicators (KRIs) and control measures in respect of climate and sustainability within its Risk Appetite Framework and continues to evolve its approach.

Metrics and targets

Management Information

Sustainability-related metrics and targets are key components of the Sustainability Strategy and sustainability risk governance and are used to measure whether the Bank is delivering in line with its strategy and commitments, and managing risks effectively. The sustainability-related metrics align to the Bank's strategic objectives and reflect the most material sustainability risks.

During the year, the Bank continued to develop its approach to and catalogue of climate metrics and enhanced the governance and control framework around its performance reporting and management information. This is aligned to the Net Zero Strategy and commitment to decarbonise the Group's investment and lending activities.

In terms of governance, climate and sustainability-related metrics used by the Bank are owned by the SRMC, which approves the use of various metrics and any associated targets or thresholds. SRMC is the escalation point for internal reporting of these metrics. The Bank will continue to evolve its approach with the aim of increasing usability and transparency, while considering proportionality, governance, data quality and other factors.

In line with the Bank's Booking Policy, many transactions originated or supported by Bank employees are ultimately booked in other EMEA entities of the SMBC Group. Given this, some of the Bank's sustainability metrics are prepared on an SMBC EMEA basis, rather than on a Bank-specific basis; and targets are managed accordingly. The Bank believes this approach encourages its people to work more closely with SMBC Group to benefit customers. As other legal entities within the SMBC EMEA region begin to disclose sustainability performance externally, in future the Bank may begin to report sustainable financing performance and targets on a standalone basis.

Overview

Presented below are a selection of the most relevant sustainability-related metrics and targets, with further information and explanation displayed later in this section for each metric. The table sets out which metrics are prepared on an SMBC (EMEA) basis and

which are prepared on a Bank-specific basis. These metrics are selected for inclusion as they reflect the Sustainability Strategy and most material sustainability risks, are aligned with metrics disclosed by the wider SMBC Group, and documented evidence of the underlying data and processes mean the indicators are reliable and verifiable.

Measure	Metric	Basis	Target	FY2024	FY2023
Sustainable finance	Sustainable finance – USD bn	SMBC (EMEA)	USD 11.8bn	USD 15.84bn of which SMBC BI USD 3.48bn	USD 11.99bn of which SMBC BI USD 1.26bn
Operational emissions	tCO ₂ per FTE	SMBC BI	Net zero by 2030*	0.48 tCO ₂ e/FTE	0.51 tCO ₂ e/FTE
Financed emissions	GHG emissions from loan/investment portfolio	–	Net zero by 2050*	–	–
	Oil and Gas – MtCO ₂ e	SMBC BI	Reduction of 12 – 29% by 2030*	0.13 MtCO ₂	0.22 MtCO ₂
	Power – gCO ₂ e/kWh	SMBC BI	Reduction to 138 – 195 gCO ₂ e/kWh by 2030*	95 gCO ₂ e/kWh	167 gCO ₂ e/kWh
Exposure to carbon-related sectors	Exposure to carbon-related sectors – % of portfolio	SMBC BI	–	52%	52%

* SMBC Group level target – SMBC's net zero targets are Group-level global targets. The Bank measures its performance on these metrics to ensure it is contributing to the Group's overall net zero goal.

Sustainable finance

The Bank has strategic ambitions to support its customers in their journey to sustainability and to be recognised as a leading provider of green and sustainable products. The target to provide USD 11.8 billion of sustainable finance in the reporting year is how the Bank measures its achievement in those ambitions.

This is an EMEA-wide target, so is prepared on an SMBC Group EMEA basis. However, starting this year, the Bank reports how much of this sustainable finance is booked directly in the Bank, for increased transparency. The EMEA-wide target contributes to SMBC Group's global commitment to provide JPY 50 trillion between financial years 2020 and 2029. Furthermore, this financing contributes societally to the vast investments that are required to transition the economy in line with the goals of the Paris Agreement. As a globally important financial institution, SMBC, along with the rest of the sector, is positioned to provide this investment. In this Report, the Bank is reporting its sustainable finance by product type – with certain products such as Green Loans, Green Bonds and Renewable Project Finance particularly contributing to the investment required to transition the economy to net zero.

In the reporting year, overall provision of sustainable finance to clients increased substantially vs. the previous reporting year. The increase was driven primarily by higher arrangement amounts of sustainable finance, as opposed to higher lending or underwriting amounts – demonstrating that SMBC is taking on more senior roles in sustainable finance transactions. The new reporting shows that a material portion of the overall sustainable finance conducted in EMEA is booked in the Bank (22%). This has also substantially increased vs. the previous fiscal year, driven primarily by the transfer of the SMBC Nikko CM securities business to the Bank.

Presented on the next page is the Bank's sustainable finance achievement by product type. The product types included are aligned with the Bank's internal definition of sustainable finance and what types of transactions qualify as sustainable finance. The Bank's internal definition refers to and is informed by best practice industry standards such as the LMA Sustainability Linked Loan Principles and ICMA Green Bond principles. Under the Bank's definition of sustainable finance, for a particular transaction, either the amount lent, underwritten, or arranged for our customer is counted as sustainable finance, as applicable. The amount lent or underwritten is also presented.

Climate-related Financial Disclosures continued

Product	FY2024 sustainable finance – greater of lending/underwriting amount and arrangement amount		FY2024 sustainable finance – lending/underwriting amount		FY2023 sustainable finance – greater of lending/underwriting amount and arrangement amount		FY2023 sustainable finance – lending/underwriting amount	
	EMEA	of which SMBC BI	EMEA	of which SMBC BI	EMEA	of which SMBC BI	EMEA	of which SMBC BI
Sustainability-Linked Loan	6,482	1,140	4,397	631	3,144	713	3,137	713
Green Loan	1,766	1,059	1,373	737	1,923	275	1,923	275
Social Loan	315	115	315	115	452	157	452	157
Sustainability Loan*	527	–	294	–	602	35	602	35
Renewable Project Finance	2,136	444	1,546	444	1,483	83	814	83
Sustainability-Linked Bond	399	109	399	109	392	–	392	–
Green Bond	3,467	285	3,467	285	3,342	–	3,342	–
Sustainability bonds*	744	324	744	324	654	–	654	–
Total	15,836	3,476	12,535	2,645	11,992	1,263	11,316	1,263

Note:

* In previous years' reporting, Sustainability Loans and Sustainability Bonds were aggregated together with Green Loans and Green Bonds respectively. From this year, due to the volume of transactions, these have been included as new, separate categories, to provide transparency. This means the numbers previously reported for Green Loans and Green Bonds in FY2023 have changed, as they previously included Sustainability Loans and Sustainability Bonds, respectively.

Operational emissions (Streamlined Energy and Carbon Reporting (SECR))

The Bank meets the UK Government's Streamlined Energy and Carbon Reporting qualification criteria in the UK and, as in previous years, is reporting emissions from its operations using the financial control approach.

Under the reporting requirements, the Bank has measured mandatory Scope 1, 2 and 3 emissions for its UK operations within the financial reporting period of 1 April 2024 to 31 March 2025. This includes energy consumption associated with premises occupied, energy associated with data centres and business travel for UK-based employees (including fuel associated with grey fleet). Furthermore, water and waste emissions associated with the headquarters building are also voluntarily provided.

Footprint: The 2024/25 SECR footprint is equivalent to 1,059 tCO₂e, with the largest portion being made up of emissions from purchased electricity at 865 tCO₂e. This is an increase of 6% on the year.

Total energy consumption for the year was 7,224 MWh. This was a reduction of 7% on the previous reporting year. This is mainly attributed to a decrease of 28% in electricity consumption associated with Data Centres, following the closure of one of the Bank's Data Centres.

Emission intensity: The Bank's emission intensity has reduced by 6% compared to previous reporting year to 0.48 tCO₂e/FTE which was due to an increase in headcount and rise in total energy consumption.

A range of energy efficiency activities have been implemented across the period. One project involved utilising the Building Management System at 100 Liverpool Street and carrying out alterations, such as sensor updates and energy utilisation. Ongoing projects include reducing evening and weekend consumption through landlord engagement and monitoring and rolling out an operational sustainability training at all UK sites. This demonstrates the Bank's commitment to decarbonisation, and despite being hosted in a BREEAM (Building Research Establishment Environmental Assessment Method) 'excellent' premises, proactive management continues to improve the building performance and reduce the Bank's overall emission and energy footprint.

The Scope 2 increase in electricity consumption is due to an increase in average daily office occupancy of 17% and 24% for the offices at 100 Liverpool Street and Harbour Exchange, respectively, compared with the previous reporting year. Scope 3 emissions have increased as a result of an increase in grey fleet emissions associated with an increase in full-time employees and increase in business activity.

	FY2024	FY2023
Total energy use (MWh)*	7,224	7,744
Total GHG emissions Scope 1 and 2 (location-based tCO ₂ e)	1,052	993
Total GHG emissions Scope 1 and 2 (market-based tCO ₂ e)	287	163
Total SECR mandatory GHG emissions (location-based tCO ₂ e)	1,059	1,000
Total SECR mandatory GHG emissions (market-based tCO ₂ e)	295	170
– Of which Scope 1 (location-based tCO ₂ e)	187	178
– Of which Scope 1 (market-based tCO ₂ e)	–	–
– Of which Scope 2 (location-based tCO ₂ e)	865	815
– Of which Scope 2 (market-based tCO ₂ e)	171	164
– Of which Scope 3 (grey fleet tCO ₂ e)	7	6
Total Scope 3 emissions (tCO ₂ e)**	6,263	5,660
Of which		
– Business Travel	5,722	4,946
– Electricity	532	707
– Grey Fleet	7	–
– Waste	0.8	0.5
– Other	0.6	6.5
Emissions per employee (tCO₂e/FTE)	0.48	0.51

* Total energy use includes gas, electricity consumption associated with leased offices and Data Centres, plus fuel from grey fleet: emissions from business travel in rental cars or employee-owned vehicles.

** Total Scope 3 emissions includes the mandatory SECR requirements (fuel from grey fleet) and voluntary categories of business travel, electricity including transmission and distribution losses, waste, and water emissions.

Boundary:

Included within its boundary are Scope 1 and 2 emissions, as well as Scope 3 emissions. The UK Government's GHG Conversion Factors for Company Reporting have been used as part of the carbon emissions calculation. The Bank has used the UK Government GHG-conversion-factors-2024.

Methodology:

The methodology the Bank uses to account for its operational emissions aligns with the GHG Protocol Corporate Accounting & Reporting Standard. The Bank uses the Operational Control boundary definition to define its carbon footprint boundary. The reporting period for compliance is 1 April 2024 to 31 March 2025.

Financed emissions

SMBC Group is committed to aligning its lending portfolio with net zero emissions by 2050. Measuring the emissions associated with its lending, known as financed emissions, is how the Bank assesses its progress towards its net zero commitment.

Currently, the Bank measures the financed emissions associated with its lending in the oil and gas and power sectors. The methodology used is aligned with the Partnership for Carbon Accounting Financials (PCAF) Standard and is detailed below.

SMBC has set Group-level interim targets for the financed emissions associated with its lending. The targets include:

- Reduce the absolute amount of financed emissions from its oil and gas portfolio by between 12% and 29%, compared with a 2020 baseline, by 2030.
- Reduce the emissions intensity of its power portfolio by between 138 and 195 gCO₂e/kWh, compared with a 2020 baseline, by 2030.

Presented on the next page is the Bank's financed emissions performance, including the amount of exposure in scope of financed emissions monitoring and control, the emissions performance, and the PCAF data quality score – a measure of the data quality on which the Bank's financed emissions calculations are based.

The measurement of financed emissions performance is a relatively new process for the Bank, and as such, it is continually working to expand the scope and quality of measurement, for example, through the provision of more and better-quality emissions data. Additionally, due to the PCAF calculation methodology, changes in financed emissions year-on-year can be impacted by a variety of factors aside from real-world emissions reductions, such as changes in client drawing levels or company market values. Given this, the Bank anticipates some fluctuation in financed emissions performance as market practice and data availability matures.

Climate-related Financial Disclosures continued

In the reporting year, the Bank has seen a decrease in absolute financed emissions in the oil and gas sector. The Bank's oil and gas portfolio is relatively small and has decreased further during the reporting year, due to amortisation, leading to the reduced financed emissions. The Bank has also seen a decrease in the emissions intensity of its power portfolio. This was driven mostly

by asset sales, with the majority of the asset sales affecting the Bank's portfolio being higher emissions intensity assets. Conversely, the sale of low emitting assets would have increased the Bank's power portfolio emissions intensity. Transaction-level governance in support of the Bank's net zero strategy means any new deals are assessed for impact on the financed emissions performance.

Sector	Target	FY2024			FY2023		
		Total outstanding (USD mn)	Financed emissions	PCAF data quality score	Total outstanding (USD mn)	Financed emissions	PCAF data quality score
Oil and gas	Reduction of 12 – 29% by 2030*	28	Scope 1-3: 0.13 MtCO ₂ e	Scope 1-2: 4; Scope 3: 3.06	69	Scope 1-3: 0.22 MtCO ₂ e	Scope 1-2: 3.13; Scope 3: 3.05
Power **	Reduction of 138 – 195gCO ₂ e/kWh by 2030*	1,981	Scope 1: 95 gCO ₂ e/kWh	Scope 1: 3.22	1,390***	Scope 1: 153 gCO ₂ e/kWh***	Scope 1: 2.78***

* SMBC Group-level target – SMBC's net zero targets are Group-level global targets. The Bank measures its performance on these metrics to ensure it is contributing to the Group's overall net zero goal.

** This total outstanding excludes USD 207m due to insufficient data (31 March 2025). (USD 49m due to insufficient data (31 March 2024)).

*** Emissions intensity for the Power portfolio in FY2023 has been restated from 167 gCO₂e/kWh to 153 gCO₂e/kWh due to the inclusion of exposures which have been risk-participated by the Bank, and have now been included to align financed emissions reporting with financial reporting.

As set out in the Strategy section on pages 23 to 24, the Bank intends to achieve its emissions reductions targets by increasing its exposure to customers with good climate transition plans and projects, and activities aligned to a net zero economy of the future. To put this into practice and control its financed emissions, the Bank has implemented new guidelines for business originated in the power and oil and gas sectors (guidelines may also be implemented for other sectors in scope of financed emissions calculations). In line with these guidelines, all transactions in these sectors are reviewed with the aim of originating business with clients that have adequate transition plans. The impact on portfolio financed emissions is also assessed for each transaction reviewed.

The Bank also intends to increase engagement with clients with insufficient transition plans with the goal of providing financing needed to implement lower emissions business models, and ultimately to limit exposure to customers or projects not on a similar trajectory to SMBC Group through its lending policy.

By steering the portfolio towards clients with credible transition plans that will make real-world emissions reductions, the Bank intends to reduce its financed emissions based on real-world emissions reductions rather than simply on the transfer of polluting assets from one owner to another.

Overview of financed emissions calculation methodology

The methodology used to calculate financed emissions is aligned to the PCAF Standard. A core principle of the PCAF Standard is that emissions are attributed to financial institutions, so they take responsibility for their 'fair share' of the real-world emissions of the client financed, determined by the lending or investment they provide as a proportion of the total debt and equity

financing of the client. The general formula for calculating financed emissions is:

$$\text{Financed Emissions} = \sum_i \frac{\text{Attribution factor}_i \times \text{Emissions}_i}{\frac{\text{Outstanding drawn amount}_i}{\text{Total Debt} + \text{Equity}_i}}$$

(with i = borrower or investee)

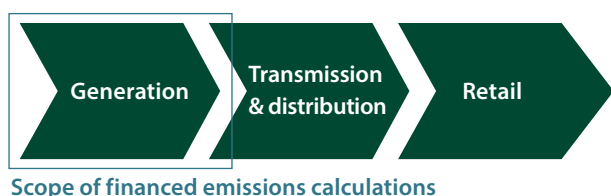
In line with the general formula for calculating financed emissions, the methodology used by the Bank involves first quantifying client emissions using reported data if possible, or if that's not possible estimating client emissions using internal data, external vendor data or public proxy data; then attributing the fair share of those emissions to the Bank's lending using internal and external data to calculate financed emissions.

The sectors in scope of financed emissions calculations for the Bank are power, oil and gas. The inclusion of sectors is determined based on materiality of GHG emissions from the sector, exposure of the Bank to the sector, and availability of accessible data and published scenario pathways for the sector.

The asset classes in scope of financed emissions calculations for the Bank are on-balance sheet lending including corporate loans and project finance. Off-balance sheet activity including guarantees is out of scope, as are derivatives and capital markets activities. The inclusion of asset classes is determined based on the availability and maturity of industry standards for accounting financed emissions for that asset class.

Power

For the power sector, companies that have power generating activities are included in scope of financed emissions. Companies involved only in transmission and distribution, or retail are out of scope. This is where most emissions occur along the supply chain, through the combustion of fossil fuels. Only Scope 1 emissions of clients are included in the calculations. This is because direct emissions from companies that generate power account for the majority of emissions in the power supply chain. Taken together, the focus on the upstream portion of the value chain, and on Scope 1 emissions, means the Bank is focusing on the most material sources of emissions.



Due to the electrification of transportation, heating and other activities over the coming decade, global electricity demand and supply is expected to expand significantly, in absolute terms and as a share of energy consumption. Over time, using clean sources to generate electricity rather than fossil fuels will mean energy generation can be decoupled from GHG emissions. An emissions intensity metric does not measure the overall volume of GHG emissions from power generation, but the efficiency of power generation with respect to GHGs emitted. As such, the use of an emissions intensity metric for power allows the Bank to account for both the anticipated increase in electricity demand, and the need to rapidly grow the proportion of electricity that is generated from clean sources. The intensity metric used is $\text{gCO}_2\text{e/kWh}$.

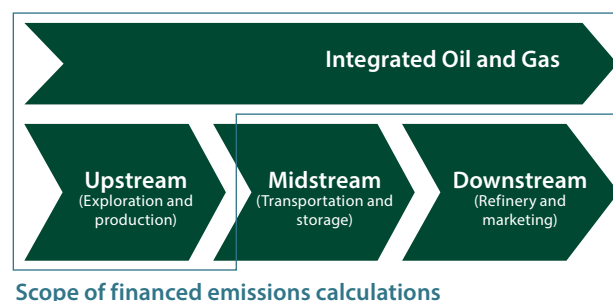
The formula used for emissions intensity is:

$$\text{Emissions Intensity (gCO}_2\text{e/kWh)} = \sum_i \frac{\text{Outstanding drawn amount}_i}{\text{Total power portfolio outstanding}} \times \frac{\text{Emissions}_i}{\text{Power production}_i} \quad (\text{with } i = \text{corporate or project})$$

Oil and gas

For the oil and gas sector, the Bank focuses on where most emissions occur along the supply chain. The most significant emissions occur at end-use when the oil or gas is burned. However, there are also significant emissions associated with energy-intensive processes along the supply chain such as during the production.

Therefore, integrated oil and gas companies and oil and gas producers are included in scope as they have leverage to reduce the amount of product produced and ultimately burned, as well as leverage to reduce process emissions through operational efficiency. Scope 1, 2 and 3 emissions of clients are included in the calculations. It is particularly important to include Scope 3 emissions because the emissions occurring when oil and gas is burned are categorised in Scope 3 category 11 – use of sold products. Taken together, the focus on the carbon intensive portions of the value chain and the inclusion of end-use emissions means SMBC EMEA is focusing on the most material sources of emissions.



To meet the goals of the Paris Agreement, the oil and gas sector must sharply reduce its emissions, principally driven by a sharp fall in the amount of oil and gas demanded and produced as the world shifts its energy system onto low carbon sources. An absolute emissions metric is a direct measure of GHG emissions from an entity's activity. Therefore, using an absolute emissions metric preserves a direct link to GHG emissions reductions in the real economy. The Bank uses the absolute emissions metric MtCO_2e .

The formula used for absolute emissions is:

$$\text{Financed Emissions (MtCO}_2\text{e)} = \sum_i \frac{\text{Outstanding drawn amount}_i}{\text{EVICi or total debt+Equity}_i} \times \frac{\text{Emissions}_i}{\text{(with } i = \text{corporate or project})}$$

Climate-related Financial Disclosures continued

Methodological consideration	Oil & Gas	Power
Assets	Loans and advances to customers	
Sector definition	Borrowers in the oil and gas sector with upstream production operations	Borrowers in the power sector with power generation operations
Value chain/scopes	Scope 1, 2 and 3 (category 11 – use of sold products)	Scope 1
GHGs covered	GHG emissions are defined as those gases which contribute to the trapping of heat in the Earth's atmosphere, including carbon dioxide (CO ₂), methane, nitrous oxide, and others. GHGs covered depends on client reporting – for clients that report all GHGs in CO ₂ e, all GHGs are covered, for clients that only report CO ₂ , only CO ₂ is covered	
Metric	Absolute emissions MtCO ₂ e	Emissions intensity g-CO ₂ e/kWh
Offsets	Offset of borrowers in scope of financed emissions calculations are not currently considered	
Data sources	Data hierarchy as follows: 1. Reported data, from data vendor 2. Estimate based on production data, and public emissions factors 3. Estimate based on revenue data, and public proxies 4. Estimate based on sector, and public proxies	
Portfolio aggregation	Absolute portfolio emissions	Portfolio intensity using weighted average approach
Reference scenario	IEA NZE/SDS	IEA NZE / SDS

Exposure to carbon-related sectors

The Bank measures exposure to sectors it defines as carbon-related, as this can be used as a proxy for climate transition risk, given certain industry sectors are more likely to be financially impacted than others due to their exposure to certain transition and physical risks around GHG emissions, energy, or water dependencies associated with their operations and products.

Companies operating in carbon-intensive sectors have a greater reliance on carbon-based energy and therefore would be expected to be faced with greater transition risks and uncertainties, as the global economy is transitioning from carbon-based energy to lower carbon energy. These non-financial industries are grouped into four key areas: Energy; Transportation; Materials and Buildings; and Agriculture, Food, and Forest Products.

Based on portfolio-level assessments (including for industry sectors) on climate risk, the Bank identifies sectors with heightened risk to climate change. However, in each sector, there is a range of vulnerabilities, meaning not all of the clients in these sectors have high emissions and, accordingly, should not be interpreted as an indicator of relative carbon intensity. For example, included in the exposure to carbon-related sectors is green and sustainable finance extended to clients in hard-to-abate sectors. The Bank will continue to evolve its understanding and differentiation of exposure to these sectors.

Exposure to carbon-related sectors is measured separately to general sector limits that the Bank maintains to control credit risk more generally.

Presented below is the Bank's exposure to carbon-related sectors, as defined below, broken down by the sector as per the TCFD definition of carbon-related.

	FY2024			FY2023		
	Loans and advances to customers	Commitments and guarantees	Total	Loans and advances to customers	Commitments and guarantees	Total
Carbon-related assets						
Energy	2,710	5,180	7,890	2,150	4,107	6,257
Transport	1,974	1,375	3,349	1,725	1,274	2,999
Materials and Buildings	4,092	4,267	8,359	4,642	3,732	8,374
Agriculture, Food and Forest Products	1,054	277	1,331	607	330	937
Carbon-related Assets Grand Total	9,830	11,099	20,929	9,124	9,443	18,567
Total Loans and advances & Commitments and guarantees	19,280	20,777	40,057	18,052	17,504	35,556
Carbon-related assets / Total Loans and Advances & Commitments and guarantees	51%	53%	52%	51%	54%	52%

The total exposure levels shown are for the Bank only and include on-balance and off-balance exposure. The sectors subject to evaluation were extracted as per the definition of carbon-related assets in the supplementary guidance of the TCFD recommendations. This is presented differently from the SMBC Group calculation. SMBC Group reports carbon-related assets exposure as SMBC total exposure including consolidated subsidiaries (total assets on consolidated financial statements + off-balance sheet assets), whilst the Bank uses Total loans and advances to customers and Commitments and guarantees to align to the financial statements of this Report.

Governance

Board of Directors

The Board of Directors

The Directors who were in office at the date of signing the financial statements are set out below.

C Chair of Board or Committee

M Member of Board or Committee



A list of the changes to the Board in the year can be found in the Directors' Report on page 53.

Name	Board of Directors	Audit	Committees		Risk
			Nomination & Governance	Remuneration	
Non-executive Directors					
Sophie O'Connor	C	–	C	C	M
Karen Briggs	M	C	M	–	M
James Garvey	M	M	M	–	M
John Mahon	M	M	–	M	C
Joanna Meager	M	M	–	M	M
Hiroshi Nishimura	M	–	–	M	M
Executive Directors					
Hideo Kawafune	M	–	–	–	–
Hiroshi Ibaraki	M	–	–	–	–
Elena Paitra	M	–	–	–	–
Antony Yates	M	–	–	–	–

Sophie O'Connor

Chair

Appointed to the Board:

31 May 2023

Appointed as Chair:

2 September 2024

Skills and experience

After qualifying as a Chartered Accountant, Sophie held a variety of roles at Bank of America Merrill Lynch where she gained experience of finance, risk management and operations through Chief Finance Officer and Chief Operating Officer roles of businesses in the UK and US. She is now an experienced financial services non-executive Director. Prior to being appointed Board Chair, Sophie was the Chair of the Audit Committee.

Other appointments

Non-executive Chair of the Audit Committee of Rothesay Life plc/Rothesay Limited, Chair of the Finance and Audit Committee at Tide Holdings Limited and senior independent director and Chair of the Risk Committee of BUPA Insurance Services Limited/ Board Insurance Limited.

Karen Briggs

**Independent
non-executive Director**

Appointed to the Board:
1 April 2024

Skills and experience

Karen is a Chartered Accountant and has significant audit and risk management experience in financial services. She was a partner at KPMG and held a number of leadership roles including Head of Risk Consulting, Head of Tax, Pensions and Legal Services, Head of Technology Services and was a member of the Executive Board. She has also worked as the Head of Bank Investigations at the Bank of England.

Other appointments

Non-executive Director and Chair of Audit and Risk Committee of Chubb Underwriting Agencies Limited and non-executive Director of Chubb European Group SE, non-executive Director at Vanquis Banking Group plc/Vanquis Banking Limited, non-executive Director of Happold LLP, non-executive Director and Trustee of Invictus Games Foundation Board/IGF Trading Limited and non-executive Director and Chair of the Audit and Risk Committee of Imperial College London.

James Garvey

**Independent
non-executive Director**

Appointed to the Board:
1 March 2024

Skills and experience

James has significant commercial and investment banking experience, having previously been Head of European Fixed Income Origination at UBS, Head of EMEA Debt Capital Markets at Goldman Sachs and Head of Capital and Traded Markets at Lloyds Banking Group.

Other appointments

Non-executive Chair of SMBC Nikko CM, non-executive Chair of Goodbody Stockbrokers and Chair of Martello Financial Services Holdings Limited/Martello Financial Services Limited, a firm he co-founded.

Hiroshi Ibaraki

**Deputy Chief Executive
Officer**

Appointed to the Board:
1 June 2024

Skills and experience

Hiroshi is the Deputy Chief Executive Officer responsible for oversight of the control and support functions. He previously performed a similar role for SMBC's Global Banking Unit and has had experience of leading businesses in Japan and Canada. He has also undertaken senior roles in global human resources management. Hiroshi is a Managing Executive Officer of SMBC.

Other appointments

None.

Board of Directors continued

Hideo Kawafune**Chief Executive Officer**

Appointed to the Board:
3 April 2018

Appointed as CEO:
4 April 2023

Skills and experience

Alongside his role as CEO, Hideo is also Managing Executive Officer and Head of EMEA Division of SMFG and SMBC. Prior to his appointment as CEO, he was Deputy CEO with responsibility for overseeing internal controls and governance. He was the Bank's Chief Operating Officer between 2018 and 2021 with responsibility for corporate planning, human resources and financial reporting matters. Hideo's previous experience includes international assignments in strategic and business planning, risk management and business promotion.

Other appointments

A non-executive Director of SMBC Nikko CM, Chair of the Supervisory Board of SMBC Bank EU AG and Chair of the Supervisory Board of Shimano Europe B.V.

John Mahon**Independent non-executive Director**

Appointed to the Board:
1 October 2024

Skills and experience

John is an experienced corporate and investment banker, having held a number of senior risk management and business leadership roles at JP Morgan and Barclays. On retiring from Barclays in 2018 as CEO of the Corporate Bank, John joined the UK Civil Service in the Department for International Trade as Director General, Exports, and was interim CEO of UK Infrastructure Bank in 2021.

Other appointments

Trustee of Health Improvement Project Zanzibar.

Joanna Meager**Independent non-executive Director**

Appointed to the Board:
12 June 2025

Skills and experience

In her executive career, Joanna held global leadership roles for a range of financial services firms, including in the capital markets, prime brokerage and asset management sectors. She has significant experience in regulatory governance, operations, M&A and technology, and has led major global transformation programmes.

Other appointments

Non-executive Director and Chair of the Remuneration Committee at TP ICAP UK, Strategic Adviser at Ascot Lloyd.

Hiroshi Nishimura**Non-executive Director**

Appointed to the Board:
19 May 2025

Skills and experience

Hiroshi is an Executive Officer of SMFG and SMBC and General Manager of SMFG's Strategic Planning Department, Global Business Unit, and SMBC's Strategic Planning Department, Global Banking Unit. He has extensive business and strategic planning experience gained from various assignments in Tokyo, London, Hong Kong, Shanghai and Singapore.

Other appointments

None.

Elena Paitra

Head of Corporate and Investment Banking

Appointed to the Board:
1 June 2024

Skills and experience

Elena is Head of Corporate and Investment Banking, which manages the coverage, private side capital markets and transaction banking businesses at SMBC EMEA. The coverage universe spans corporates and financial institutions in Europe as well as borrowers in the Middle East and Africa. Elena's previous experience includes coverage roles in the consumer and technology sectors and product roles in capital markets and derivatives. She is an Executive Officer of SMBC.

Other appointments

None.

Antony Yates

Deputy Chief Executive Officer

Appointed to the Board:
1 May 2024

Skills and experience

In addition to his role as Deputy CEO responsible for oversight of the securities and sales and trading businesses, Antony is Deputy Head of EMEA Division, SMBC Group, and the CEO of SMBC Nikko CM, a position he has held since 2002. He has significant experience in all aspects of the securities and derivatives businesses of SMBC Group globally. He is an Executive Officer of SMFG, SMBC and SMBC Nikko Securities Inc.

Other appointments

CEO of SMBC Nikko CM, Executive Chair of SMBC Derivative Products Limited, non-executive Director of SMBC Capital Markets Asia Limited and Supervisory Board member of SMBC Bank EU AG.

Board of Directors continued

Board and Committees

Board of Directors

The Board of Directors sets the Bank's purpose, strategic direction and risk appetite and is the ultimate decision-making body for matters of strategic, financial, regulatory or risk significance.

The Board has delegated certain of its responsibilities to its Committees, which provide advice to the Board and recommend matters to it for approval as required under their terms of reference. The Board is responsible for appointing the Chairs of the Committees, while membership is determined by the relevant Chair and the Nomination and Governance Committee.

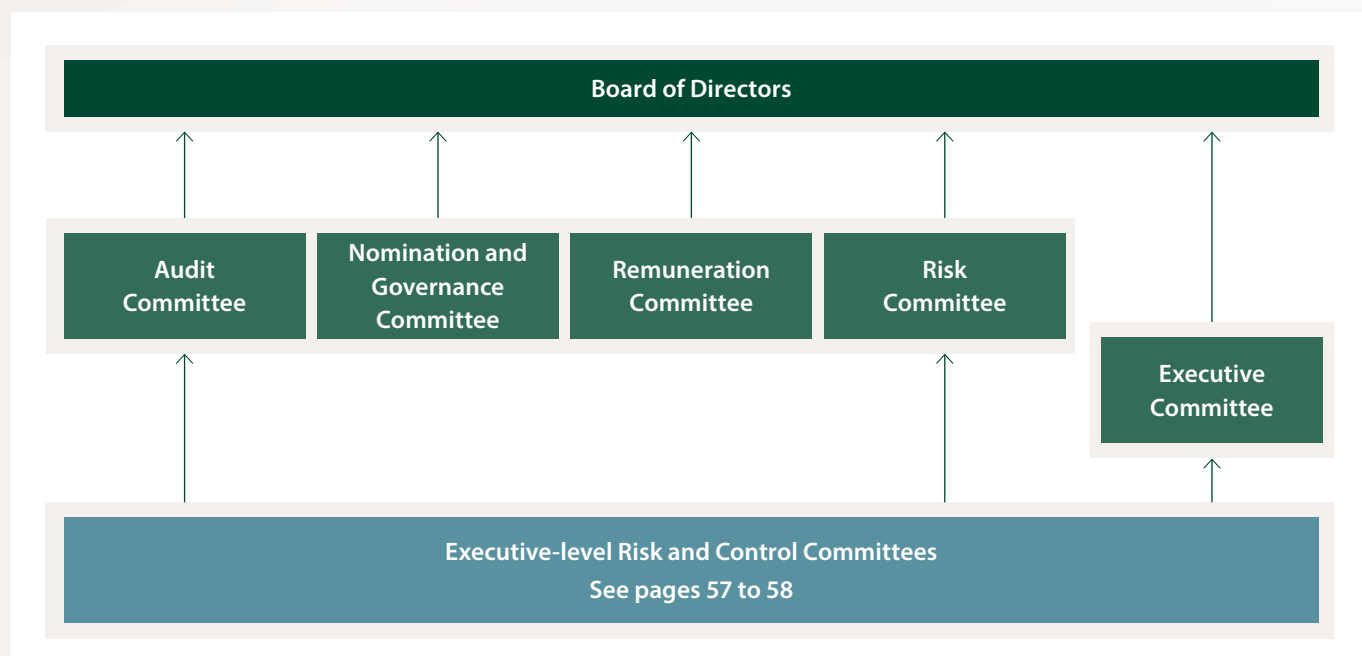
The matters reserved and terms of reference for the Board and Committees are reviewed regularly to reflect current practice and to maximise meeting effectiveness. To maintain independence, no executive Directors are members of the Board Committees. The Committees also hold meetings as required in the absence of members of the executive.

Executive-level meetings

At an executive level, the CEO chairs the Executive Committee, which is a monthly meeting attended by members of the senior management team and responsible for overseeing the execution of the strategy and for the overall management of the Bank's business activities. The non-executive Directors receive a copy of the papers and minutes of meetings, which helps inform their understanding of business developments. Examples of the activities undertaken by the Executive Committee in the year can be found throughout this Report.

The Executive Committee is supported by a framework of risk and control committees, which are responsible for considering specific areas of risk and operational activities. These committees report and escalate matters, as appropriate, to the Executive Committee, Audit Committee or Risk Committee.

Committee structure



Board activities

During the year, the Board met 10 times, including joint meetings with the Board of SMBC Nikko CM in the first half of the year in preparation for the launch of the universal bank. The below table sets out an overview of the key areas of focus for the Board in the year.

Responsibility in terms of reference	Area of focus
Strategy and business	<ul style="list-style-type: none"> – Development of the corporate strategy and individual business strategies in response to changes in the business environment and SMBC Group strategy. The annual Strategy Day informed the development and approval of the corporate strategy. ● – Measures to enhance RoE. – Operational resilience self-assessment. ● – Slavery and Human Trafficking Statement and Anti-Bribery Principles Statement. ● – Development of the AI, automation and IT strategies. – Business transformation activities, including the status of significant individual projects and development of the transformation framework.
Securities business and employee transfer	<ul style="list-style-type: none"> – Status of overall implementation and approval to proceed with the securities business and employee transfer. ● – Monitoring post implementation risk management and governance and assessing the status of customer migration from SMBC Nikko CM to the Bank.
Financial	<ul style="list-style-type: none"> – Annual Report and Accounts, Pillar 3 disclosure and UK Tax Strategy. ● – Business performance and compliance with regulatory ratios
Risk management and regulatory	<ul style="list-style-type: none"> – ICAAP, Internal Liquidity Adequacy Assessment Process (ILAAP), Recovery and Resolution and Solvent Wind Down Plan documentation. ● – Risk assessment of corporate strategy. – Prudential Regulation Authority (PRA) Periodic Summary Meeting letter, International Banks Supervisory Priorities letter and other regulatory developments. – Holding of an externally facilitated ransomware scenario exercise. – Enhancements to risk management and control arrangements.
Sustainability	<ul style="list-style-type: none"> – Progress made against the Sustainability Strategy, including performance against targets. – Assessing regulatory trends and the Bank's response, including developments at the SMBC Group level and implications for the Bank.
People and culture	<ul style="list-style-type: none"> – Approval of the Gender Pay Report. ● – Progress of the Human Resources strategy. – Emerging regulatory requirements and internal developments on DEI, and monitoring progress against gender diversity targets. – Review of the approach to the development of the Bank's culture framework. – Review of progress of the CSR strategy.
Governance	<ul style="list-style-type: none"> – Appointments of new Directors to the Board and changes to Committee composition. ●

● Approved by the Board.

● Approved by the Board following Board Committee recommendation.

Board Committees

The responsibilities of the Board Committees are set out below and information on some of their key activities in the year can be found throughout the Strategic Report. The membership of the Committees is set out on page 34. Meetings are also attended by relevant executive management on the invitation of the Chair.

Audit Committee

The Audit Committee's responsibilities include:

- Monitoring the integrity of the financial statements and advising the Board whether the Annual Report and Financial Statements are fair, balanced and understandable.
- Overseeing the Bank's relationship with the external auditor and monitoring their performance, independence and objectivity.
- Monitoring the effectiveness of internal financial controls.
- Safeguarding the independence and overseeing the performance of Audit Department, considering the results of Internal Audit activity and the appointment and dismissal of the Co-General Managers of the Audit Department.
- Overseeing the integrity, independence and effectiveness of the whistleblowing arrangements.

During the year, the Committee met four times, and members met representatives of Internal Audit and the external auditor in the absence of executive management. The Committee took the decision during the year to disband its Disclosures Committee sub-committee given that appropriate governance oversight for the development of the Annual Report is in place at an executive level. The Audit Committee remains responsible at the Board level for overseeing the development of the Report, and for approving accounting policy changes and the disclosures as a whole, which it then recommends to the Board for approval.

Nomination and Governance Committee

The Committee's responsibilities include:

- Assessing and recommending candidates to the Board to fill Board, Senior Manager Function and other senior executive management vacancies.
- Assessing Board composition, performance and skills.
- Reviewing Board and senior management succession plans.
- Reviewing Board governance arrangements.

During the year, the Committee met three times.

Remuneration Committee

The Committee's responsibilities include:

- Overseeing the development and implementation of remuneration policies and practices, which includes specific responsibility for recommending the Remuneration Policy to the Board for approval.
- Approving the remuneration of Material Risk Takers and bonus funding for all employees.
- Approving regulatory returns and public remuneration disclosures.

During the year, the Committee met six times. Information on the Bank's remuneration policies can be found on page 48.

Risk Committee

The Committee's responsibilities include:

- Considering risk management structures and systems and internal controls.
- Assessing the status of risk relative to risk appetite and the main areas of risk faced.
- Reviewing the ICAAP, ILAAP and recovery and resolution documentation.
- Overseeing operational resilience and outsourcing arrangements.
- Overseeing regulatory engagement and compliance.
- Safeguarding the independence and overseeing the performance of the risk and compliance functions and the Money Laundering Reporting Officer.

During the year, the Committee met four times.



Further information on the Bank's risk management arrangements can be found in the Risk Management section on pages 56 to 62.

Section 172(1) Statement

The Directors are committed to discharging their responsibilities under section 172(1) of the Companies Act 2006 to act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to the factors shown in section 172(1) (a) to (f). This section forms the statement required under section 414CZA of the Companies Act 2006.

The Board recognises that the Bank's success is dependent on its stakeholders and that its activities impact its stakeholders in different ways. When presenting to the Board and its Committees, members of management are required to identify in supporting documentation the stakeholder groups relevant to the item, with approval items also requiring confirmation of the

section 172(1) factors, which are then considered by the Directors in their discussions and decision-making. Information on how the Directors have had regard to these factors when performing their duty under section 172(1) in the year can be found throughout the Strategic Report, with key references indicated below.

Section 172(1) factor	Further information
(a) likely consequences of any decision in the long term	<p>During the year, the Board approved the corporate strategy and monitored performance against the core business objectives and financial targets. The strategy, together with the Board-approved ICAAP and ILAAP documents, are prepared on a three-year time horizon. Further information on the linkage between strategy and culture and values can be found on page 43.</p> <p>See also the information on the development of the Bank's strategy in the CEO's statement on page 4 and Review of the year on pages 6 to 7.</p>
(b) interests of employees	<p>Employees are identified as one of the Bank's key stakeholder groups and the Board regularly considers their views and opinions. Further information can be found on page 50.</p>
(c) need to foster business relationships with suppliers, customers and others	<p>Customers and suppliers are identified as key stakeholder groups. Information on how the Bank has interacted with these groups can be found on pages 49 and 51.</p>
(d) impact of the company's operations on the community and the environment	<p>The creation of social value is a key part of the Bank's sustainability objectives, and the Board regularly considers sustainability matters. Information on the Bank's community activities can be found on page 19.</p> <p>Information on the way in which the Bank monitors the risks and opportunities arising from climate change can be found on pages 23 to 26, with the Bank's carbon emissions set out on pages 28 to 29.</p>
(e) desirability of the company maintaining a reputation for high standards of business conduct	<p>The Board recognises the need for the Bank to exercise high standards of business conduct. Oversight of conduct is exercised primarily through the Risk Committee and Executive Committee and information on how they do so is set out on page 62.</p>
(f) need to act fairly as between members of the company	<p>As the Bank is a wholly owned subsidiary of SMBC, the need to act fairly as between members of the company is less relevant to the Directors' discussions than the other section 172(1) matters.</p> <p>There is close collaboration with SMBC and other member companies of SMBC Group to progress the Group's overall Mission and Vision. Further information can be found on page 5.</p>

Section 172(1) Statement continued

Example of how the section 172(1) matters have been considered: approval for securities business transfer

As highlighted in last year's Report, there had been extensive engagement with all relevant stakeholders in preparing for the securities business transfer from SMBC Nikko CM. The Board had also considered the section 172(1) factors relating to the likely long-term consequences of the transfer, the interests of employees, business relationships with suppliers and customers, and the maintenance of high standards of business conduct.

The transfer programme was a multi-year project, during which the Board regularly reviewed the project status and the feedback from stakeholder engagement. Through its regular reviews, the Board had determined the matters it needed to assess in ultimately considering whether to approve the transfer. The outcome was a comprehensive set of papers prepared by management setting out all matters relevant to the approval decision, including the risk factors and associated mitigants, the assurance undertaken, status of readiness and critical items to be completed in advance of the transfer. The Board approved the transfer based on consideration of the section 172(1) factors shown above.

Subsequent to the transfer, the Risk Committee has tracked and monitored how the matters outstanding from the transfer have been closed. In addition, the Board has considered how the Bank can further develop its strategy and strengthen its control environment to maximise the benefit from its universal bank operation.

Statement of corporate governance arrangements

The Board is committed to maintaining high standards of corporate governance within the Bank, and for the year-ended 31 March 2025 has applied the Wates Corporate Governance Principles for Large Private Companies (Wates Principles). Information on how the Wates Principles have been applied can be found as follows:

Wates Principles	Page
1. Purpose and leadership	43
2. Board composition	44
3. Director responsibilities	46
4. Opportunity and risk	47
5. Remuneration	48
6. Stakeholder relationships and engagement	48 to 52

Principle 1

Purpose and Leadership

Strategy setting

The Board is responsible for setting the Bank's strategy, which it does so through an annual process involving:

- consideration by the Board of high-level strategic focus areas, including those of SMBC Group;
- a strategy meeting involving the boards and senior management of the Bank, SMBC Nikko CM and SMBC Bank EU where a series of strategic themes are discussed; and
- review and challenge by the Board of the draft and final strategy documents.

Once approved, the development of the strategy and achievement of strategic priorities are discussed by the Executive Committee and other senior executive-level meetings held throughout the year. These discussions are, as relevant, escalated quarterly to the Board by the CEO, CFO or business vertical heads.

Purpose and values

The Bank's purpose to be 'a trusted partner for the long term' is central to the corporate strategy and reflects the long-term relationship-based approach the Bank adopts in carrying out its business for the benefit of its stakeholders. The purpose statement is underpinned by Five Values set at SMBC Group level, which form a framework that helps guide corporate and individual behaviours and are central to the Bank's culture. Information on the Five Values can be found on page 5 and information on how the Board oversees and guides the Bank's culture can be found on page 19. When submitting matters to the Board for approval, executives are required to explain how it relates to and is consistent with the Purpose statement.

Sharing progress

Information on the Bank's strategy, progress made, significant transactions undertaken and examples of initiatives demonstrating our values are shared regularly with colleagues by the CEO and other senior executives through townhalls, intranet articles and emails. We believe this helps foster a sense of shared purpose and teamwork and enables colleagues to celebrate individual and Bank-wide successes.

Statement of corporate governance arrangements continued

Principle 2

Board composition

Board size and structure

At the date of signing, the Board comprised 10 Directors: the Chair, four independent non-executive Directors, one Group representative non-executive Director and four executive Directors. This size of the Board is considered appropriate, taking into account the nature and scale of the Bank's business. The overall skills and experience of the Board is assessed through regular reviews, the results of which are submitted to the Nomination and Governance Committee. These reviews also inform Board succession planning and assist in candidate identification.

The Board also considers the length of service when assessing its composition. It would be expected that no Director would serve beyond nine years from their date of appointment. The dates of appointment of the Directors can be found in their biographies on pages 34 to 37.

Board roles

Chairs

The Board and Committee Chairs are responsible for the effective operation of their meeting, including that members act as a team and that debate is encouraged and facilitated, whilst achieving closure of items. They are also responsible for ensuring that appropriate time is allocated for the consideration of agenda items and that members have sufficient time to consider issues and obtain answers to questions or concerns and are not faced with unrealistic deadlines for decision-making. They are also responsible for overseeing the receipt of clear, accurate and timely information. Committee Chairs are responsible for reporting to the Board the activities of their Committee and for recommending items to the Board for approval as required.

Non-executive Directors

The non-executive Directors are responsible for the provision of independent judgement on all matters related to the Bank's strategic direction, leadership, performance, resources, risk management and overall governance. They are also expected to constructively challenge and test strategic proposals.

Executive Directors

The executive Directors, under the leadership of the CEO, are responsible for running the business, and for implementing the strategies approved, and other decisions taken by, the Board. They are also required to be knowledgeable about all aspects of the business even if responsible for a particular area of the business.

Board appointments

The Nomination and Governance Committee leads the process for assessing and recommending Director candidates to the Board for approval. The independent non-executive Director appointments in the year were undertaken with the support of external recruiters, who identified candidates based on the Bank's search criteria. The Board is committed to enhancing its diversity and to sourcing applications from under-represented groups, and these expectations formed part of the recruiters' briefs. Executive Director and Group appointments are progressed through identification processes led by the CEO in discussion with the Board Chair. As part of the appointment process for any new Director, the Committee has regard to the overall level of Board diversity and competency, as well as to the candidate's skills, experience and values. All candidates are evaluated for their competence in relation to DEI.



The appointments made in the year are set out on page 53.

Diversity

During the year, the Board's gender diversity target was increased from 33% per cent female Directors to 40% by 1 January 2028, whilst also ensuring there is an appropriate mix of skills, experience and competencies on the Board. At the year-end, 33% of the Directors were female. Following changes to the Board after the year-end, this number increased to 40%.

In addition to assessing its own diversity, the Board also reviewed the progress made against the Bank's broader diversity initiatives. As part of the Board Chair role, during the year Ms O'Connor regularly met the chair of the DRIVE Committee and Head of DEI to understand the Bank's DEI initiatives and the role the Board could play in helping develop and support the Bank's DEI activities.

Effectiveness

The effectiveness of the Board and its Committees is regularly assessed, through both formal and informal internal reviews and externally facilitated reviews. The themes identified through the internal review activities during the year are set out below. It is expected that an externally facilitated review will be undertaken in 2025.

Themes	Action taken
Development of Board/ Committee reporting	Implementation of a new format for Board and Committee reporting, supported by management training delivered by the Company Secretariat.
Strategic focus	Introduction of enhanced Board reporting from the heads of the business verticals setting out the development of business strategy.
Director feedback	Introduction of regular feedback meetings for the Board Chair and the independent non-executive Directors and the CEO to identify further opportunities for enhancing overall Board and Committee effectiveness.

Board professional development

The Chair is responsible for leading the development and monitoring the effective implementation of policies and procedures for the induction, training and professional development of members of the Board. These policies set out that Directors on joining the Board are to be given a personalised induction and development plan, with ongoing education provided to the whole Board throughout the year. Topics for Board briefings are identified through suggestions received by individual Directors or senior management, or through formal Board and Committee discussions, and are ultimately agreed by the Chair. In the year, briefings were provided to the Board on: developments in AI technologies and their application in the financial services sector, the cyber threat environment and macroeconomic and sectoral trends.

Statement of corporate governance arrangements continued

Principle 3

Director responsibilities

Accountability

The Directors each have in place a role description document and, as required by the Senior Managers Regime (SMR), a Statement of Responsibilities. The Bank annually assesses that all Directors, and other individuals in the scope of the SMR, remain fit and proper to perform their roles. The documents issued to each Director are complemented by the Board's corporate governance documentation, which includes information of the Directors' legal responsibilities and how the Board and Committees are expected to operate.

Independence

All Directors are required to complete a questionnaire annually, through which any potential conflicts of interest are identified. The non-executive Directors are also required to seek the approval of the Bank and SMBC in advance of them being appointed a director of any other company so that any potential conflicts of interest can be identified and, as necessary, managed. Conflicts of interest are also considered at each meeting so that these can be identified and managed on a case-by-case basis. A Director will not be regarded as independent if they have been an employee of the Bank or its shareholder within the last five years. Through these processes, it has been determined that the independent non-executive Directors have no material business or other relationships with the Bank that could influence their exercise of independent judgement.

Integrity of information

Multiple systems capture, record, process and store the financial and non-financial information used for Board, Committee and corporate reporting. An internal control framework is in place with the aim of ensuring this information complies with legal and regulatory requirements and that the risk of unexpected losses, accounting errors and inaccurate financial reporting is minimised. Key components of this framework include risk and control matrices and flow charts for financial statement components, participation in an annual SMBC Group Internal Controls Over Financial Reporting process, balance sheet substantiation and attestation, accounting and regulatory reporting policies and procedures, and assurance through internal and external audit. During the year, the Audit Committee reviewed quarterly a report on management's assessment on the effectiveness of the Bank's internal financial controls.

Independence of external audit arrangements

The Audit Committee is responsible for managing the Bank's relationship with its external auditor, KPMG LLP, and for ensuring that it remains independent of the Bank. The Committee's responsibilities include ensuring that at least every 10 years the external audit is considered for re-tender and that the lead audit partner rotates at least every five years. During the year, the Committee met the audit partner in the absence of executive management and private meetings were also held between the Audit Committee Chair and the audit partner. Through these meetings any matters of concern can be escalated.

The Audit Committee has concluded that during the year and to the date of their report KPMG remained independent of the Bank. It reached this view following presentation to the Committee of a letter by the audit partner which confirmed that KPMG's procedures to safeguard their independence and objectivity and to provide non-audit services were consistent with the relevant FRC Ethical Standards.



Information on the roles of the Board Committees can be found on page 40.

Principle 4

Opportunity and Risk

Opportunity

The Bank continually considers ways in which it can better serve its customers. Opportunities to expand the business into new sectors, products or markets are considered in conjunction with risk appetite. Where these opportunities require the development of new products or services, this is overseen through an approval process that involves relevant stakeholders across the Bank and ultimately approval by the Product Approval Committee. Opportunities to develop the business also arise from enhancements to our operational and support processes. In both cases, significant and/or long-term strategic opportunities are considered by the Board. Examples of some of the matters discussed in the year include:

- Enhancements to RoE
- Implementation of SMBC Group business expansion initiatives
- Departmental reorganisations to enhance customer coverage and efficiency of operations
- Process automation and development of the AI strategy

Risk management structure and responsibilities

The Bank's key risks are outlined in Principal Risks and Uncertainties on pages 10 to 12.

The Board is responsible for setting the Risk Appetite Statement annually and for establishing a framework of controls that enables risk to be managed and assessed in line with appetite. Further information on the framework implemented can be found in Risk Management on pages 56 to 62. The Board delegates the ongoing monitoring of the effectiveness of risk management and internal controls to the Risk and Audit Committees and receives regular reports from those Committees on the work undertaken (further information below). In addition, all Directors are invited to attend Risk Committee meetings to promote a common understanding amongst the Board of the principal risk matters impacting the Bank.

Risk appetite is developed alongside the corporate strategy and embedded within capital and liquidity planning, including the annual ICAAP, ILAAP, Recovery Plan and Resolution Pack and Solvent Wind Down Plan, all of which were approved by the Board in the year.

The Chief Risk Officer (CRO) is responsible for the formation and execution of Bank-wide risk strategies and policies that are consistent with risk appetite measures and business strategy. The CRO oversees all major risks to which the Bank is or could potentially be exposed and reports to the Risk Committee and Executive Committee. The CRO is also invited to attend Board meetings and advises on risk matters as required. The CRO has a right of veto on credit and underwriting transactions, reflecting that credit risk is the Bank's largest risk category.

Other senior executives involved in overseeing the management of risk include the Chief Compliance Officer, who is responsible for the formation and execution of Bank-wide compliance risk strategies and policies and for overseeing the Bank's external and internal compliance with the regulators' financial crime and conduct requirements, and the General Counsel, who is responsible for the overall management of the legal function and for advising senior management and the Board on legal, regulatory, strategic and any other matters.

Assessment of risk and effectiveness of internal controls

Risk Committee

In the year, the Risk Committee reviewed and challenged the status of risk against appetite, the top and emerging risks faced by the Bank and how risk is being managed. The Committee also considered the results and management response to Compliance Monitoring Review activity, which provides assurance on compliance with relevant laws. In addition, the Committee has overseen activities to enhance internal controls and risk management arrangements where these have been identified, including through internal audit activity.

Audit Committee

The Audit Committee has assessed the effectiveness of internal financial controls and considered the results of external audit findings. It has also considered the results of internal audits, which address the design and implementation of risk controls in each audited entity, and monitored the improvements identified. The Committee also reviewed trends in whistleblowing reports received to understand the insights this provides into possible areas of risk within the Bank, and oversaw finance-related elements of the securities business transfer.

Statement of corporate governance arrangements continued

Principle 5 Remuneration

The Board's oversight of remuneration is primarily through the activities of the Remuneration Committee, the responsibilities of which include overseeing the development and implementation of the Bank's remuneration policies and practices. Further information on the Remuneration Committee can be found on page 40.

The Bank's approach to fixed and variable rewards is set out in a Remuneration Policy, an updated version of which was approved by the Remuneration Committee and Board in the year. With limited exceptions, this Policy does not apply to employees of SMBC seconded to the Bank, the remuneration of whom is governed by rules established by SMBC in Japan.

The Policy aims to support the Bank's long-term strategy and seeks to encourage long-term stability and sustainability, particularly of the capital base, and to promote steady growth and keen risk awareness. Consistent with this:

- All employees are eligible to participate in the annual performance-related bonus scheme, with variable pay outcomes determined by the performance of the Bank, relevant department and both the contribution and conduct of the employee.
- The Risk Committee assessed the risk adjustments inherent within the overall bonus pool calculation to ensure these took suitable account of the Bank's performance in the year and the current and future risk environment.
- Base salary levels, and both individual variable award levels (individual bonus awards) and total variable award funding levels (bonus pools), were benchmarked against relevant peer organisations. The results of this benchmarking exercise were discussed by the Remuneration Committee and helped inform the Bank's approach to compensation funding levels and individual award allocations.
- Performance of the most senior individuals was assessed using a balanced scorecard to drive sustainable business performance. The scorecards included financial goals, non-financial goals linked to the Bank's five cultural pillars (including ESG and DEI targets), as well as an assessment of the individual's conduct. In addition, the Remuneration Committee reviewed and approved the variable and salary awards made to all Material Risk Takers.

Principle 6 Stakeholder relationships and engagement

Stakeholders – overview

The Bank's key stakeholders are those groups that most materially impact the Bank's strategy or are impacted by it and are:



Customers



Environment and Community



Colleagues



Suppliers



Regulators



SMBC Group

Stakeholder engagement


The Board delegates to management the authority to run the business on a day-to-day basis and to execute the strategy approved by the Board. The Bank therefore engages with stakeholders in many ways and at all levels of the business to understand their needs, priorities and concerns. These interactions take place in the context of the strategies and policies set by the Board and its Committees, and significant interactions are reported as necessary to those meetings. The Board also actively seeks opportunities to engage directly with stakeholders. Set out on the following pages are examples of engagement that has occurred in the year and the outcomes of that engagement. This complements the information shown elsewhere within the Strategic Report.




A further example of how the Board considered the interests of stakeholders can be found in the Section 172(1) Statement on page 42.

Stakeholders and why they are important	Methods of engagement	Outcomes of engagement
 <p>Customer First is one of the Bank's core values and we seek to build our brand by being a reliable and trusted partner to our customers, providing quality and innovation through products and services.</p>	<ul style="list-style-type: none"> – The Bank engages with customers on a continuous basis to understand their needs and to inform them of the Bank's strategy and operations and the impact upon them. Interaction is primarily through relationship managers and product specialists, but the CEO and other members of the management team also frequently meet customers to develop strategic partnerships. – The Bank holds regular customer training events with the aim of delivering insight into corporate and investment banking financial instruments. Additionally, market, industry, and theme-focused seminars and conferences were held, addressing financial sanctions matters, and major macroeconomic, political, and financial trends impacting our customers. – The Bank values feedback, both positive and negative, from its customers on their experiences when dealing with the Bank and uses this information to improve and develop its products, services and processes. A Customer Voice policy and framework are in place for handling expressions of dissatisfaction from customers, ensuring that all such feedback is reviewed, responded to and reported to senior management in a timely manner. 	<ul style="list-style-type: none"> – Enhancement of deal league table positions. – Significant interactions and notable transactions are reported to the Board, often as part of business updates. These reports enable the Board to determine whether the Bank remains well placed to serve its customers and deliver its strategy, and how the Bank's capabilities should be further enhanced. – These discussions in turn inform the Board's Strategy Day topics. Further information on how the strategy has been developed can be found on pages 43 and 47. – Information on any expressions of dissatisfaction are considered at Risk Committee and Executive Committee meetings. – Through our programmes and initiatives, the Bank strengthens its customer relationships and visibility by offering expertise, networking opportunities, and strategic insights.
 <p>The Bank recognises the importance of working towards building and sustaining a better world. We aim to create social value by balancing economic growth with initiatives aimed at tackling social issues.</p>	<ul style="list-style-type: none"> – The Board and Committees, supported by the EMEA Sustainability Programme, have been actively engaged in overseeing the Bank's sustainability work in the year. Further information on this can be found on pages 22 and 39. – Information on the steps being taken to operate more sustainably is made available to all employees through the intranet, with specific material available for front office colleagues on how they can best support the Bank's customers. – The Board met the CEO of one of the charity partners the Bank supports to understand the role the Bank plays for them and the benefits to the charity and the Bank's employees of this support. 	<ul style="list-style-type: none"> – Information on the approach to and outcome of community activities can be found on page 19. – Board review of the Bank's progress against the CSR strategy and how this will be developed.

Statement of corporate governance arrangements continued

Stakeholders and why they are important	Methods of engagement	Outcomes of engagement
<p>Colleagues</p>  <p>The Bank regards its people as its key asset and recognises they are central to the Bank achieving its sustainable growth objective.</p>		
	<ul style="list-style-type: none"> – The Board seeks feedback from colleagues in a combination of ways, including through direct engagement and by considering the results of employee surveys. – Individual Directors have also participated in departmental and Bank-wide events. These interactions give the Directors the opportunity to hear directly from employees, and these insights are frequently shared at Board and Committee meetings and help inform the development of the Human Resources and Diversity and Inclusion strategies. – Colleagues are encouraged to raise concerns about incidents of wrongdoing or suspected malpractice (financial and/or non-financial) through the Speak Up framework. There are various internal and external channels available to raise concerns which include an independent firm working in partnership with the Bank through which reports can be raised anonymously. 	<ul style="list-style-type: none"> – Focus areas for the Board and Nomination and Governance Committee in the year have included: implementation of a new culture framework in the Bank, career development and manager capability development. – Implementation of training programmes to enhance people management and other capabilities. – Introduction of a regular cycle of Board engagement with a range of employee groups. – Matters such as employee attrition and progress against the Human Resources strategy are also reported to the Board and help inform the Board's view on how it can attract and retain employees. – The Audit Committee reviews any themes identified through Speak Up reports received to understand whether this gives any indication of potential risk issues across the Bank. – Our new employer brand was launched in the year. This is built on the three pillars of 'be yourself', 'build your career' and 'make a difference' which come together to form 'be our difference', emphasising the Bank's commitment to creating a diverse, inclusive, and dynamic workplace culture.

Stakeholders and why they are important	Methods of engagement	Outcomes of engagement
 <p>The Bank relies upon external suppliers to provide certain products or services that assist it in the running of its business. Suppliers are engaged for a variety of reasons, including the provision of expertise or resource that the Bank may or may not possess itself.</p>	<ul style="list-style-type: none"> – Engagement with suppliers is overseen by a dedicated team that supports those executives requiring supplier services. Third party risk management and procurement processes are in place for such arrangements, which include precontracting vendor selection and due diligence processes. These checks include steps relating to compliance with laws and third party regulations, such as cyber, anti-bribery, and corruption, and operational resilience, in addition to cost management controls. 	<ul style="list-style-type: none"> – Management approval and regulatory notification is required for those engagements that are determined as critical. Post contracting, ongoing monitoring of suppliers is undertaken where particular focus is given to those relationships subject to applicable regulation and the Bank's Third Party Risk Management Framework. – The underlying Third Party Risk Management Framework has been updated in the year in response to current and emerging regulatory change. – During the year, the Bank paid 91% (FY2023: 93%) of its invoices within 30 days, with the average being paid within 14 days (FY2023: 13 days). The Bank continues to focus on processing invoices in a timely manner and for the last four reporting periods has achieved over 90% of invoices paid within 30 days. These levels have been maintained despite an increase in invoice volumes in the year. The Bank has introduced additional measures to track invoice payments so that corrective action can be taken should any delays be identified.
 <p>The Bank is required to comply with its regulators' rules and to ensure the integrity of the financial markets in which it operates. The Board recognises that failure to comply with these requirements will impact the Bank's ability to carry out its business and serve its customers.</p>	<ul style="list-style-type: none"> – The Board seeks to maintain an open and cooperative relationship with all its regulators. During the year, individual Directors and members of the Executive Committee met representatives from the Prudential Regulation Authority (PRA) and FCA at annual strategy, continuous assessment and other meetings. – The Bank's Public Affairs function follows the development of new legislation and regulations affecting the financial sector and its customers. The Bank also participates in various industry bodies to understand the changing regulatory landscape, share best practice, and promote the interests of the sector. – The Bank uses a Horizon Scanning tool to support its proactive engagement with and preparation for upcoming regulatory change. 	<ul style="list-style-type: none"> – The Board and Committees received regular reports on significant regulatory matters and regulatory change, and provided oversight of the Bank's response on matters including regulatory consultations and the annual evaluation letter. – Engagement, both direct and indirect, has enabled the Board to understand regulatory priorities and to oversee that the Bank's response is appropriate.

Statement of corporate governance arrangements continued

Stakeholders and why they are important	Methods of engagement	Outcomes of engagement
SMBC Group		
 <p>The Bank recognises the importance of the role it plays to further the Mission and Vision of SMBC Group, particularly through the expansion of the Group's franchise in EMEA and provision of services to a number of SMBC Group companies in EMEA. SMBC is also the Bank's sole shareholder and therefore the Board has identified SMBC Group as a key stakeholder.</p>	<ul style="list-style-type: none"> – The Bank engages closely with SMBC and Group affiliated companies at all levels. A representative of the shareholder is appointed to the Board and, during the year, provided quarterly updates on SMBC Group strategy and significant business developments across the Group, which are then reflected as necessary in the Bank's strategic planning and business development processes. He has also acted as a link between the Board and SMBC Group on matters requiring Group input. – The independent non-executive Directors regularly met SMBC Group senior executives in the year to exchange views on the Bank's and Group's business and operations. 	<ul style="list-style-type: none"> – Consideration by the Board of a periodic report from the CEO of SMBC Bank EU AG on matters including the provision of services by the Bank to that company. – Business strategy developed in close consultation with shareholder to ensure this aligns with SMBC Group.

Approved by the Board of Directors and signed on behalf of the Board

Hideo Kawafune

Chief Executive Officer

7 July 2025

Directors' Report

The Directors submit their Report and the audited financial statements for the year-ended 31 March 2025.

Other information that is relevant to the Directors' Report, and which is incorporated by reference into this Report, can be found as follows:

Other information	Section	Page
Principal and emerging risks	Risk Review	10 to 12
Policy on the employment of disabled persons	People and Culture	17 to 18
Streamlined Energy and Carbon Report	Climate-related Financial Disclosures	28 to 29
Statement of corporate governance arrangements	Corporate Governance	43 to 52
Engagement with employees	Stakeholder relationships and engagement	50
Engagement with suppliers, customers and other stakeholders	Stakeholder relationships and engagement	48 to 52
Managing risk	Risk Management	56 to 62
Financial instruments	Note 3(e), 4 and 5 to the financial statements	76 to 100
Hedge accounting	Note 13 to the financial statements	110

Results and dividends

The Bank recorded net profit of USD 349.6 million for the year-ended 31 March 2025 (2024: net profit of USD 406.3 million). No dividends have been declared or paid in the year and the Directors do not recommend the payment of a final dividend.

Directors

The list of current Directors can be found in the Corporate Governance Report on page 34. Changes to the Directors during the year and up to the signing of this Report are set out below.

Name	Position	Effective date of appointment/resignation
Karen Briggs	Independent non-executive Director	Appointed 1 April 2024
James Fenner	Executive Director	Resigned 1 May 2024
Antony Yates	Executive Director	Appointed 1 May 2024
Hiroshi Ibaraki	Executive Director	Appointed 1 June 2024
Elena Paitra	Executive Director	Appointed 1 June 2024
Nobuyuki Takiguchi	Executive Director	Resigned 1 June 2024
John Mahon	Independent non-executive Director	Appointed 1 October 2024
Alan Keir	Independent non-executive Director	Resigned 1 September 2024
Patricia Jackson	Independent non-executive Director	Resigned 31 December 2024
Keith Macdonald	Independent non-executive Director	Resigned 28 February 2025
Kazuya Ikeda	Non-executive Director	Resigned 19 May 2025
Hiroshi Nishimura	Non-executive Director	Appointed 19 May 2025
Joanna Meager	Independent non-executive Director	Appointed 12 June 2025

Directors' Report continued

During the year, the independent non-executive Directors benefitted from qualifying third party indemnity arrangements, which remain in place at the date of this Report. The Bank also maintained directors' and officers' liability insurance in the year.

Political donations and expenditure

The Bank made no political donations or contributions during the year (2024: nil).

Overseas offices

At the date of signing this Report, the Bank had a branch in Paris, France, and in Abu Dhabi, United Arab Emirates.

Research and development

The Bank develops new products and services in the ordinary course of its business. The Bank's policy is that any new or potentially new product or service is subject to a risk assessment through its product approval and monitoring process.

Likely future developments

An indication of likely future developments can be found in the Strategic Report.

Going concern

The Directors believe that the Bank has adequate financial resources and is well placed to manage its business risks successfully despite the current uncertain outlook for the global economy and the banking sector. In addition, the Directors believe the Bank will be able to continue in operation and meet its liabilities, taking into account its current position and the principal risks faced, over a period of at least 12 months from the date of approval of these financial statements.

In making this assessment, the Directors have considered a wide range of detailed information relating to present and future conditions, including projections of profitability, liquidity and capital requirements and resources. Further information can be found in note 2 to the financial statements on pages 73 to 75.

Disclosure of information to auditor

Each person who is a Director of the Bank as at the date of approval of this Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Bank's auditor is unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

Auditor

KPMG LLP has expressed its willingness to continue in office and a resolution reappointing them as the Bank's auditor and giving authority to the Audit Committee to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed by order of the Board.

Mark Bradley

Company Secretary
7 July 2025

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and financial statements

The Directors submit their Report and the audited financial statements for the year-ended 31 March 2025.

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors and signed by order of the Board.

Hideo Kawafune

Chief Executive Officer

7 July 2025

Risk Management

This section sets out the Bank's approach to managing risk. Information on the Bank's principal and emerging risks can be found on pages 10 to 12. Further information on the level of risk at the year-end can be found in the financial statements.

Risk strategy and risk appetite

The Bank's risk strategy is designed to support the corporate strategy and the achievement of sustainable growth over the long term. The risk strategy comprises four pillars, being the foundations upon which the Bank seeks to achieve its strategic objectives:

Business model

- Achieve sustainable business growth and manage earnings volatility by prudent risk taking and appropriate pricing of risk.

Maintaining solvency and liquidity

- Maintain capital and liquidity resources in surplus over business needs and regulatory requirements.

Conducting business

- Adhere to the letter and spirit of all applicable legal and regulatory requirements and ensure that actions (or failure to act) does not cause an adverse outcome for the Bank, its customers, suppliers and other key stakeholders.

Managing operational risk and resilience

- Maintain an operational risk framework comprised of people, processes and systems to a high standard in order to ensure resilience against both internal and external operational disruptions.

Risk management objectives

The Bank's risk management objectives are to:

- ensure the Bank's strategic risk pillars, risk strategy statements and risk appetite measures are observed and maintained in the pursuit of the Bank's strategic objectives;
- maintain a risk appetite that maximises risk/return whilst ensuring that the Bank always maintains adequate capital;
- ensure that prudent levels of liquidity are in place to fund the Bank even under stressed conditions;
- maintain fair and ethical relationships with all the Bank's customers;
- manage and mitigate risk that the Bank assumes because of its business strategy;
- maintain an adequate and effective control environment; and
- ensure that the Bank adheres to the letter and spirit of laws and regulations governing its business.

Segregation of duties: Roles and responsibilities in the management of risk

Three lines of defence

The Bank has adopted the three lines of defence model. This approach separates the ownership and management of risk from the functions that oversee risk and the function that provides independent assurance.

First line of defence

Senior management in the first line of defence are responsible for the risks and controls that fall within their area. Each department operates within the risk appetite threshold in the context of its own strategy, taking into account the Bank's overall risk management framework and Corporate Strategy. This approach is designed to ensure that risk appetite is cascaded down to those areas where risk is taken.

Second line of defence

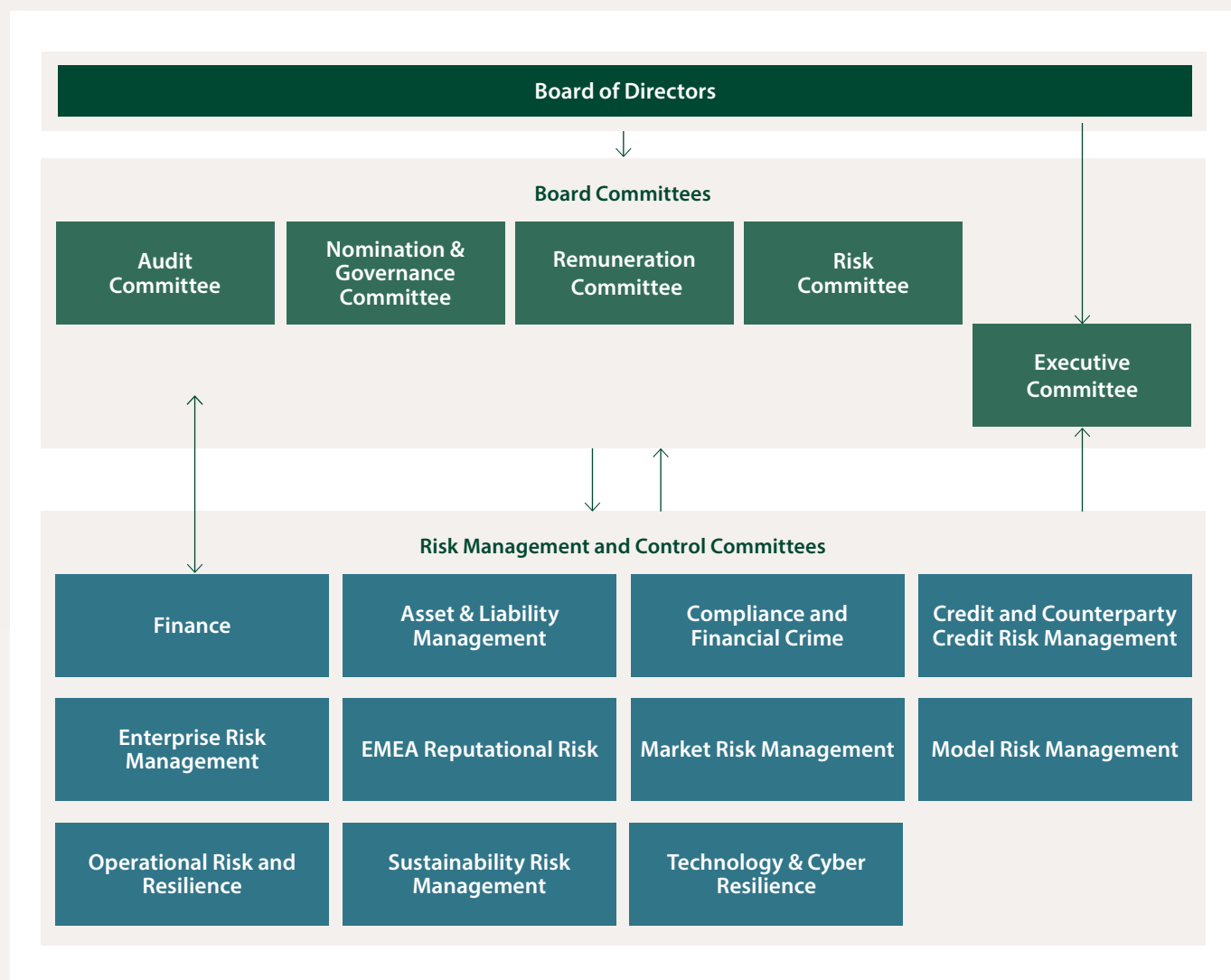
The Risk Management Department, Compliance Department and Credit Department are collectively the Bank's second line of defence. These departments are independent from the business areas that generate risk and operate within a governance framework that allows them to exercise professional judgement and make recommendations in an effective and impartial manner.

Third line of defence

Audit Department is the third line of defence and comprises an Internal Audit Group and a Credit Review Group, and is independent of the Bank's business units. The objective of Internal Audit is to provide reasonable assurance to the Board, management and other stakeholders that an effective internal control environment has been established to protect the Bank's assets, reputation and sustainability. To achieve this objective, the Internal Audit Group conducts audits and provides related services using a risk-based approach and through meeting the Global Institute of Internal Auditors Standards and following the Guidance on Effective Internal Audit in the Financial Services Sector issued by the Chartered Institute of Internal Auditors. Additional assurance is provided by Credit Review Group, which is responsible for reviewing the credit grading process and is similar to a credit quality assurance function.

Executive-level risk and control committees

The risk management and control committees are executive-level committees that have been established to consider certain areas of risk and business activities as follows. These committees typically meet at least monthly:



Risk Management continued

Asset and Liability Management Committee

Considers market and liquidity risk management and asset and liability management issues, discussing operations and funding policy (including the long-term funding strategy) and reporting on risk appetite, monitoring limits, guidelines and compliance with regulatory requirements.

Compliance & Financial Crime Committee

Assesses the robustness of the local compliance management framework, discusses material local compliance matters and reviews the progress of the implementation of local initiatives, which cover key and emerging risks arising from or significant issues relating to, regulatory affairs, governance, conduct, financial crime, and monitoring and surveillance.

Credit and Counterparty Credit Risk Committee

Responsible for discussing a range of credit issues including consideration of credit and counterparty credit risk KRIs, portfolio analysis, sector analysis and asset allocation, as well as credit risk appetite. It also reviews matters such as business origination guidelines and issues arising from the ongoing credit review activity performed by Audit Department's Credit Review Group.

EMEA Reputational Risk Committee

Responsible for overseeing the reputation of the Bank as well as promoting and monitoring the effective management of reputational risk. Matters discussed include reputational risk management issues, including the oversight and governance processes as well as reviewing and decision-making on country, and sector and customer/business-specific reputational risk appetite positions.

Enterprise Risk Management Committee

This Committee has the dual purpose of: (i) coverage of specific Enterprise Risk Management matters, such as examining the governance processes, assumptions and results related to the ICAAP and ILAAP, recovery and resolution planning, risk appetite, and regulatory horizon scanning; and (ii) acting as an overarching risk management committee through which it considers risk matters in aggregation.

Finance Committee

Provides control, governance, transparency and challenge around finance matters. Key matters overseen and considered by the Committee are financial and non-financial reporting, external audit, regulatory reporting and taxation.

Market Risk Committee

Responsible for considering matters related to market risk management, including issues arising in relation to the Market Risk Management Policy, effectiveness of risk mitigation measures, identifying risks and emerging risks, and evaluating market risk regulatory developments.

Model Risk Committee

Examines and discusses matters relating to model risk management. The subjects discussed include issues arising in relation to the overall governance of the Model Risk Management Framework and relevant elements, such as mitigation measures, monitoring principal and emerging model risks, and reporting and regulatory matters.

Operational Risk and Resilience Committee

Examines and discusses matters related to general risk management issues. The subjects discussed include risk issues arising in relation to the overall Risk Management Framework, the risks arising from the implementation of new products and services, outsourcing oversight, and the Operational Risk Management Framework and elements thereof, such as information systems issues, information security matters, compliance and regulatory matters and Internal Audit findings.

Sustainability Risk Management Committee

The Committee examines and discusses matters related to developing effective sustainability risk management through a Sustainability Risk Framework integrated across the business in EMEA. It also reviews matters such as Sustainability Risk Appetite, data and tools, Risk Appetite Framework monitoring and KRI thresholds.

Technology & Cyber Resilience Steering Committee

Examines and discusses matters relating to Information security/cyber and IT risk including strategy, continuous improvement, external landscape and threat actors, control assurance, known issues and audit remediation. The Committee also approves as required key changes and programme deliverables that may impact on the Bank's technology or cyber risk profile.

Risk Management Framework

The Bank maintains a Risk Management Framework which sets out the overarching principles and information for the key areas of risks. The key elements of the Bank's approach to risk management are described below:

Risk identification and assessment

The key principles used for risk identification and assessment are:

- to identify the major risks that could impact the Bank's long-term sustainability;
- to assess the likelihood and impact of the risks materialising; and
- to assess the robustness of the controls that mitigate the risks.

The Bank has several processes to ensure its risks are identified and assessed, including Principal and Emerging risks, Risk Register, Scenario analysis and Stress testing.

Risk measurement

The key principles for risk measurement and monitoring are to:

- measure risk exposure by loss modelling, enterprise-level KRIs, Risk Register execution and scenarios;
- provide capital methodology and implementation;
- facilitate senior management understanding of the severity of the risk;
- ensure appropriate reporting to Board, Risk Committee and Executive Committee of inherent and post mitigation risk through KRIs to facilitate any mitigation and/or changes to the risk appetite; and
- maintain a record of accepted risks.

Model risk Management Framework

The Model Risk Management Framework applies to all models across all risk types, ensuring comprehensive oversight and control. It serves as the governing document for models used in credit risk (including stress testing), market risk, operational risk, liquidity risk, treasury, compliance, financial crime, anti-money laundering, surveillance and monitoring, as well as valuation and pricing. Additionally, all models are subject to self-assessment against the Model Risk Management principles outlined in PRA Supervisory Statement SS1/23, with the findings of this assessment reported in the ICAAP document.

Stress testing and scenario analysis

Stress testing and scenario analysis are used across the principal risks to ensure that the Bank can adequately understand and quantify risks not only as they currently exist, but as they might develop in times of stress.

Reverse stress testing

Reverse stress testing (RST) is used to identify and monitor the factors and the stress levels that have the potential to cause the Bank's business model to become unviable. It is an important part of the overall Risk Management Framework and assists management in understanding key vulnerabilities within the business model and to identify potential control enhancements.

The Bank's RST is developed in conjunction and alignment with the Risk Assessment processes (Risk Register and Top and Emerging Risks) and is included in the ICAAP.

Risk management (control and mitigation)

The Bank seeks to control and mitigate as far as possible to ensure that it remains within the risk appetite. Risks are monitored on both an inherent and residual basis. SMBC recognises that not all risks can be completely mitigated but are managed through the Bank's policies frameworks and associated governance.

The risk control and mitigation the Bank undertakes is in the form of:

- tangible security;
- financial collateral both funded and unfunded;
- risk governance, policy and procedures, including risk appetite and business-level limits;
- individual and collective controls; and
- other mitigation and control actions.

The control and mitigation are articulated in the policy framework for the main risk types. Controls that implement the policies are contained in the relevant procedure manuals for the Bank's operational processes.

Risk management training

The key principles for risk management training are:

- to facilitate colleague understanding and engagement with key risk management topics and processes, including senior management;
- to ensure an appropriate and up-to-date framework is in place so that the required skill sets are updated and refreshed regularly thereby reinforcing the three lines of defence; and
- to communicate and embed the Bank's risk culture and framework throughout the organisation.

Risk Management continued

The Bank conducts training across all user groups and levels of seniority, through an ongoing process, tailored as appropriate to each group.

Risk Appetite

The purpose of Risk Appetite is to define the broad-based level of risk the Bank is willing to accept in pursuit of its strategic objectives. The Risk Appetite and risk strategy are complementary, aligning with and supportive of the corporate strategy. Risk Appetite ensures formal identification and consensus about the strategic-level risks which the Bank is facing and is a key tool for the business. In the year the Bank's Risk Appetite was updated to reflect the transfer of the securities business of SMBC Nikko CM to the Bank.

The Bank's key principles for its Risk Appetite Framework are:

- the Risk Appetite of the Bank is set by the Board. This is undertaken on an annual basis as part of the strategic planning process;
- the Risk Appetite is driven by both top-down Board leadership and bottom-up involvement of business units and second line teams;
- to facilitate embedding of Risk Appetite into the Bank and its culture;
- to evaluate opportunities for appropriate risk taking and act as a defence against excessive risk taking;
- to promote robust discussions about the risk profile of the Bank as a result of its activities;
- to be adaptive, where appropriate, to changes in business and market conditions;
- to cover all activities at the Bank;
- that Board-level appetite changes should drive real changes in risk taking at the business level;
- that risk taking is calibrated to the Bank's long-term sustainability; and
- that risk appetite setting is an integral part of the Bank's strategy.

Risk reporting and escalation

The key principles for risk reporting and escalation are as follows:

- Ensuring that senior management is provided with the necessary information regarding the Bank's principal risks so that an informed view of the Bank's risk profile can be made.
- Ensuring that all material risks are reported and deliver a complete view of the whole range of risks facing the Bank.

- The principal risks facing the Bank are reported at the appropriate monthly Risk and Control Committee meetings. These Committees have responsibility for the principal risk categories and related risk management matters.
- Delivering a Risk Report that incorporates the key risk themes to the Executive Committee monthly.

Credit risk

Credit risk is the risk of any losses the Bank may incur due to a reduction or loss of the value of assets (including off-balance sheet assets) arising from any credit events, such as the deterioration of a borrower's financial standing.

The framework

The Bank ensures that the level of credit risk it takes is in line with its risk appetite and business model through the following key measures:

- Having a credit risk management framework that consists of appropriate controls and senior management governance and oversight.
- The establishment of well-defined policies and procedures for the identification, measurement and control of credit risk.
- A centralised credit risk control function, under the responsibility of the CRO, who has a right of veto on credit and underwriting transactions.
- Having thorough risk analysis and reporting functions, conducted by a credit management team with the capabilities and resources to evaluate and monitor the exposures and limits.
- The implementation of the Bank's Risk Appetite Framework.
- Ensuring understanding of vulnerabilities through stress testing and reverse stress testing.
- Ensuring the Bank's model governance framework is robust.
- Having strong rating systems to measure the risk of individual transactions.
- Regular reviews conducted by Audit Department's Credit Review Group to ensure compliance with policies, procedures and market best practice.
- A fully comprehensive credit assessment is undertaken at a transaction and client level including: analysis of a variety of financial measures (e.g. cash flow) and quantitative analysis of industrial trends such as the competitiveness of a borrower's products, services and management calibre.

Market risk

Market risk is the risk that movements in interest rates, bond spreads, foreign exchange rates or stock prices will change the market value of financial products, leading to a loss.

The Bank ensures the level of market risk is in line with the Bank's risk appetite and business model through the following controls:

- Value at Risk (VaR) is a measure of the maximum expected loss in a portfolio to a given degree of confidence over a specified period. The Bank uses VaR to measure and manage its exposure to market risk.
- Interest rate risk in the banking book refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's banking book position. This is assessed using:
 - the scenarios as prescribed by the Basel Committee on Banking Supervision (parallel/non-parallel) which are assessed monthly and then daily in the event pre-amber limits are breached;
 - historical scenarios, for example Lehman, Black Monday and the more recent COVID-19 period assessed monthly, which considers the Bank's current positions against past crises;
 - daily market risk reporting of net basis point value limits for the overall portfolio and by major currency (GBP, USD, EUR and JPY) respective maturity ladder;
 - monitoring and assessing the daily profit and loss to ensure it is in line with the Bank's expectation; and
 - managing, monitoring and reporting the Bank's early warning indicators.

Liquidity risk

Liquidity risk is the risk that the Bank cannot meet its liabilities, unwind or settle its positions as they become due. The Bank ensures that the level of liquidity risk is in line with its Risk Appetite and business model through the following main measures:

- The establishment of a clear, consistent Risk Appetite Framework, and its underpinning quantitative risk metrics, early warning indicators and key risk indicators, that is understood across the Bank.
- Defining clear roles and responsibilities for the management of liquidity under normal and stressed circumstances.
- The implementation of a robust committee framework to manage liquidity risk issues, with clear terms of reference and standard agendas.
- Regular management information to demonstrate that the Bank is operating within risk appetite, along with other select metrics.
- Regular senior management training.

Within the governance framework outlined above, the Bank has established a liquidity risk management approach as a core component of the risk management process. The purpose of the framework is to ensure that the Bank successfully follows its strategy while operating within the bounds outlined by the liquidity risk appetite statement.

Operational and other risks

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events including legal risks.

Operational risk arises as a result of the Bank's day-to-day operations and is relevant to every aspect of the business. Operational risk management is embedded through regular engagement with the business, challenge where required, operational risk reporting and training. This is further supported by the execution of the following processes to ensure the operational risk profile is understood and managed:

- Operational risk appetite definition and calibration.
- Operational risk identification, assessment and measurement.
- Control and mitigation.
- Reporting and escalation.

The ongoing management of operational risk is supported by diverse processes and tools, which include: operational risk event/material incident reporting, scenario analysis, risk register, risk issue/acceptance identification, product approval framework, operational risk capital approach, risk indicator governance framework, third party risk management/outsourcing (TPRM), IT and cyber risk oversight and project monitoring.

Operational resilience

Operational resilience concerns the Bank's ability to prevent, adapt, respond to, recover and learn from operational disruptions.

Operational disruptions to the products and services offered by firms have the potential to cause harm to consumers, market participants and the financial system. The Bank's core business concerns generating revenue as a direct result of taking credit risk through its lending portfolio, and operational resilience is a crucial factor in helping it achieve its business plan. This entails preventing, as far as possible, a major operational disruption from occurring.

Risk Management continued

The following are the key components of the existing Operational Resilience Framework. These components complement the operational risk processes, which are focused on the prevention of disruption, to introduce the operational resilience concepts of response and recovery to normal operations without materially impacting clients, market integrity or financial stability:

- Important Business Services
- Impact Tolerances
- Mapping
- Scenario Testing
- Self-assessment
- Boards and Governance

Conduct risk

The risk of the Bank's actions, inactions or behaviours resulting in poor outcomes for customers and stakeholders, damaging the integrity of the financial markets or undermining effective competition.

The Conduct Rules form the basis of the Bank's approach to conduct risk management. The Bank's Employee Handbook and Compliance Policy Framework help all colleagues in understanding good conduct, positive behaviours and raising and addressing concerns.

To support the Compliance Policy Framework, the Bank provides training, communications, advice and guidance to help colleagues in meeting the regulatory and legal requirements and the rules and standards of conduct, including non-financial conduct, to which all staff must adhere. This is supported by monitoring, surveillance, reporting and oversight of adherence to the policy framework and regulatory expectations.

Conduct KRIs, which seek to provide effective risk identification, are regularly reviewed, including by the Executive and Risk Committees, to ensure proportionality and relevance to encourage organisational learning, constructive challenge, psychological safety and inclusion as well as improved engagement and accountability.

Sustainability risk

See the Climate-related Financial Disclosures Report on pages 21 to 33.

Independent Auditor’s Report
to the members of SMBC Bank International Plc



Independent
auditor’s report

to the members of SMBC Bank International PLC

1. Our opinion is unmodified

We have audited the financial statements of SMBC Bank International plc (“the Bank” or “the Company”) for the year ended 31 March 2025 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows, and the related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Bank’s affairs as at 31 March 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 10 July 2009 (and then reappointed on 31 January 2019). The period of total uninterrupted engagement is for the sixteen financial years ended 31 March 2025.

We have fulfilled our ethical responsibilities under, and we remain independent of the Bank in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: financial statements as a whole	\$20.0m (31 March 2024 : \$15.0m)	
	4.1% of profit before tax	
	(31 March 2024: 4.2% of average profit before tax of the last three years)	
Key audit matters vs 31 March 2024		
Recurring risks	Impairment of loans and advances	◀▶

Independent Auditor's Report continued

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 31 March 2024), in arriving at our audit opinion above, together with our key audit procedures to address that matter and, as required for public interest entities, our results from those procedures.

This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Impairment of loans and advances at amortised cost, including off-balance sheet elements Charge: \$28.3m (31 March 2024: \$27.2m) Provision: \$222.7m (31 March 2024: \$279.9m) <i>Refer to Note 4(a) (accounting policy and credit risk disclosures)</i>	Subjective estimate: The estimation of expected credit losses ("ECL") on loans and advances involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's determination of ECL are: <ul style="list-style-type: none"> - Model estimation – Inherently judgmental modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Losses Given Default ('LGD'), and Exposures at Default ('EAD'). The PD model of the Global corporates' portfolio (which covers more than 94% of the total exposure) has a high degree of complexity and its assumptions are highly subjective. The PD model is the key driver of the expected credit loss calculation (including staging of assets) and is therefore the most significant judgmental aspect of the Bank's ECL modelling approach. - Economic scenarios – IFRS 9 requires the Bank to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant judgement is applied in determining the economic scenarios used and the probability weights applied. - Qualitative adjustments – Adjustments to the model-driven ECL results were raised by the Bank primarily to address issues relating to model limitations, model responsiveness to emerging trends and the effects of the Russia/Ukraine conflict. Such judgements are inherently uncertain and significant management judgement is involved in estimating these amounts. 	Our procedures included: <ul style="list-style-type: none"> — Our credit risk modelling expertise: We involved our own credit risk modellers who assisted in evaluating the Bank's impairment methodologies for compliance with IFRS 9, evaluating the model output for the global corporates portfolio model by inspecting the corresponding model functionality and independently implementing the model by rebuilding the model code and comparing our independent output with management's output; and assessing the reasonableness of the model predictions by comparing them against actual results and evaluating the resulting differences. — Our economic scenario expertise: We involved our own economic specialists to assess and challenge the appropriateness of the economic scenarios (including macro-economic variables selection) and the probability weights assigned to them. We also assessed the overall reasonableness of the economic forecasts by comparing the Bank's forecasts to our own modelled forecasts. — Testing qualitative adjustments: With the assistance of our credit risk modelling specialists, we challenged the Bank's approach to recognising post model adjustments (PMAs) and whether it was appropriate to do so. For the adjustments recognised, and in particular the uncertainty PMA, we assessed whether the key assumptions used were reasonable and the method used for calculation of the PMA is appropriate. We also independently recalculated the PMAs to check them for accuracy. — Assessing transparency: We evaluated whether the disclosures appropriately reflect and address the uncertainty which exists when determining the Bank's overall ECL. As a part of this, we assessed the sensitivity analysis that is disclosed. In addition, we challenged whether the disclosure of the key judgements and assumptions made was sufficiently clear.



The risk	Our response
<ul style="list-style-type: none"> - The effect of these matters is that, as part of our risk assessment, we determined that the expected credit loss provisions on loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 4) disclose the sensitivity estimated by the Bank. - Disclosure quality – The disclosures regarding the Bank's application of IFRS 9 are key to understanding the key judgements and material inputs to the IFRS 9 ECL results. - We continue to perform procedures over lifetime expected credit losses on customer exposures in Stage 3. However, following our risk assessment and conclusion that the data and assumptions supporting the individual impairment calculations are typically sourced from specialists independent of the Bank (Real Estate valuers, restructuring advisors, liquidators etc) hence reducing the risk of these being inappropriate, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year. 	<p>We performed the tests above, rather than seeking to rely on the Bank's controls as the detailed testing is inherently the most effective means of obtaining audit evidence.</p> <p>Our results</p> <p>Based on the testing performed, we found the resulting estimate to be acceptable (31 March 2024: acceptable)</p>

Independent Auditor's Report continued

3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at \$20.0m (31 March 2024: \$15.0m), determined with reference to a benchmark of current year profit before tax (PBT), of which it represents 4.1% (31 March 2024: 4.2% of the average PBT over the past three years).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (31 March 2024: 75%) of materiality for the financial statements as a whole, which equates to \$15m (31 March 2024: \$11.2m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Board Audit Committee any corrected or uncorrected identified misstatements exceeding \$1m (31 March 2024: \$0.75m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the bank was undertaken to the materiality and performance materiality levels specified above and was performed by a single audit team.

We were able to rely upon the Bank's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in other areas the scope of the audit work performed was fully substantive.

Certain processes and controls operate at the Bank's Parent locations in Tokyo and New York. We instructed the participating audit teams in Tokyo and New York to perform specific risk-focused audit procedures as follows:

- Controls and tests of details over credit impairment model inputs; and
- All IT general and certain application controls on systems hosted by the Bank's Parent.

We evaluated the work which the participating audit teams performed in these areas. We conducted on-site visits of both the locations to perform a review of the procedures performed at these locations.

4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Bank or to cease its operations, and as they have concluded that the Bank's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Current year PBT: \$483.6m
(31 March 2024:
3-year average PBT: \$352m)



Profit before tax
Materiality

Materiality
\$20.0m (31 March 2024: \$15.0m)

\$20.0m
Whole financial
statements materiality
(31 March 2024: \$15.0m)

\$15.0m
Whole financial
statements performance
materiality (31 March 2024:
\$11.2m)

\$1.0m
Misstatements reported to the
audit committee (31 March 2024:
\$0.75m)

We used our knowledge of the Bank, the financial services industry, and the general economic environment to identify the inherent risks to the business model and analysed how those risks might affect the Bank's financial resources or ability to continue operations over the going concern period. The risks that management considered most likely to adversely affect the Bank's available financial resources over this period and which we challenged were those arising from recent market experience and volatility.

We considered whether these risks could plausibly affect the availability of financial resources in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Bank's financial forecasts.

Our procedures also included an assessment of whether the going concern disclosure in note 2 to the financial statements gives a complete and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2(b) to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Bank will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. In this risk assessment we considered the following:

- Our meetings throughout the year with the Bank's Chief Risk Officer, General Counsel and Chief Compliance Officer and review of the Bank's compliance reporting summaries;
- Enquiries of operational managers, internal audit and the Board Audit Committee, including obtaining and reviewing supporting documentation concerning the Bank's policies and procedures relating to:
 - detecting and responding to the risk of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud.
- The Bank's remuneration policies, key drivers for remuneration and bonus levels;
- Discussions among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. The engagement team includes senior individuals and staff who have extensive experience of working with banks, and this experience was relevant to the discussion about where fraud risks may arise.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Bank's management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as ECL on loans and advances to customers. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited complexity in the calculation and recognition of revenue.

We identified significant unusual transactions in the year ended 31 March 2025 and performed overall fraud risk assessment. Our procedures included reviewing underlying documentation to assess the business purpose of each Significant Unusual Transaction, determining whether the transaction had been appropriately authorised and approved and evaluating whether the Significant Unusual Transaction have been appropriately accounted for and approved. We do not believe either of the significant unusual transactions is indicative of fraud.

We identified a fraud risk related to the estimation of ECL, specifically relating to qualitative adjustments in response to significant estimation that involves subjective judgments or uncertainties that are difficult to corroborate. Further detail in respect of ECL is set out in the key audit matter in section 2 of this report.

We did not identify any additional fraud risks. Our audit procedures included evaluating the design and implementation and operating effectiveness of relevant internal controls, assessing significant accounting estimates for bias as well as substantive procedures to address the fraud risks. These procedures also included identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.



Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements. For this risk assessment, matters considered included the following:

- our general commercial and sector experience;
- discussion with the Directors and other management (as required by auditing standards);
- inspection of the Bank's regulatory and legal correspondence;
- inspection of the policies and procedures regarding compliance with laws and regulations; and
- relevant discussions with the Bank's key regulatory supervisors including the Prudential Regulation Authority and Financial Conduct Authority.

As the Bank operates in a highly regulated environment, our assessment of risks of material misstatement also considered the control environment, including the Bank's higher-level procedures for complying with regulatory requirements. Our assessment included inspection of key policies in place, understanding the role of the compliance function in establishing these and monitoring compliance and inspection of whistleblowing and complaints reports.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Bank is subject to laws and regulations that directly impact the financial statements including:

- financial reporting legislation (including related companies' legislation);
- distributable profits legislation; and
- taxation legislation (direct and indirect).

We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Bank is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Bank's licence to operate. We identified the following areas as those most likely to have such an effect:

- Specific aspects of regulatory capital and liquidity;
- Customer conduct rules;
- Money laundering;
- Sanctions list and financial crime; and
- Certain aspects of company legislation recognising the financial and regulated nature of the Bank's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. If a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

In relation to the legal matters disclosed in note 19 we performed audit procedures which included making enquiries of the Bank's General Counsel. We obtained legal confirmations from the Bank's external counsel.

Independent Auditor's Report continued

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 55, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Satish Iyer (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL



Statement of comprehensive income

For the year ended 31 March 2025

	Notes	2025 USDm	2024 USDm
Interest income ^{1,2}		2,817.9	2,477.4
Interest expense		(2,338.7)	(2,037.0)
Net Interest Income		479.2	440.4
Fees and commissions income		777.0	582.0
Fees and commissions expense		(74.7)	(25.9)
Net fee and commission income		702.3	556.1
Net trading income		283.0	277.7
Net losses from disposal of financial assets at amortised cost		(83.7)	–
Operating Income		1,380.8	1,274.2
Net impairment loss on financial assets	4	(28.3)	(27.2)
Personnel Expenses	6	(508.8)	(424.6)
Depreciation and amortisation	15,16	(62.1)	(55.6)
Other Expenses	6	(298.0)	(231.2)
Net Operating Expenses		(897.2)	(738.6)
Profit before income tax		483.6	535.6
Income tax charge	10	(134.0)	(129.3)
Profit for the year, comprising		349.6	406.3
Profit from continuing operations		330.9	406.3
Profit from discontinued operations	25	18.7	–
Other comprehensive income net of tax:			
Items that will never be reclassified to profit and loss			
Actuarial gains/(losses) on defined benefit scheme		0.7	(9.2)
Items that will be reclassified to profit and loss			
Movement in cash flow hedge reserve		(3.7)	(6.6)
Movement in fair value hedge reserve		–	(0.1)
Other comprehensive income net of income tax		(3.0)	(15.9)
Total comprehensive income for the year		346.6	390.4

1 All interest income was calculated using the effective interest rate method.

2 Interest income mainly relates to interest recognised on financial assets measured at amortised cost.

The notes on pages 73 to 127 are an integral part of these financial statements.

Statement of financial position

As at 31 March 2025

	Notes	2025 USDm	2024 USDm
Assets			
Cash and balances at central banks		25,294.6	22,951.2
Settlement balances		397.9	95.5
Loans and advances to banks	11	3,446.3	3,453.5
Loans and advances to customers	11	19,279.8	18,051.7
Reverse repurchase agreements		17,084.1	1,710.4
Trading assets	12	1,497.7	–
Investment securities	12	764.1	668.5
Derivative assets	13	1,757.9	1,973.0
Other assets	14	1,461.4	763.8
Intangible assets and goodwill	15	107.2	70.2
Property and equipment	16	216.2	243.5
Current tax asset	10	8.2	5.5
Deferred tax asset	10	34.6	43.7
Pensions surplus	9	36.7	33.6
Total assets		71,386.7	50,064.1
Liabilities			
Deposits by banks		28,933.9	21,151.7
Customer accounts		19,678.5	19,829.1
Debt securities in issue	17	1,012.0	901.9
Repurchase agreements		12,669.1	–
Derivative liabilities	13	1,768.1	1,625.2
Trading liabilities		294.3	–
Other liabilities	18	1,066.7	938.6
Other provisions		16.5	11.0
Deferred tax liability	10	21.2	26.8
Total liabilities		65,460.3	44,484.3
Shareholders' equity			
Called up share capital	20	3,200.1	3,200.1
Other reserves		100.1	103.8
Retained earnings		2,626.2	2,275.9
Total equity		5,926.4	5,579.8
Total liabilities and equity		71,386.7	50,064.1
Included in the above are items held for sale	25		
Assets		5,128.1	–
Liabilities		2,461.3	–

1 The risk management policy disclosures on credit, market and liquidity risk described on pages 60 and 61 are incorporated into these financial statements by reference. These financial statements were approved by the Board of Directors and signed on its behalf by:

Hideo Kawafune

Chief Executive Officer

7 July 2025

The notes on pages 73 to 127 are an integral part of these financial statements.

Company registration number 04684034

Statement of changes in equity

For the year ended 31 March 2025

	Share Capital USDm	Retained Earnings USDm	Capital Redemption USDm	Hedge Reserve USDm	Fair Value Reserve USDm	Total USDm
At 1 April 2024	3,200.1	2,275.9	100.0	3.6	0.2	5,579.8
Total comprehensive income for the year						
Net profit for the period	–	349.6	–	–	–	349.6
Other comprehensive income, net of tax						–
Net gains/(losses) transferred to net profit	–	–	–	(3.6)	–	(3.6)
Actuarial gain/(loss) on defined benefits scheme	–	0.7	–	–	–	0.7
Change in fair value of assets classified as FVOCI	–	–	–	–	–	–
Effective portion of changes in fair value	–	–	–	(0.1)	–	(0.1)
Effect of changes in tax rate						
At 31 March 2025	3,200.1	2,626.2	100.0	(0.1)	0.2	5,926.4
At 1 April 2023	3,200.1	1,878.8	100.0	10.2	0.3	5,189.4
Total comprehensive income for the year						
Net profit for the period	–	406.3	–	–	–	406.3
Other comprehensive income, net of tax						0.0
Net gains/(losses) transferred to net profit	–	–	–	(10.2)	–	(10.2)
Actuarial gain/(loss) on defined benefits scheme	–	(9.2)	–	–	–	(9.2)
Change in fair value of assets classified as FVOCI	–	–	–	–	–	–
Effective portion of changes in fair value				3.6	(0.1)	3.5
Effect of changes in tax rate	–	–	–	–	–	–
At 31 March 2024	3,200.1	2,275.9	100.0	3.6	0.2	5,579.8

The notes on pages 73 to 127 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 March 2025

	2025 USDm	2024 USDm
Reconciliation of profit before tax to net cash flows from operating activities:		
Profit for the year before tax	483.6	535.6
Adjustments for non cash items:		
Net impairment loss on financial assets	28.3	27.2
Net losses from disposal of financial assets at amortised cost	83.7	–
Unrealised exchange movements on non operating assets and liabilities	(239.2)	(161.3)
Depreciation and amortisation	62.1	55.6
Changes in operating assets and liabilities:		
Changes in loans and advances to banks	(35.0)	(276.4)
Changes in loans and advances to customers	(1,292.4)	(321.5)
Changes in Reverse repurchase agreements	(15,373.7)	(443.5)
Changes in derivative financial instruments	358.0	(139.5)
Changes in other assets	(698.8)	162.5
Changes in deposits by banks	7,630.1	(4,082.8)
Changes in customer accounts	(149.1)	1,157.2
Changes in other liabilities	145.4	99.4
Net decrease/(increase) in trading portfolio assets	(1,497.7)	–
Net increase in trading portfolio liabilities	294.3	–
Net (decrease)/increase in repurchase agreements and other similar secured borrowing	12,669.1	–
	2,468.7	(3,387.5)
Taxes paid	(130.3)	(122.8)
Net cash from/(used in) operating activities	2,338.4	(3,510.3)
Purchase of investment securities	(3,186.0)	(2,849.6)
Proceeds from sale or redemption of investment securities	3,107.4	3,217.3
Purchase of intangible assets	(65.7)	(34.5)
Proceeds from the sale of intangible assets	–	–
Purchase of property and equipment	(6.6)	(24.0)
Proceeds from sale of property and equipment	0.5	–
Net cash from/(used in) investing activities	(150.4)	309.2
Cash flow from financing activities		
Payment of Lease Liabilities	(17.2)	(8.3)
Proceeds from issue of debt securities	1,012.0	901.9
Repayment of debt securities	(901.9)	(1,048.7)
Net cash from/(used in) financing activities	92.9	(155.1)
Net (decrease)/increase in cash and cash equivalents	2,280.9	(3,356.2)
Cash and cash equivalents at start of the year	22,798.8	25,995.5
Exchange differences in respect of cash and cash equivalents	214.3	159.5
Cash and cash equivalents at 31 March	25,294.0	22,798.8
Cash and cash equivalents comprise:		
Cash and balances at central banks	24,896.1	22,703.3
Loans and advances to banks with original maturities of up to three months	397.9	95.5
	25,294.0	22,798.8

Interest received was USD 2,758.3m (2024: USD 2,445.5m) and interest paid was USD 2,353.2m (2024: USD 1,983.1m).

At 31 March 2025, USD 174.2m (2024: USD 178.2m) was not available for use by SMBC BI due to a range of restrictions.

The notes on pages 73 to 127 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2025

1. Reporting entity

The Bank is a company domiciled in England and Wales. The Bank offers a wide range of wholesale and investment banking products, including: bilateral loans, guarantees, syndicated loans, project finance, aircraft finance, shipping finance, other specialised structured finance, trade finance, leveraged finance, cash management, money markets, foreign exchange, deposit taking and derivatives as set out more fully on page 1. The registered office is 100 Liverpool Street, London, EC2M 2AT, UK. Further information on the Bank's activities can be found in the Strategic Report.

2. Basis of preparation

(a) Statement of compliance

The Bank's financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards.

(b) Basis of measurement

The Bank's financial statements are prepared on a going concern basis and under the historical cost convention as modified by the revaluation of investments, derivatives and other financial instruments, in accordance with applicable accounting standards and the Companies Act 2006.

The Directors believe that the Bank has adequate financial resources and is well placed to manage its business risks successfully despite the current uncertain outlook for the global economy and the banking sector. In addition, the Directors believe the Bank will be able to continue in operation and meet its liabilities, taking into account its current position and the principal risks faced, over a period of at least 12 months from the date of approval of these financial statements.

In making this assessment, the Directors have considered a wide range of detailed information relating to present and future conditions, including projections of profitability, liquidity and capital requirements and resources. They determined that the principal risks the Bank currently faces are those arising from recession arising as a consequence of geopolitical factors although a range of other risks are also considered, including the risks associated with the transfer of the securities business of SMBC Nikko CM to the Bank. This assessment is based on the consideration of a wide range of information including:

- the results of the Bank's three-year liquidity planning assessment;
- the results of the Bank's three-year capital planning assessment; and
- the results of the Bank's capital and liquidity stress testing.

The economic scenarios for the capital stress are:

- **Global Demand Shock:** US introduces steep tariffs on imports from China, Eurozone, UK, Canada and reciprocal

escalation. Equity markets experience global decline with increase in credit events reducing investor appetite. Higher production costs and shortages contribute to stagflation and global recession across major economies.

- **Global Supply Shock:** US-China relationship deteriorates, with geopolitical instability impacting shipping and supply chains. Combined with tariff policy, business sentiment is impacted with falls in equity markets and increasing bond yields. Due to multi-faceted shocks the global economy is in steep recession.
- **UK and EU recession:** Commodity price and interest rate increases driven by geopolitical instability contributing to energy and supply chain shocks. A Europe-wide recession driven by national budget deficits and sovereign rating downgrades.
- **Japan recession:** Yen appreciation vs USD impacts value of Japanese exports and trade balance falls with increases in Government debt. Economic growth deteriorates, with risk of sovereign rating and financial institution downgrades (including SMFG).

The economic scenarios for the liquidity stress included:

- **Global Recession (supply shock):** The US introduces steep tariffs on major economies which severely impacts global supply chains. Eurozone countries such as Germany and France are significantly impacted, shocking their GDP. Middle East conflict expands to the wider region. Equity markets experience dramatic declines across the globe and credit events become common, significantly reducing investor risk appetite.
- **Japanese market-wide** Ongoing Russia-Ukraine war, tariffs, and persistent core inflation drive inflation higher, prompting the Bank of Japan (BOJ) to raise interest rates. The stronger yen reduces the competitiveness of Japanese exports, worsening the trade balance and increasing government debt levels. Japan enters a recession with sovereign rating downgrades and surging government bond costs. Japanese financial institutions, including SMFG, get downgraded. Possibility of significant credit events increase.
- **SMBC Group idiosyncratic stress:** SMBC group idiosyncratic scenario models the situation where SMBC Group is suffering from a severe stress event which results in increased credit risk or concerns over solvency.
- **Combined stress:** The Combined scenario models the situation where Global Recession or Japan market-wide scenario is combined with an SMBC Group Idiosyncratic event.

The result of the liquidity and capital assessments, and stress tests is that the Bank remains well capitalised and it is able to continue to fund its operations.

Based on the above, the Directors conclude that the Bank has adequate resources to continue operations for a period of at least 12 months from the date of these financial statements and, therefore, it is appropriate to adopt the going concern basis.

Notes to the financial statements

For the year ended 31 March 2025 continued

2. Basis of preparation continued

(c) Functional and presentation currency

These financial statements are presented in US Dollars, which is also the Bank's functional currency. US Dollars is the Bank's functional currency as it is the dominant operating currency of the Bank's business. All financial information has been rounded to the nearest one hundred thousand US Dollars.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(d) Adoption of IFRS

i) New and amended standards and interpretations

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020 the IASB issued amendments to IAS 1 to clarify the presentation of liabilities in the balance sheet, with an effective date that was subsequently deferred to 1 January 2024. The amendments clarify that a liability should be classified as non-current only if the entity has the right to defer settlement of the liability for at least 12 months after the reporting period, and that (i) the right to defer settlement must exist at the end of the reporting period and (ii) management's intentions or expectations about whether it will exercise its right to defer settlement does not affect the classification.

In October 2022, the IASB also issued further amendments to IAS 1 to improve the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

The impact to the Bank from these amendments is not considered material.

There were no other new standards or amendments to standards that had an effect on these financial statements.

ii) Future accounting standards

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments).

The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed.
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments.

- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments.

Amendments to IFRS 18 Presentation and Disclosure in Financial Statements.

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as SMBC BI Plc, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Bank is currently not intending to early adopt the Standard.

(e) Significant accounting judgements and estimates

The preparation of the Bank's financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The most significant areas where judgements and estimates have been used, and the notes where information on these is disclosed, are as follows

Impairment losses on loans and advances and undrawn loan commitments (note 4)

IFRS 9 impairment involves several areas of judgement as follows:

- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to estimate ECL.
- Determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

Considerations taken into account and calculation of impairment allowances for individually significant assets in Stage 3. The Bank reviews its problem assets held at amortised cost at each reporting date to assess whether an allowance for credit impairment should be recorded in profit and loss. In determining the ECL, management is required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The exercise of judgement in making estimations requires the use of assumptions that are highly subjective and sensitive to the risk factors. Further information and sensitivity analyses of ECL to different economic scenarios is provided in note 4.

In addition to specific allowances against defaulted loans and advances (Stage 3), the Bank also makes provisions on performing assets based on 12-month ECLs (Stage 1) and on assets subject to a significant increase in credit risk based on lifetime ECLs (Stage 2).

Pensions (note 9)

The cost of the defined benefit pension scheme is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of the scheme, such estimates are subject to measurement uncertainty.

In the year ended 31 March 2025, the methodology for salary increases was updated from CPI plus 1% to CPI.

Fair value of financial instruments (note 5)

Where the prices of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from markets where valuations are actively quoted, they are determined using a variety of valuation techniques that include use of mathematical models. The input to these models is taken from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

3. Significant accounting policies

This section describes the Bank's significant accounting policies that relate to the financial statements and the notes as a whole. If an accounting policy relates to a particular note, the accounting policy is contained within the relevant note.

(a) Basis of consolidation

Subsidiaries are investees controlled by the Bank. The Bank 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank reassesses whether it has control if there are changes to one or more of the elements of control. In the normal course

of business the Bank lends to structured entities in a number of different industries. The assessment undertaken by the Bank includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Bank having power over the investee. The financial statements of any subsidiaries would be included in the consolidated financial statements from the date control commences until the date control ceases. At 31 March 2025, the Bank did not control any investees.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration, given at the date of exchange. Acquisition-related costs are recognised as an expense in the income statement in the period in which they are incurred. The acquired identifiable assets, liabilities and contingent liabilities are generally measured at their fair values at the date of acquisition. Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of non-controlling interest and the fair value of the Bank's previously held equity interest, if any, over the net of the amounts of the identifiable assets acquired and the liabilities assumed.

(b) Interest and similar income and expense

Interest income and expense are recognised in the income statement for all financial assets and financial liabilities at amortised cost using the effective interest method. The effective interest method is a method of calculating the cost of a financial asset or liability and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period if appropriate. The application of the method has the effect of recognising income receivable on the instrument in proportion to the amount outstanding over the period to maturity or repayment. In calculating effective interest, the Bank estimates cash flows considering all contractual terms of the financial instrument but, for financial assets, excluding future credit losses. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of the financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

(c) Fee and commission income and expense

Fee income relating to loans and advances held at amortised cost is recognised in profit and loss as either an adjustment to the effective interest rate or on an accruals basis as the service is provided. Where a fee is considered to be an adjustment to the effective interest rate, it is recognised as such over the original life of the loan or expected life if this is reliably estimated to be shorter. Where loans and advances are purchased in the secondary market and there is observable evidence that the fair value is higher than the purchase price, then the differential is recognised as profit within fees.

Notes to the financial statements

For the year ended 31 March 2025 continued

3. Significant accounting policies continued

Fees and commissions receivable in respect of all other services provided are recognised in profit and loss when the related services are performed and when consideration is considered receivable. The performance obligations, as well as the timing of when they have been met, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations. When the Bank provides a service to its customers, consideration is generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

Fees and commissions expense relates mainly to transaction and service fees, which are expensed as the service is received.

(d) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(e) Financial instruments – initial recognition and subsequent measurement

Financial assets

These include loans and advances to banks and customers, investment securities and reverse repurchase agreements.

i) Classification, initial recognition and subsequent measurement

Financial assets are classified into the following measurement categories:

- those to be measured at fair value (either through other comprehensive income (FVOCI) or through profit and loss (FVTPL); or
- those to be measured at amortised cost.

The classification depends on the business model for managing financial assets and the contractual terms of the financial assets' cash flows.

Business model assessment

The Bank makes an assessment of the objective of the business model in which a financial asset is held based on the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Bank's corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. Sales of loans from these portfolios are very rare. The exception to this is the syndications portfolio where the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Investment securities are largely held for collecting contractual cash flows and selling financial assets with the exception of a small number of debt securities which are held only for collecting contractual cash flows and where sales of such assets would be infrequent.

Contractual terms of financial assets' cash flows

For financial assets to be held at amortised cost, the contractual terms of the financial asset must give rise to cash flows on specified dates that represent solely payments of principal and interest on the principal amount outstanding.

For the purposes of this assessment, principal is defined as the fair value of the financial assets on initial recognition and interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued contractual interest (which may include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are initially recognised at their fair value plus, in the case of financial assets not at fair value through profit and loss, any transaction costs that are incremental and directly attributable to the acquisition of the financial asset.

Fair value for financial instruments traded in an active market is based on quoted market prices or dealer price quotations (bid price for long and offer price for short positions). For other financial instruments, the fair value is determined by using appropriate valuation techniques including present-value techniques or comparison to similar instruments.

Reverse repurchase agreements (and stock borrowing or similar transactions) are a form of secured lending whereby the Bank provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future.

The Bank purchases (a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included in the balance sheet as the Bank does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a Reverse repurchase agreement asset at amortised cost, unless it is designated or mandatorily at fair value through profit and loss.

Financial liabilities

These include deposits, repurchase agreements, security borrowings, debt securities issued and subordinated debts which are the Bank's source of debt funding. Financial liabilities are classified as non-trading, held for trading or designated as held at fair value through profit and loss. Financial liabilities are initially recognised at their fair value minus, in the case of financial liabilities not at fair value through profit and loss, any transaction costs that are incremental and directly attributable to the issue

of the financial liability. Subsequent to initial recognition, non-trading liabilities are recorded at amortised cost. Subsequent to initial recognition, liabilities held for trading or liabilities designated as held at fair value through profit and loss are accounted for as indicated in the accounting policy for financial liabilities at fair value through the profit and loss.

The Bank may also sell (a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the balance sheet as the Bank retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability under repurchase agreements at amortised cost, unless it is designated at fair value through profit and loss.

ii) Derecognition of financial assets and liabilities

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of i) the consideration received including any new asset obtained less any new liability assumed and ii) any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit and loss. Any cumulative gain or loss recognised in other comprehensive income in respect of equity investments designated as at FVOCI is not recognised in profit and loss on derecognition.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iii) Modifications of financial assets and liabilities

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this instance, the original financial asset is derecognised and a new financial asset is recognised at fair value.

Notes to the financial statements

For the year ended 31 March 2025 continued

3. Significant accounting policies continued

If the cash flows of a modified financial asset carried at amortised cost or FVOCI are not substantially different, then the modification does not result in the derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit and loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the new financial liability with modified terms is recognised in profit and loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit and loss.

Interest rate benchmark reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost or at FVOCI changes as a result of the interest rate benchmark reform, then the Bank updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Bank first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applies the policies on accounting for modifications set out above to the additional changes.

(f) Foreign currencies

The financial statements are presented in US Dollars, which is the Bank's functional and reporting currency. Items included in the financial statements of each of the Bank's operations are measured using their functional currency, being the currency of the primary economic environment in which they operate.

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognised in the income statement except for qualifying cash flow hedges.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Translation differences on equities classified as at FVTPL are reported as part of the fair value gain or loss in the income statement.

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises balances with original maturities of up to three months including cash and cash equivalents with central banks and overdrafts. These comprise highly liquid investments that are readily convertible into cash with an insignificant risk of changes in value.

4. Financial risk management

The risks relating to financial instruments and the way in which the Bank manages these are described below.

(a) Credit risk

Credit risk is the risk of any losses the Bank may incur due to a reduction or loss of the value of assets (including off-balance sheet assets) arising from any credit events, such as the deterioration of a borrower's financial standing.

Credit assessment

The Bank assesses and manages the credit risk of individual loans and credit portfolios on a consistent quantitative basis utilising an internal rating system.

The rating system consists of two indicators namely:

- the obligor grading, which indicates the creditworthiness of the borrower; and
- the facility grading, which indicates the probability of repayment of each facility. Facility grades are assigned based on the borrower's obligor grading and transaction terms such as guarantee, maturity and collateral.

The Bank's internal grading and borrower categories are set out in the table below, and are used for the purposes of determining the Bank's credit quality of obligors.

G grade*	J grade*	
Code	Code	Borrower's category
G1	J1	Normal borrowers
G2	J2	Normal borrowers
G3	J3	Normal borrowers
G4	J4	Normal borrowers
G5	J5	Normal borrowers
G6	J6	Normal borrowers
(G7A, G7B)	(J7A, J7B)	Borrowers requiring caution
G7R	J7R	Substandard borrowers
G8	J8	Potentially bankrupt borrowers
G9	J9	Virtually bankrupt borrowers
G10	J10	Bankrupt borrowers

* Grade – non-Japanese borrowers, J Grade – Japanese borrowers.

The internal ratings G7R and J7R through to G10 and J10 are recognised as 'Default' in terms of EU Capital Requirements Directive IV and in line with regulatory default definition.

Credit monitoring

Credit monitoring is carried out through an ongoing reassessment of obligor grades involving:

- annual monitoring following financial results disclosures; and
- ad-hoc monitoring should credit conditions deteriorate.

Should a customer be downgraded or considered a likely candidate for future downgrade(s) to below 'Normal borrower' category, the customer is added to the special credit borrower list and reported to management.

To minimise the potential loss that may arise from any model failure and/or inadequate usage of the models and systems, the Bank has appropriate policies in place to manage its models and grading systems. The Bank's Credit Risk Control Unit performs validation of the grading models at least annually to ensure the appropriateness of the grading models.

The Bank regularly monitors the credit risks associated with wider aspects of its business, such as specific country exposure, products, industries, etc. on a portfolio basis. The Bank also undertakes regular stress tests on its portfolio to ensure adequate capital is kept at all times to cover potential losses incurred during extreme events.

Expected credit losses

Accounting for impairment provisions

Impairment provisions are accounted for in line with IFRS 9 'Financial Instruments – Classification and Measurement'. The Bank applies a three-stage approach to measuring ECL for the following categories of financial instruments that are not measured at FVTPL:

- Loans and advances to banks and customers measured at amortised cost.
- Debt instruments measured at amortised cost and FVOCI.
- Loan commitments.
- Financial guarantee contracts.

The Bank has grouped its financial instruments into Stage 1, Stage 2 and Stage 3, based on the implied impairment methodology, as described below:

Stage 1: 12-month ECL – For performing financial instruments where there has not been a significant deterioration in their credit quality since initial recognition, the Bank recognises an allowance for the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months.

Stage 2: Lifetime ECL – For financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Bank recognises an allowance for the lifetime ECL.

Stage 3: Credit-impaired – Financial instrument exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the instrument have occurred. For financial instruments that have been assessed as credit-impaired, the Bank recognises an allowance for the lifetime ECLs.

Determining the stage for impairment

At each balance sheet date, for loans carried at amortised cost, loan commitments, financial guarantee contracts and debt securities carried at FVOCI, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default between the balance sheet date and the date of initial recognition. Credit risk is assessed either individually to financial assets, or collectively to a portfolio of similar, homogenous assets.

Significant increase in credit risk (SICR)

In order to determine whether a significant increase in credit risk of a financial instrument has taken place since its initial recognition, the Bank considers reasonable and verifiable information that is relevant and accessible without excessive cost or effort. The Bank assesses significant increase in credit risk using both quantitative and qualitative information.

Determining whether SICR takes place

The Bank follows a robust event-based framework of determining SICR. The Bank uses the quantitative factor of a change in the probability of default (PD) based on the grading of each loan as well as additional factors such as 30 days past due and whether a customer is on the Credit Alarm System (Watch List) in order to determine whether a significant increase in the credit risk of a financial instrument has taken place.

Notes to the financial statements

For the year ended 31 March 2025 continued

4. Financial risk management continued

The bank has enhanced the staging model to a methodology that uses a forward-looking approach to determine the appropriate stage. The forward-looking grade calculated takes consideration of the future state of the economy. The bank applies a grading-based review on each exposure by comparing grade at origination and forward-looking grade at reporting date. The bank uses relative PD threshold based on grading as a quantitative criteria for identifying significant increase in credit risk. The threshold was assessed based on historical default data.

The Bank uses an additional criterion of 30 days past due for determining SICR. The number of days overdue is determined by counting the number of days starting from the first day when the payment was not received in full. Payment dates are determined without taking into account the grace period that can be provided to the borrower. In addition, for customers graded G/J 5 and G/J 6, inclusion in the Watch List is an indicator of SICR. This is for customers categorised as 'Normal borrowers' but determined as requiring additional monitoring due to credit deterioration.

Recognition of financial assets as impaired (Stage 3)

A financial asset is recognised as impaired if default has occurred since initial recognition.

Default definition

The definition of default for the purpose of determining ECLs has been aligned to the Capital Requirements Regulation Article 178 definition of default, to maintain a consistent approach with IFRS 9 and associated regulatory guidance. The following events generally provide objective evidence of a default situation:

- The management bodies of the borrower/group of borrowers decide to reorganise or liquidate the borrower and/or any bankruptcy proceedings or involuntary liquidation in respect of the borrower is initiated (either by the borrower itself or by any third parties) and/or an external manager, provisional manager, liquidator or commissioner is appointed.
- Delinquency exceeds three months. Delinquency is considered to be caused by the deterioration of business conditions or constrained cash flow (and including cases in which only interest is not paid, but there is no delay in repayment of the principal).
- The loan is restructured towards the more favourable conditions for a borrower, in the absence of which the borrower could not fulfil the obligations towards the Bank properly.
- Breach of financial covenants, which, in the reasonable opinion of the Bank, may result in improper fulfilment of obligations by the borrower.
- Any other event happens in relation to the borrower/group of borrowers that, in the Bank's opinion, can cause improper fulfilment of obligations by the borrower.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, the impairment provision reverts from lifetime ECL to 12-month ECL.

The Bank recognises write-offs when the Bank assesses there is no prospect of further recoveries, typically on liquidation of the counterparty. In practice, write-offs on liquidation are infrequent.

Improvement of credit quality

If a financial asset classified in Stage 2 shows an improvement in credit quality, then this asset can be classified in Stage 1. No probation period is applied as the latest grading will reflect the customer's current financial creditworthiness with consideration of any near-term factors which could impact the customer grade already taken into account.

Movement from Stage 3 to Stage 2 or 1 is dependent on individual assessment. All relevant factors in relation to the credit worthiness of the customer will be taken into account before a customer is upgraded and moved out of Stage 3. The Stage 3 exposures with forbearance measures in place have to go through, in addition to the above requirements, a minimum cure period of two years as a normal borrower before they can be moved out of Stage 3.

Grades (credit ratings)

The Bank assigns appropriate grades to each exposure based on data that is used to predict the risk of default and by applying expert judgement on credit quality. Ratings are determined based on qualitative and quantitative factors, and indicators of the risk of default. These factors vary depending on the type of the borrower and exposure itself.

Grades are determined in a way that the risk of default increases significantly as credit quality deteriorates. For example, the difference between grades 1 and 2 is less than the difference between grades 2 and 3.

Each exposure is assigned with a particular grade at the date of the initial recognition based on the information available. These exposures are subject to continuous monitoring. So, the grade assigned to the exposure could change since the date of the initial recognition.

Monitoring usually includes the analysis of the following data:

- Information obtained as a result of analysis of the borrowers on a periodic basis: audited financial statements, management accounts, budgets, forecasts and plans.
- Credit rating agencies' data, publications and information on changes in external credit ratings.
- Bond and credit default swap quotes, if such information is available.
- Actual and expected significant changes in political, regulatory and technological environments that could influence the borrower's business.

Creation of provisions

The calculation of ECLs is based on the following metrics:

- Probability of default (PD).
- Loss given default (LGD).
- Exposure at default (EAD).

The LGD model uses the Frye-Jacob approach as the theoretical foundation and leverages the same macroeconomic variables as the PD model.

The EAD model is used to estimate lifetime EAD which will be used in the ECL calculation. This model forecasts the undrawn amount via the estimation of the Credit Conversion Factor (CCF) and calculates drawn amount of facilities with defined repayment schedule. A fallback component is added this year when no appropriate macroeconomic variables is found to forecast CCF. Under this approach, the CCF is determined for each scenario based on the quantile of the annual historical CCF distribution. Each scenario weight/probability is used to calculate the corresponding CCF.

In order to calculate ECL for loans provided to corporate clients and banks, the Bank adjusts the annual value of PD in proportion to the term of the financial instrument.

Probability of default

The PD is modelled using credit ratings transition matrices that were created based on internal and external statistics. The transition matrix shows the expected migration of a customer at a specific grade to alternative grades over a period of time. The Bank uses two sets of transition matrices to forecast PD, including transition matrices for borrowers whose parent companies are located in Japan and transition matrices for borrowers whose parent companies are residents of other countries. The value of PD is determined based on macroeconomic forecasts, including the dynamics of equity prices and GDP.

Grades are the main inputs that are used for creation of the PD for positions exposed to credit risk. The Bank collects information on the debt service quality and default level of exposures, analysed depending on jurisdiction or region, type of product and borrower, and also depending on the rating of the credit risk.

The Bank uses statistical models to analyse the collected data and to obtain estimates of the PD for the remaining period for positions exposed to credit risk and expectations of their changes in the future.

This analysis includes the estimation and calibration of correlation between changes in default levels and changes in key macroeconomic factors. The Bank uses dynamics of GDP for the EU and Japan, and unemployment rates for the UK as key macroeconomic factors to determine the PD of positions exposed to credit risk.

The Bank uses these forecasts to adjust PD estimates.

Macroeconomic forecasts

The Bank defines EU and UK Equity Price and EU and UK GDP as key macroeconomic factors in the models of PD, LGD and EAD.

For each key macroeconomic factor the Bank estimates four scenarios: a base, optimistic, pessimistic (moderate) and pessimistic (severe) scenario. The base scenario is based on third party subject matter expert forecasts and is parameterised internally to give the optimistic and pessimistic scenarios. Each scenario has a probability of occurring assigned as follows:

- Optimistic: 16% (2024: 17%)
- Base: 44% (2024: 50%)
- Moderate pessimistic: 23% (2024: 20%)
- Severe stress: 17% (2024: 13%)

Measurement of expected credit losses

ECLs are derived from probability-weighted estimates of expected loss, and are measured as follows:

- **Financial assets that are not credit-impaired at the balance sheet date:** as the present value of all cash shortfalls over the next 12 months of the financial asset discounted by the effective interest rate for assets classified as Stage 1 and as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate for assets classified as Stage 2. The cash shortfall is the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive.
- **Financial assets that are credit-impaired at the balance sheet date:** as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- **Undrawn loan commitments:** as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.
- **Financial guarantee contracts:** as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Notes to the financial statements

For the year ended 31 March 2025 continued

4. Financial risk management continued

Movement in ECLs is recognised as impairment loss in the income statement and for financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets. In the case of debt securities measured at FVOCI, no loss allowance is recognised in the statement of financial position because the carrying amount of the assets is their fair value. However, on derecognition, the Bank recognises the impairment charge in the income statement with the corresponding amount recognised in the fair value reserve in other comprehensive income. For undrawn loan commitments and financial guarantee contracts that are recognised off balance sheet, the Bank recognises the impairment charge in the income statement with the corresponding amount recognised in other provisions on the balance sheet.

Forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

Methods of estimation and creation of provision for credit losses

The Bank estimates provisions for credit losses at the transaction level for all financial instruments.

Expected life

For term loans, the expected life of the transactions is based on contractual maturity.

For revolving credit facilities, a model linked to the macroeconomic variables is used to predict utilisation rates.

Use of exemptions permitted under IFRS 9

The Bank has not applied the low credit risk exemption permitted under IFRS 9.

Purchased or originated credit-impaired

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be purchased or originated credit-impaired (POCI). This includes the recognition of a new financial asset following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. Any changes in lifetime ECLs since initial recognition of POCI assets are recognised in profit and loss until the POCI is derecognised, even if the lifetime ECLs are less than the amount of ECLs included in the estimated cash flows on initial recognition.

As at 31 March 2025, the Bank did not hold any financial assets that are purchased or originated credit-impaired (2024: none).

Governance

The ECL models are all subject to the Bank's model governance framework.

The macroeconomic factors for the base and pessimistic scenarios are sourced from external subject matter experts whilst the optimistic scenario is derived internally. These are reviewed and challenged by internal subject matter experts. The macroeconomic factors are presented for review and approval to the Enterprise Risk Management Committee, which reports into the Risk Committee. These are subsequently presented for review and final approval to the Audit Committee. The Audit Committee also reviews and considers the weightings applied to each scenario.

Management adjustments to models for impairment

Management adjustments to impairment models (post-model adjustments or PMAs) are applied in order to factor in certain conditions that are not fully incorporated into the impairment models, or to reflect additional facts and circumstances at the period end.

	2025 USDm	2024 USDm
Impairment allowance pre PMAs	100.0	151.3
Sector and Country PMA	–	9.0
Uncertainty PMA	122.7	119.6
Total impairment allowance	222.7	279.9

The 31 March 2022 year-end coincided with the outbreak of the Russia–Ukraine conflict, an event that goes beyond the boundaries of the more typical credit cycle. Over the last 36 months, the Russia–Ukraine conflict has continued to impact on macroeconomic conditions. The conflict continues to be a threat to global security, Western political systems, the cybersphere and food and energy supply chains. Energy prices have remained elevated, which, along with increased consumer and business spending following the COVID-19 pandemic, has resulted in worldwide inflation.

As a result, the Bank has applied a number of PMAs to reflect the additional factors that impact the impairment provisions.

Post-model adjustments 31 March 2025

As at 31 March 2025 the Bank has applied one PMA which focuses on uncertainty regarding Russian exposures.

Uncertainty PMA – the Bank had non-defaulted Russian exposures of USD 123m at 31 March 2025 (2024: 252m). Considering continued geopolitical uncertainty around potential resolution of the conflict in Ukraine, increasing global economic sanctions against Russian people and corporates, and reciprocal tightening of restrictions on foreign-owned entities operating in Russia and inflexibility in payment remittance and the introduction of Type-C operations, the Bank acknowledged the heightened risks through assessment of PMAs on Russia exposures by calculating the risk of these defaulting within one year using different scenarios.

An uncertainty overlay for these names of USD 122.7m has been included as of 31 March 2025 (2024: 119.6m). Overall uncertainty PMAs have increased by the Bank's decision to uplift default probabilities for some Russian exposures within the PMA calculation due to continued uncertainty, partially offset by reductions in other exposures.

Post-model adjustments 31 March 2024

The Bank had previously applied a PMA to capture idiosyncratic risks that could impact certain sectors as a result of the current economic conditions. This resulted in a PMA in 2024 of USD 9.0m.

This PMA has been retired in the year to 31 March 2025 as it is now considered within the models.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives. The maximum exposure is shown gross and does not take into account collateral or other credit enhancements.

	2025 USDm	2024 USDm
Cash and balances at central banks	25,294.6	22,951.2
Settlement balances	397.9	95.5
Loans and advances to banks	3,446.3	3,453.5
Loans and advances to customers	19,279.8	18,051.7
Reverse repurchase agreements	17,084.1	1,710.4
Trading assets	1,497.7	–
Investment securities	764.1	668.5
Derivative assets	1,757.9	1,973.0
	69,522.4	48,903.8
Guarantees and letters of credit	3,585.0	2,819.4
Commitments	17,192.4	14,684.2
	20,777.4	17,503.6
Total	90,299.8	66,407.4

Cash and balances with central banks comprises current and short-term deposits with the Bank of England of USD 12,388.6m (2024: USD 9,348.0m) and the Banque de France of USD 12,906.0m (2024: USD 13,603.2m).

Collateral held

Whilst the Bank's corporate lending is at times secured by fixed and floating charges on the assets of borrowers, the only collateral which is valued on a continuous basis is collateral in the form of cash and bonds. The value of this collateral held by the Bank, including collateral held against reverse repurchase agreements and against intra-group positions for large exposure purposes, was USD 24,371.5m (2024: USD 7,827.7m). This collateral is held against loans and advances to banks and customers, and reverse repurchase agreements of USD 24,063.9m (2024: USD 1,715.8m) and derivative assets of USD 161.0m (2024: USD 186.7m). There are no restrictions on re-pledging the collateral held against reverse repurchase agreements.

Estimates of the fair value of the collateral held are made when a loan is individually assessed for impairment. Collateral takes various forms and the value of this security will vary over time and is dependent on the types of asset and the jurisdiction of the borrowers as well as the ability to dispose of the collateral.

The Bank's estimate of the fair value of different types of collateral and other credit enhancements held as security against loans to customers that are individually impaired is USD 104.1m (2024: USD 52.3m).

Notes to the financial statements

For the year ended 31 March 2025 continued

4. Financial risk management continued

Credit quality and stage per class of financial asset

The following tables show the gross exposure and related impairments allowance by stage and grading as of 31 March 2025 and 31 March 2024.

As at 31 March 2025	Gross exposure					ECL				Net exposure USDm
	Internal grading	Stage 1 USDm	Stage 2 USDm	Stage 3 USDm	Total USDm	Stage 1 USDm	Stage 2 USDm	Stage 3 USDm	Total USDm	
Cash and balances at central banks at amortised cost										
Normal borrowers	1-6	25,294.6	–	–	25,294.6	–	–	–	–	25,294.6
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8-10	–	–	–	–	–	–	–	–	–
Total		25,294.6	–	–	25,294.6	–	–	–	–	25,294.6
Settlement balances										
Normal borrowers	1-6	397.9	–	–	397.9	–	–	–	–	397.9
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8-10	–	–	–	–	–	–	–	–	–
Total		397.9	–	–	397.9	–	–	–	–	397.9
Loans and advances to banks at amortised cost										
Normal borrowers	1-6	3,423.2	147.7	–	3,570.9	1.7	122.9	–	124.6	3,446.3
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8-10	–	–	–	–	–	–	–	–	–
Total		3,423.2	147.7	–	3,570.9	1.7	122.9	–	124.6	3,446.3
Loans and advances to customers at amortised cost										
Normal borrowers	1-6	18,041.3	580.5	–	18,621.8	17.4	8.6	–	26.0	18,595.8
Borrowers requiring caution	7A, 7B	–	493.4	–	493.4	–	25.8	–	25.8	467.6
Substandard borrowers and below	7R, 8-10	–	–	164.5	164.5	–	–	28.0	28.0	136.5
Total		18,041.3	1,073.9	164.5	19,279.7	17.4	34.4	28.0	79.8	19,199.9
Reverse repurchase agreements at amortised cost										
Normal borrowers	1-6	17,072.3	11.8	–	17,084.1	–	–	–	–	17,084.1
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8-10	–	–	–	–	–	–	–	–	–
Total		17,072.3	11.8	–	17,084.1	–	–	–	–	17,084.1
Investment securities at amortised cost										
Normal borrowers	1-6	18.0	–	–	18.0	–	–	–	–	18.0
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8-10	–	–	–	–	–	–	–	–	–
Total		18.0	–	–	18.0	–	–	–	–	18.0
Investment securities at FVOCI										
Normal borrowers	1-6	724.0	–	–	724.0	–	–	–	–	724.0
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8-10	–	–	–	–	–	–	–	–	–
Total		724.0	–	–	724.0	–	–	–	–	724.0
Off-balance sheet loans and commitments and financial guarantee contracts										
Normal borrowers	1-6	19,671.2	1,005.2	–	20,676.4	8.1	5.7	–	13.8	20,662.6
Borrowers requiring caution	7A, 7B	–	43.5	–	43.5	–	2.0	–	2.0	41.5
Substandard borrowers and below	7R, 8-10	–	–	57.5	57.5	–	–	0.7	0.7	56.8
Total		19,671.2	1,048.7	57.5	20,777.4	8.1	7.7	0.7	16.5	20,760.9

In addition to the ECL disclosed above, there is USD 1.8m ECL in relation to other financial assets.

As at 31 March 2024	Internal grading	Gross exposure				ECL				Net exposure USDm
		Stage 1 USDm	Stage 2 USDm	Stage 3 USDm	Total USDm	Stage 1 USDm	Stage 2 USDm	Stage 3 USDm	Total USDm	
Cash and balances at central banks at amortised cost										
Normal borrowers	1–6	22,951.2	–	–	22,951.2	–	–	–	–	22,951.2
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–	–	–
Total		22,951.2	–	–	22,951.2	–	–	–	–	22,951.2
Settlement balances										
Normal borrowers	1–6	92.8	2.7	–	95.5	–	–	–	–	95.5
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–	–	–
Total		92.8	2.7	–	95.5	–	–	–	–	95.5
Loans and advances to banks at amortised cost										
Normal borrowers	1–6	3,378.1	157.8	–	3,535.9	0.9	81.5	–	82.4	3,453.5
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–	–	–
Total		3,378.1	157.8	–	3,535.9	0.9	81.5	–	82.4	3,453.5
Loans and advances to customers at amortised cost										
Normal borrowers	1–6	16,663.9	980.0	–	17,643.9	13.4	14.2	–	27.6	17,616.3
Borrowers requiring caution	7A, 7B	–	300.2	–	300.2	–	62.6	–	62.6	237.6
Substandard borrowers and below	7R, 8–10	–	–	241.5	241.5	–	–	96.0	96.0	145.5
Total		16,663.9	1,280.2	241.5	18,185.6	13.4	76.8	96.0	186.2	17,999.4
Investment securities at amortised cost										
Normal borrowers	1–6	10.3	–	–	10.3	–	–	–	–	10.3
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–	–	–
Total		10.3	–	–	10.3	–	–	–	–	10.3
Investment securities at FVOCI										
Normal borrowers	1–6	637.0	–	–	637.0	–	–	–	–	637.0
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–	–	–
Total		637.0	–	–	637.0	–	–	–	–	637.0
Off-balance sheet loans and commitments and financial guarantee contracts										
Normal borrowers	1–6	17,050.3	408.8	–	17,459.1	3.9	5.2	–	9.1	17,450.0
Borrowers requiring caution	7A, 7B	–	35.7	–	35.7	–	0.8	–	0.8	34.9
Substandard borrowers and below	7R, 8–10	–	–	8.8	8.8	–	–	1.1	1.1	7.7
Total		17,050.3	444.5	8.8	17,503.6	3.9	6.0	1.1	11.0	17,492.6

In addition to the ECL disclosed above, there is USD 0.3m ECL in relation to other financial assets.

Notes to the financial statements

For the year ended 31 March 2025 continued

4. Financial risk management continued

Balance sheet credit quality

The following tables show the balance sheet by PD range as used in the ECL models.

	PD Range				PD Range			
	0.0% to < 3.7% USDm	3.7% to < 23.4% USDm	23.4% to 100% USDm	Total USDm	0.0% to < 3.7% %	3.7% to < 23.4% %	23.4% to 100% %	Total %
As at 31 March 2025								
Cash and balances at central banks at amortised cost	25,294.6	–	–	25,294.6	100%	–	–	100%
Settlement balances	397.9	–	–	397.9	100%	–	–	100%
Loans and advances to banks at amortised cost	3,421.5	24.8	–	3,446.3	99%	1%	–	100%
Loans and advances to customers at amortised cost	18,024.0	1,039.4	136.5	19,199.9	94%	5%	1%	100%
Reverse repurchase agreements at amortised cost	17,072.3	11.8	–	17,084.1	100%	–	–	100%
Investment securities at amortised cost	18.0	–	–	18.0	100%	–	–	100%
Investment securities at FVOCI	724.0	–	–	724.0	100%	–	–	100%
Off-balance sheet loans and commitments and financial guarantee contracts	20,662.6	41.5	56.8	20,760.9	100%	–	–	100%
	PD Range				PD Range			
	0.0% to < 3.7% USDm	3.7% to < 23.4% USDm	23.4% to 100% USDm	Total USDm	0.0% to < 3.7% %	3.7% to < 23.4% %	23.4% to 100% %	Total %
As at 31 March 2024								
Cash and balances at central banks at amortised cost	22,951.2	–	–	22,951.2	100%	–	–	100%
Settlement balances	95.5	–	–	95.5	100%	–	–	100%
Loans and advances to banks at amortised cost	3,453.5	–	–	3,453.5	100%	–	–	100%
Loans and advances to customers at amortised cost	17,616.3	237.6	145.5	17,999.4	98%	1%	1%	100%
Investment securities at amortised cost	10.3	–	–	10.3	100%	–	–	100%
Investment securities at FVOCI	637.0	–	–	637.0	100%	–	–	100%
Off-balance sheet loans and commitments and financial guarantee contracts	17,450.0	34.9	7.7	17,492.6	100%	–	–	100%

Movement in impairment provisions

The following tables present a reconciliation of the opening to closing balance of the exposure and impairment allowance for financial assets at amortised cost. Transfers between stages in the tables have been reflected as if they had taken place at the beginning of the year. The movements are measured over a 12-month period.

Financial assets at amortised cost

	Gross exposure			
	Stage 1 USDm	Stage 2 USDm	Stage 3 USDm	Total USDm
At 31 March 2025				
Balance at beginning of year	43,096.3	1,440.7	241.5	44,778.5
Transfers from Stage 1 to 2	(814.3)	814.3	–	–
Transfers from Stage 2 to 1	302.5	(302.5)	–	–
Transfers to Stage 3	–	(75.9)	75.9	–
Transfers from Stage 3	–	–	–	–
Net drawdowns and movements due to exposure and risk parameter changes	25,732.0	(93.3)	(18.4)	25,620.3
Financial assets derecognised	(4,069.0)	(550.0)	(65.4)	(4,684.4)
Write-offs	–	–	(69.1)	(69.1)
Balance at end of year	64,247.5	1,233.3	164.5	65,645.3

	Impairment allowance			
	Stage 1 USDm	Stage 2 USDm	Stage 3 USDm	Total USDm
At 31 March 2025				
Balance at beginning of year	14.3	158.3	96.0	268.6
Transfers from Stage 1 to 2	(0.8)	0.8	–	–
Transfers from Stage 2 to 1	8.7	(8.7)	–	–
Transfers to Stage 3	–	–	–	–
Transfers from Stage 3	–	–	–	–
Net drawdowns and movements due to exposure and risk parameter changes	1.0	72.3	8.5	81.8
Financial assets derecognised	(4.1)	(65.4)	(19.1)	(88.6)
Write-offs	–	–	(57.4)	(57.4)
Balance at end of year	19.1	157.3	28.0	204.4

The above provisions and movements thereon relate to loans and advances to banks and customers and reverse repurchase agreements.

The movement in gross exposure between the beginning and the end of the period relates to origination and derecognition in the normal course of business with no major movements arising as a result of modification.

Notes to the financial statements

For the year ended 31 March 2025 continued

4. Financial risk management continued

At 31 March 2024	Gross exposure			
	Stage 1 USDm	Stage 2 USDm	Stage 3 USDm	Total USDm
Balance at beginning of year	44,409.4	3,404.7	396.7	48,210.8
Transfers from Stage 1 to 2	(408.9)	408.9	–	–
Transfers from Stage 2 to 1	1,201.8	(1,201.8)	–	–
Transfers to Stage 3	–	(179.6)	179.6	–
Transfers from Stage 3	108.2	197.8	(306.0)	–
Net drawdowns and movements due to exposure and risk parameter changes	1,624.5	(17.9)	(14.3)	1,592.3
Financial assets derecognised	(3,838.7)	(1,171.4)	–	(5,010.1)
Write-offs	–	–	(14.5)	(14.5)
Balance at end of year	43,096.3	1,440.7	241.5	44,778.5

At 31 March 2024	Impairment allowance			
	Stage 1 USDm	Stage 2 USDm	Stage 3 USDm	Total USDm
Balance at beginning of year	19.3	211.3	22.5	253.1
Transfers from Stage 1 to 2	(0.9)	0.9	–	–
Transfers from Stage 2 to 1	17.2	(17.2)	–	–
Transfers to Stage 3	–	(80.8)	80.8	–
Transfers from Stage 3	2.2	1.4	(3.6)	–
Net drawdowns and movements due to exposure and risk parameter changes	(20.8)	51.5	1.5	32.2
Financial assets derecognised	(2.7)	(8.8)	–	(11.5)
Write-offs	–	–	(5.2)	(5.2)
Balance at end of year	14.3	158.3	96.0	268.6

The following tables present a reconciliation of the opening to closing balance of the exposure and impairment allowance for loan commitments and financial guarantees.

Loan commitments and financial guarantees

At 31 March 2025	Gross exposure			
	Stage 1 USDm	Stage 2 USDm	Stage 3 USDm	Total USDm
Balance at beginning of year	17,050.3	444.5	8.8	17,503.6
Transfers from Stage 1 to Stage 2	(383.9)	383.9	–	–
Transfers from Stage 2 to Stage 1	202.8	(202.8)	–	–
Transfers to Stage 3	(52.8)	–	52.8	–
Transfers from Stage 3	–	–	–	–
New drawdowns, net remeasurement and movements due to exposure and risk parameter changes	2,854.8	423.1	(4.1)	3,273.8
Balance at end of year	19,671.2	1,048.7	57.5	20,777.4

At 31 March 2025	Impairment allowance			
	Stage 1 USDm	Stage 2 USDm	Stage 3 USDm	Total USDm
Balance at beginning of year	3.9	6.0	1.1	11.0
Transfers from Stage 1 to Stage 2	(0.2)	0.2	–	–
Transfers from Stage 2 to Stage 1	2.2	(2.2)	–	–
Transfers to Stage 3	–	–	–	–
Transfers from Stage 3	–	–	–	–
New drawdowns, net remeasurement and movements due to exposure and risk parameter changes	2.2	3.7	(0.4)	5.5
Balance at end of year	8.1	7.7	0.7	16.5

	Gross exposure			
	Stage 1 USDm	Stage 2 USDm	Stage 3 USDm	Total USDm
At 31 March 2024				
Balance at beginning of year	9,212.9	6,951.0	27.5	16,191.4
Transfers from Stage 1 to Stage 2	(228.4)	228.2	–	–
Transfers from Stage 2 to Stage 1	1,000.6	(1,000.6)	–	–
Transfers to Stage 3	–	(7.4)	7.4	–
Transfers from Stage 3	20.1	–	(20.1)	–
New drawdowns, net remeasurement and movements due to exposure and risk parameter changes	7,045.1	(5,726.9)	(6.0)	1,312.2
Balance at end of year	17,050.3	444.5	8.8	17,503.6

	Impairment allowance			
	Stage 1 USDm	Stage 2 USDm	Stage 3 USDm	Total USDm
At 31 March 2024				
Balance at beginning of year	7.0	4.4	0.6	12.0
Transfers from Stage 1 to Stage 2	(0.5)	0.5	–	–
Transfers from Stage 2 to Stage 1	2.4	(2.4)	–	–
Transfers to Stage 3	–	(3.2)	3.2	–
Transfers from Stage 3	–	–	–	–
New drawdowns, net remeasurement and movements due to exposure and risk parameter changes	(5.0)	6.7	(2.7)	(1.0)
Balance at end of year	3.9	6.0	1.1	11.0

Reconciliation of ECL movement to impairment charge for the period

	2025 USDm	2024 USDm
ECL movements since beginning of the period	(57.2)	14.8
Effect of disposals	–	–
Loss on disposal of impaired assets	22.5	–
Recovery of amounts previously written off	–	–
Amounts written off	57.4	12.1
Foreign exchange and other movements	5.6	0.3
Impairment charge for the period	28.3	27.2

Notes to the financial statements

For the year ended 31 March 2025 continued

4. Financial risk management continued

Coverage ratios

The coverage ratio is defined as total ECL divided by gross exposure. The tables below show the coverage ratio as of 31 March 2025 and 31 March 2024.

	Stage 1 %	Stage 2 %	Stage 3 %	Total %
As at 31 March 2025				
Loans and advances to banks at amortised cost	0.05	83.21	–	3.49
Loans and advances to customers at amortised cost	0.10	3.20	17.02	0.41
Off-balance sheet loan commitments and financial guarantee contracts	0.04	0.73	1.22	0.08
Total	0.07	7.27	12.93	0.51
As at 31 March 2024				
Loans and advances to banks at amortised cost	0.03	51.61	–	2.33
Loans and advances to customers at amortised cost	0.08	6.00	39.77	1.02
Off-balance sheet loan commitments and financial guarantee contracts	0.02	1.35	12.37	0.06
Total	0.05	8.73	38.80	0.71

Macroeconomic variables and scenario weightings

Macroeconomic scenarios

The Bank has used a four-scenario model to calculate ECL at year-end. The base case forecast has been sourced externally and two downside scenarios and one upside scenario have been derived. An overview of the four scenarios used at the year-end is as follows:

Optimistic scenario – produced internally using in an in-house scenario generator. Assumes:

- US applies tariffs selectively only to certain products and countries (~5% – 10%), to support domestic industries, and successfully address their other concerns amicably.
- US-led ceasefire proposals for Israel-Gaza and Russia-Ukraine conflicts are agreed by all major stakeholders leading to peace in foreseeable future.
- Growing tariff certainty and improving sanctions environment relieves supply chains pressures.
- Broader uptick in consumer confidence across large economies. Strong economic growth is experienced around the globe with financial market particularly buoyant with rebound in many equity indices.

Base scenario – sourced externally. Assumes:

- US implements tariffs on major trading partners to a much higher degree (~15%) than initially announced by President Trump.
- Most trading partners implements retaliatory tariffs on US goods.
- Germany plans a spending ramp-up in Defense and Infrastructure.
- Slow economic growth in the next 3 years, Inflation stays steady between 2% – 3% all regions, allowing for gradual rate cuts

Moderate pessimistic scenario – produced internally. Assumes:

- The Trump administration places tariffs on all major imports (~ 25% – 30%). While China is a key target, tariffs are applied also on allies like UK, EU, Canada and Mexico who respond cautiously.
- Economic environment tense due to geopolitical tensions and Tariffs. EU affected considerably by tariffs; UK affected to a lesser extent.
- Consumer confidence falls globally, and plummeting demand for goods and services brings major economies into recession. Slight uptick in inflation followed by sharp decline, except US where the decline is more gradual.
- Consumer confidence are still fragile and the global economy (including UK and EU) are in a moderate recession

Severe pessimistic scenario – produced internally. The forecast for this scenario is in line with the Bank's ICAAP stress test and its severity has been benchmarked to those from the European Banking Authority (EBA) and Oxford Economics. Assumes:

- Global Recession (supply shock) scenario is driven by aggressive US trade tariff policy and Middle East conflicts leading to severe supply side shock spiking inflation significantly across the major economies.
- The US introduces steep tariffs on major imports (~30% to 60%). There is tit-for-tat style escalation in the tariff wars impacting supply chains.
- Increasing oil and commodity prices, and tariffs cause inflation to spiral necessitating aggressive rate hikes. Severe financial market sell-off happens. The global economy (including UK and EU) are in severe recession.

Scenario weightings

The Bank's ECL scenario weighting methodology is based on statistical modelling taking into consideration the average value of the three-year forecasts. To determine the weights for alternative scenarios, the Bank computes a three-year forecast average for each macroeconomic parameter, compares it to its historical values and identifies the percentile that it is closest to. The final scenario percentile is the average percentile across all parameters for each scenario. The base weight is 100% less the sum of alternative weights. The scenario weights are reviewed internally and by external economists.

The tables below show the probability weightings applied to each scenario and the key macroeconomic variables by scenario used in the ECL calculation.

	Scenario probability weighting			
	Severe pessimistic %	Moderate pessimistic %	Base %	Optimistic %
Scenario probability weightings as at 31 March 2025	17	23	44	16

	Scenario probability weighting			
	Severe pessimistic %	Moderate pessimistic %	Base %	Optimistic %
Scenario probability as at 31 March 2024	13	20	50	17

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4. Financial risk management continued

		Key macroeconomic variables			
		Severe pessimistic %	Moderate pessimistic %	Base %	Optimistic %
As at 31 March 2025					
Economic and Monetary Union GDP Real ¹	2025	-3.5	-1.1	0.8	1.3
	2026	-4.4	-1.3	1.4	2.4
	2027	-1.9	-0.4	1.6	2.0
	2028	-0.1	0.4	1.5	1.8
Economic and Monetary Union Equity ²	2025	-5.0	-0.2	1.9	13.4
	2026	-24.2	-13.1	-2.9	19.6
	2027	-13.0	-6.9	-0.7	12.2
	2028	-7.0	-2.3	-0.5	4.6
United Kingdom GDP Real ³	2025	-3.5	-0.6	0.6	1.0
	2026	-3.8	-1.3	1.0	2.3
	2027	-0.8	0.6	1.3	2.0
	2028	0.6	1.0	1.3	1.8
United Kingdom Equity ⁴	2025	-2.0	3.1	4.4	15.2
	2026	-22.2	-9.6	-1.5	24.2
	2027	-10.4	-4.5	-0.7	16.7
	2028	-4.6	-0.7	1.0	8.1
Japan Nominal GDP ⁵	2025	3.8	3.8	3.9	3.8
	2026	1.8	3.2	4.0	4.8
	2027	2.1	3.1	3.5	4.1
	2028	2.5	2.8	3.1	3.6

1 Year-on-year percentage change.

2 Year-on-year percentage change, lagged by one quarter.

3 Year-on-year percentage change.

4 Year-on-year percentage change, lagged by one quarter.

5 Four-quarter GBP average year-on-year percentage change.

		Key macroeconomic variables			
		Severe pessimistic %	Moderate pessimistic %	Base %	Optimistic %
As at 31 March 2024					
Economic and Monetary Union GDP Real ¹	2024	-2.3	-0.5	0.5	2.3
	2025	-2.7	-0.9	1.5	3.9
	2026	0.0	0.8	1.6	2.4
	2027	0.9	1.1	1.6	2.6
Economic and Monetary Union Equity ²	2024	-12.8	-7.4	1.3	17.4
	2025	-13.2	-10.2	-1.5	30.9
	2026	-3.3	-3.1	-1.9	7.8
	2027	-4.5	2.5	-0.8	9.0
United Kingdom GDP Real ³	2024	-2.7	-0.5	0.1	2.2
	2025	-2.7	-1.5	1.0	3.8
	2026	0.0	1.1	1.4	2.2
	2027	0.5	0.9	1.3	2.3
United Kingdom Equity ⁴	2024	-15.3	-5.7	1.6	17.7
	2025	-13.3	-8.4	2.9	33.3
	2026	-1.6	0.7	2.7	9.0
	2027	-1.6	0.8	2.9	9.0
Japan Nominal GDP ⁵	2024	2.0	2.6	3.3	4.1
	2025	3.0	3.5	3.5	3.7
	2026	3.1	4.4	3.1	3.3
	2027	2.7	5.0	2.8	2.7

1 Year-on-year percentage change.

2 Year-on-year percentage change, lagged by one quarter.

3 Year-on-year percentage change.

4 Year-on-year percentage change, lagged by one quarter.

5 Four-quarter GBP average year-on-year percentage change.

ECL sensitivity analysis

The measurement of ECL involves increased complexity and judgement, including estimation of probability of default (PD), loss given default (LGD), range of unbiased future economic scenarios, estimation of expected lives, estimation of exposure at default (EAD) and assessing significant increases in credit risk.

The table below shows the ECL assuming each scenario has been 100% weighted to show the impact of alternative scenarios.

At 31 March 2025 USDm	Weighted ECL	Severe pessimistic	Moderate pessimistic	Base	Optimistic
Original model results ¹	71.5	161.5	72.9	50.2	32.4
At 31 March 2024 USDm	Weighted ECL	Severe pessimistic	Moderate pessimistic	Base	Optimistic
Original model results ¹	54.2	88.8	70.5	48.3	25.7

¹ The above results do not include the impact of the post-model adjustments.

Credit risk by sector

The exposure by major industrial sectors can be analysed as follows:

31 March 2025 USDm	Finance and insurance	Government and local authorities	Manufacturing	Wholesale and services	Other corporate exposures	Transport	Energy and infrastructure	Total
Cash and balances at central banks	25,294.6	–	–	–	–	–	–	25,294.6
Settlement balances	397.9	–	–	–	–	–	–	397.9
Loans and advances to banks	3,446.3	–	–	–	–	–	–	3,446.3
Loans and advances to customers	2,596.8	583.9	1,240.8	1,335.5	10,456.0	891.7	2,175.1	19,279.8
Reverse repurchase agreements	6,312.7	–	–	–	10,771.4	–	–	17,084.1
Trading assets	814.2	–	82.5	88.9	509.6	–	2.5	1,497.7
Investment securities	181.4	508.4	–	–	74.3	–	–	764.1
Derivative assets	1,367.2	1.0	263.4	7.6	75.9	42.8	–	1,757.9
Total on-balance sheet	40,411.1	1,093.3	1,586.7	1,432.0	21,887.2	934.5	2,177.6	69,522.4
Commitments and guarantees	2,662.7	–	2,611.0	382.1	12,666.2	151.2	2,304.2	20,777.4
Total	43,073.8	1,093.3	4,197.7	1,814.1	34,553.4	1,085.7	4,481.8	90,299.8
31 March 2024 USDm	Finance and insurance	Government and local authorities	Manufacturing	Wholesale and services	Other corporate exposures	Transport	Energy and infrastructure	Total
Cash and balances at central banks	22,951.2	–	–	–	–	–	–	22,951.2
Settlement balances	95.5	–	–	–	–	–	–	95.5
Loans and advances to banks	3,453.5	–	–	–	–	–	–	3,453.5
Loans and advances to customers	2,230.1	303.6	1,181.4	1,027.0	11,470.4	597.8	1,241.4	18,051.7
Reverse repurchase agreements	809.4	–	–	–	901.0	–	–	1,710.4
Investment securities	31.5	636.8	–	–	–	–	0.2	668.5
Derivative assets	1,456.5	1.6	243.7	7.2	237.7	26.3	–	1,973.0
Total on-balance sheet	31,027.7	942.0	1,425.1	1,034.2	12,609.1	624.1	1,241.6	48,903.8
Commitments and guarantees	2,293.4	0.5	2,315.4	402.9	12,491.4	–	–	17,503.6
Total	33,321.1	942.5	3,740.5	1,437.1	25,100.5	624.1	1,241.6	66,407.4

The industry exposure classifications shown above follow the same categories as used in the Bank's Pillar 3 disclosures. Finance and insurance exposure includes USD 12,388.6m to the Bank of England (2024: USD 9,348.0m) and USD 12,906.0m to the Banque de France (2024: USD 13,603.2m).

Increase in reverse repurchase agreements driven by integration of securities business of SMBC Nikko CM.

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For the year ended 31 March 2025 continued

4. Financial risk management continued

Credit risk by location

The table below analyses the geographical spread of financial assets based on country of residence of the counterparty.

31 March 2025 USDm	United Kingdom	France	Other Europe	Eastern Europe	Japan	Middle East & Africa	Other countries	Total
Cash and balances at central banks	12,388.6	12,906.0	–	–	–	–	–	25,294.6
Settlement balances	–	–	311.8	8.9	14.6	2.4	60.2	397.9
Loans and advances to banks	423.9	109.9	595.3	61.2	855.6	1,198.4	202.0	3,446.3
Loans and advances to customers	7,332.1	3,511.8	3,477.5	3.1	295.8	2,848.0	1,811.5	19,279.8
Reverse repurchase agreements	4,132.0	1,205.2	462.9	–	9,108.9	971.4	1,203.7	17,084.1
Trading assets	140.0	78.6	691.1	–	38.4	52.2	497.4	1,497.7
Investment securities	18.1	–	584.7	1.2	–	–	160.1	764.1
Derivative assets	838.7	313.6	552.4	–	26.4	1.1	25.7	1,757.9
Total on-balance sheet	25,273.4	18,125.1	6,675.7	74.4	10,339.7	5,073.5	3,960.6	69,522.4
Commitments and guarantees	8,092.7	6,802.6	2,236.2	134.4	228.1	809.5	2,473.9	20,777.4
Total	33,366.1	24,927.7	8,911.9	208.8	10,567.8	5,883.0	6,434.5	90,299.8
31 March 2024 USDm	United Kingdom	France	Other Europe	Eastern Europe	Japan	Middle East & Africa	Other countries	Total
Cash and balances at central banks	9,348.0	13,603.2	–	–	–	–	–	22,951.2
Settlement balances	18.8	18.3	20.1	6.3	–	2.7	29.3	95.5
Loans and advances to banks	217.8	108.1	492.5	98.5	1,061.3	1,306.6	168.7	3,453.5
Loans and advances to customers	6,835.0	3,529.9	2,987.5	107.4	306.3	2,613.1	1,672.5	18,051.7
Reverse repurchase agreements	1,221.7	–	–	–	488.7	–	–	1,710.4
Investment securities	10.4	–	637.0	1.2	–	–	19.9	668.5
Derivative assets	960.5	313.8	643.7	–	23.5	1.4	30.1	1,973.0
Total on-balance sheet	18,612.2	17,573.3	4,780.8	213.4	1,879.8	3,923.8	1,920.5	48,903.8
Commitments and guarantees	6,084.5	6,889.7	1,523.5	423.4	175.5	669.7	1,737.3	17,503.6
Total	24,696.7	24,463.0	6,304.3	636.8	2,055.3	4,593.5	3,657.8	66,407.4

The geographical exposure classifications shown above follow the same categories as used in the Bank's Pillar 3 disclosures. The above disclosures are based on country of residence, whilst the Bank's Pillar 3 disclosures use country of risk. The figures reported include balances with the Bank of England and Banque de France as disclosed above.

(b) Market risk

Market risk is the risk of loss on financial investments/instruments caused by adverse movements in market risk factors like interest rates, credit spreads, foreign exchange rates or stock prices.

The Board of Directors is ultimately responsible for ensuring that the level of market risk run by the Bank is in line with its risk appetite and business model.

The Bank uses a variety of matrices to measure and control market risk. One such tool is the use of Value at Risk (VaR). VaR is a market risk measure to estimate the maximum potential loss in a portfolio, with a given level of statistical confidence, over a predefined holding period, assuming no change in portfolio composition. The Bank uses a 99% confidence interval and a one-day time horizon. On 7 October 2024, the securities positions in CM Limited along with its hedges were transferred to SMBC BI. Accordingly, the VaR results for the BI Trading book from 7 October includes the VaR from such transferred positions.

Therefore, the BI Trading Book includes capital markets and the secondary trading. The historical period for securities business of CML was 2 years (524 Business days) and post unity the trading book VaR of SMBC BI changed its historical observation period to 2Y from 4Y used prior to 7 October 2024. However, the Banking Book VaR would continue with historical observation period of 4Y. The Bank has in place an ongoing monitoring programme of back-testing and analysis for the VaR model. VaR is a measure to determine potential loss in a normal market condition. However, to determine potential losses in a severe market condition, the bank also carries out stress testing using scenarios, based on the vulnerability of the current portfolio composition.

Interest rate risk on the Banking book is stressed by taking the basis point value (BPV) positions and stressing them by an average of 100 basis points (bp). In addition to this, a further 200bp parallel shift stress test is carried out (as per the Prudential Sourcebook for Banks, Building Societies and Investment Firms, section 2.3.8) as part of the ICAAP submission. Stress tests are also carried out on foreign exchange positions (assuming 17% appreciation and depreciation of each currency vs. USD).

Risk management for each category is augmented by employing suitable sensitivity limits such as BPV limits which measure the potential change in portfolio fair value for an instantaneous 0.01% shift in interest rates. Using the BPV, the Bank can examine the effects to income of movements in yields applied to the Banking and Trading portfolios.

The Bank's VaR exposures during the year were:

	To 31 March 2025				To 31 March 2024			
	Maximum USDm	Minimum USDm	Average USDm	31 March USDm	Maximum USDm	Minimum USDm	Average USDm	31 March USDm
Trading	4.1	0.1	1.9	1.8	1.3	–	0.2	1.3
Banking	6.0	1.5	3.4	3.7	3.6	2.0	2.7	2.0
Total	5.6	(12.0)	(2.3)	(4.9)	4.8	2.3	3.3	3.1

The income sensitivity table below reports the worst case of six possible yield curve shift scenarios averaging 100bp, including 'Steepening', 'Flattening' and 'Parallel' shifts, which comprises the Market Risk Stress Test.

Income sensitivity with respect to changes in interest rates:

	Banking book		Trading book	
	31 March 2025 USDm	31 March 2024 USDm	31 March 2025 USDm	31 March 2024 USDm
Profit and loss impact	5.0	(4.1)	9.1	6.4

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For the year ended 31 March 2025 continued

4. Financial risk management continued

(c) Liquidity risk

Liquidity risk is the risk that the Bank cannot meet its liabilities or unwind or settle its positions as they become due.

Analysis of liquidity risk

Contractual maturity of financial assets and liabilities form an important source of information used by management for the management of liquidity risk.

The table below provides details on the contractual maturity of financial assets and financial liabilities. Impairment provisions on loans and advances to banks and customers are included in the Up to 3 months column.

At 31 March 2025 USDm	Up to 3 months USDm	3 to 12 months USDm	1 to 5 years USDm	Over 5 years USDm	Total USDm
Assets					
Cash and balances at central banks	25,294.6	–	–	–	25,294.6
Settlement balances	397.9	–	–	–	397.9
Loans and advances to banks	2,111.3	365.6	860.3	109.1	3,446.3
Reverse repurchase agreements	16,042.5	813.3	228.3	–	17,084.1
Derivative assets	684.0	619.5	454.1	0.3	1,757.9
Loans and advances to customers	5,293.9	1,207.8	8,811.3	3,966.8	19,279.8
Trading assets	61.8	80.8	695.4	659.7	1,497.7
Investment securities	351.7	199.3	213.1	–	764.1
Total financial assets	50,237.7	3,286.3	11,262.5	4,735.9	69,522.4
Liabilities					
Deposits by banks	17,758.3	891.4	8,743.3	1,540.9	28,933.9
Customer accounts	18,998.2	680.3	–	–	19,678.5
Derivative liabilities	787.4	547.5	432.9	0.3	1,768.1
Repurchase agreements	12,421.8	247.3	–	–	12,669.1
Debt securities in issue	935.7	76.3	–	–	1,012.0
Total financial liabilities	50,901.4	2,442.8	9,176.2	1,541.2	64,061.6
Cumulative gap financial assets less financial liabilities	(663.7)	179.8	2,266.1	5,460.8	5,460.8
At 31 March 2024 USDm	Up to 3 months USDm	3 to 12 months USDm	1 to 5 years USDm	Over 5 years USDm	Total USDm
Assets					
Cash and balances at central banks	22,951.2	–	–	–	22,951.2
Settlement balances	95.5	–	–	–	95.5
Loans and advances to banks	2,056.1	769.8	579.9	47.7	3,453.5
Reverse repurchase agreements	1,710.4	–	–	–	1,710.4
Derivative assets	788.1	648.6	531.4	4.9	1,973.0
Loans and advances to customers	4,196.3	1,686.4	8,009.0	4,160.0	18,051.7
Investment securities	638.4	30.1	–	–	668.5
Total financial assets	32,436.0	3,134.9	9,120.3	4,212.6	48,903.8
Liabilities					
Deposits by banks	10,740.8	934.9	9,476.0	–	21,151.7
Customer accounts	19,147.2	654.9	27.0	–	19,829.1
Derivative liabilities	597.6	532.1	492.8	2.7	1,625.2
Debt securities in issue	876.6	25.3	–	–	901.9
Total financial liabilities	31,362.2	2,147.2	9,995.8	2.7	43,507.9
Cumulative gap financial assets less financial liabilities	1,073.8	2,061.5	1,186.0	5,395.9	5,395.9

The table below shows the contractual maturity analysis of interest and principal balances for liabilities, issued financial guarantee contracts and unrecognised loan commitments.

	Up to 3 months USDm	3 to 12 months USDm	1 to 5 years USDm	Over 5 years USDm	Total USDm
Maturity of liabilities as at 31 March 2025					
Deposits by banks	17,942.4	1,258.3	9,995.7	1,571.3	30,767.7
Customer accounts	19,115.8	700.6	–	–	19,816.4
Debt securities in issue	926.1	90.9	–	–	1,017.0
Issued financial guarantee contracts	874.8	1,908.8	798.4	3.0	3,585.0
Unrecognised loan commitments	54.8	1,151.4	12,443.5	2,985.4	16,635.1
	38,913.9	5,110.0	23,237.6	4,559.7	71,821.2
Derivative liabilities	787.5	547.5	432.7	–	1,767.7
Repurchase agreements	12,469.1	250.2	–	–	12,719.3
Total liabilities, issued guarantees and commitments	52,170.5	5,907.7	23,670.3	4,559.7	86,308.2
	Up to 3 months USDm	3 to 12 months USDm	1 to 5 years USDm	Over 5 years USDm	Total USDm
Maturity of liabilities as at 31 March 2024					
Deposits by banks	10,934.7	1,351.0	10,196.3	–	22,482.0
Customer accounts	19,322.6	678.6	28.2	–	20,029.4
Debt securities in issue	886.2	25.7	–	–	911.9
Issued financial guarantee contracts	531.2	1,856.7	492.4	2.3	2,882.6
Unrecognised loan commitments	157.2	1,422.6	10,810.6	1,586.6	13,977.0
	31,831.9	5,334.6	21,527.5	1,588.9	60,282.9
Derivative liabilities	620.1	512.0	493.1	–	1,625.2
Total liabilities, issued guarantees and commitments	32,452.0	5,846.6	22,020.6	1,588.9	61,908.1

(d) Interest rate benchmark reform

The London Interbank Offered Rate (LIBOR) reform was initiated by global regulators in response to the negative publicity around the quality of published LIBOR rates and potential for manipulation. As a result, the UK's Financial Conduct Authority (FCA) and other global regulators instructed market participants to transition from LIBOR rates to alternative near Risk-Free Rates (RFRs), such as the Sterling Overnight Index Average (SONIA) for GBP LIBOR and Secured Overnight Financing Rate (SOFR) for US Dollar LIBOR. All LIBOR publications were gradually phased out, with the last synthetic LIBOR rates published on 30 September 2024.

When the reform was announced, the Group had material exposure to IBORs in its financial instruments and reformed them as part of this market-wide initiative. At the end of the last year, the Group had a limited number of legacy contracts which were yet to be transitioned. The migration to alternative RFRs was completed during the year. Accordingly, there were no IBOR-linked instruments at the reporting date.

The following table shows the Bank's exposure at the prior year-end to significant IBORs subject to reform that have yet to transition to risk-free rates.

	Non-derivative financial assets at carrying value USDm	Non-derivative financial liabilities at carrying value USDm	Undrawn commitments USDm	Derivatives notional amount USDm
At 31 March 2024				
GBP LIBOR	3.9	–	–	–
USD LIBOR	613.1	1.9	1,700.0	–
JPY LIBOR	–	–	–	–

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For the year ended 31 March 2025 continued

5. Fair value of financial instruments

The Bank's accounting policy on fair value measurements is disclosed in accounting policy 3(e) Financial Instruments – initial recognition and subsequent measurement.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Quoted market price (unadjusted) in an active market for an individual instrument.
- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted value models, comparison to similar instruments for which observable market prices exist, Black-Scholes, and polynomial option pricing models and binomial valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices, and expected price volatilities and correlations. All observable data is taken directly from Bloomberg or Reuters screens. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length. The Bank uses widely recognised models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation, and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets, and is prone to changes based on specific events and general conditions in the financial markets.

For some financial instruments at fair value through other comprehensive income, the Bank uses discounted cash flow models created internally and discounted cash flow models provided by external independent parties which are assessed internally to be acceptable for the purpose of valuation. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments, and selection of appropriate discount rates.

Fair value of financial instruments carried at fair value

The following table shows the Bank's financial assets and liabilities that are held at fair value by the level in the fair value hierarchy into which the fair value measurement is categorised:

At 31 March 2025				
USDm	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Loans and advances to banks	–	–	–	–
Loans and advances to customers	–	79.9	–	79.9
Derivative assets	–	1,757.9	–	1,757.9
Trading assets	1,146.2	351.5	–	1,497.7
Investment securities	89.3	633.5	23.3	746.1
Total assets	1,235.5	2,822.8	23.3	4,081.6
Financial liabilities				
Derivative liabilities	–	1,768.1	–	1,768.1
Trading liabilities	280.6	13.7	–	294.3
Total liabilities	280.6	1,781.8	–	2,062.4

There are no significant movements between level 1, level 2 or level 3. Increase in trading assets driven by integration of securities business of SMBC Nikko CM.

At 31 March 2024				
USDm	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Loans and advances to banks	–	–	–	–
Loans and advances to customers	–	52.3	–	52.3
Derivative assets	–	1,973.0	–	1,973.0
Investment securities	110.9	526.1	21.2	658.2
Total assets	110.9	2,551.4	21.2	2,683.5
Financial liabilities				
Derivative liabilities	–	1,625.2	–	1,625.2
Total liabilities	–	1,625.2	–	1,625.2

Of the total movement in level 3 assets during the year of USD 2.1m (2024: USD 1.2m), USD1.0m (2024: USD 0.2m) relates to gains through the profit and loss account, USD 1.1m (2024: USD 1.2m) relates to purchases and USD nil relates to settlements (2024: (0.2)m).

For assets and liabilities which are accounted at fair value under level 3, the valuations are primarily based on Fund Manager valuations and are based on reasonable estimates. Applying reasonable alternative valuations would not lead to a significantly different valuation.

Notes to the financial statements

For the year ended 31 March 2025 continued

5. Fair value of financial instruments continued

Fair value of financial instruments carried at amortised cost

The following table summarises the fair value of financial assets and liabilities measured at amortised cost, by the level in the fair value hierarchy into which the fair value measurement is categorised:

31 March 2025 USDm	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets					
Cash and balances at central banks	–	25,294.6	–	25,294.6	25,294.6
Settlement balances	–	397.9	–	397.9	397.9
Loans and advances to banks	–	–	3,454.4	3,454.4	3,446.3
Loans and advances to customers	–	–	19,369.6	19,369.6	19,199.9
Reverse repurchase agreements	–	17,084.1	–	17,084.1	17,084.1
Investment securities	–	18.0	–	18.0	18.0
Liabilities					
Deposits by banks	–	29,007.3	–	29,007.3	28,933.9
Customer accounts	–	19,678.1	–	19,678.1	19,678.5
Debt securities in issue	–	1,012.0	–	1,012.0	1,012.0
Repurchase agreements	–	12,669.1	–	12,669.1	12,669.1
31 March 2024 USDm	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets					
Cash and balances at central banks	–	22,951.2	–	22,951.2	22,951.2
Settlement balances	–	95.5	–	95.5	95.5
Loans and advances to banks	–	–	3,476.3	3,476.3	3,453.5
Loans and advances to customers	–	–	18,142.4	18,142.4	17,999.4
Reverse repurchase agreements	–	1,710.4	–	1,710.4	1,710.4
Investment securities	–	10.3	–	10.3	10.3
Liabilities					
Deposits by banks	–	21,184.8	–	21,184.8	21,151.7
Customer accounts	–	19,827.2	–	19,827.2	19,829.1
Debt securities in issue	–	901.9	–	901.9	901.9

There were no positions classified on inception as designated at fair value through profit and loss during the year.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity, and variable rate financial instruments.

Fixed rate financial instruments

The fair values of fixed rate financial assets and liabilities carried at amortised cost not hedged through fair value hedges are estimated by comparing market interest rates on initial recognition with current market rates offered for similar financial instruments including any effect of changes in market credit spreads, where material. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. The fair values of quoted debt instruments issued are calculated based on quoted market prices.

6. Personnel and other expenses

	2025 USDm	2024 USDm
Salaries and bonus	364.5	319.2
Compulsory social security obligations	80.9	62.3
Pension costs – contribution plans	32.5	27.3
Pension costs – defined benefit plans	3.1	1.5
Other staff costs	27.8	14.3
Total Personnel Costs	508.8	424.6
Operating lease payments	6.7	5.9
Other operating expenses	291.3	225.3
Total Personnel and Other Costs	806.8	655.8
Average number of front office department employees	687	554
Average number of support department employees	1,304	1,185
Average number of employees	1,991	1,739

Deferred shares bonus scheme

The Bank has in place a deferred bonus scheme for certain employees. Such employees receive part of their annual bonus as a deferred award comprising 50% in cash and 50% in a scheme pegged to the SMFG share price. Any deferred awards are dependent on future service and are awarded over periods up to eight years. As at the year-end, total deferred bonuses were USD 32.2m (2024: USD 49.0m).

7. Auditor's remuneration

	2025 USDm	2024 USDm
Fees payable to the Bank's auditor for the audit of Bank's annual accounts	2.3	2.2
Audit-related assurance services	0.3	0.3
	2.6	2.5

Audit-related assurance services includes worked performed in relation to the Group audit and interim review work of SMFG and various regulatory assurance services. Fees amounting to USD 0.3m (2024: USD 0.3m) were paid by SMBC and SMFG.

8. Directors' emoluments

	2025 USDm	2024 USDm
Directors' fees	1.1	0.8
Directors' emoluments (excluding fees)	4.1	2.9
Post-employment benefits	0.1	0.1
	5.3	3.8

The highest paid Director received emoluments of USD 1,935,384 (2024: USD 1,585,944).

In the year, three Directors received cash in lieu of pension of USD 24,120, USD 14,478 and USD 18,663 respectively (2024: one Director with contributions of USD 119,648). One Director belonged to the Bank's defined contribution scheme with the Bank paying contributions of USD 7,039 (2024: none) in the year. These amounts are included within the Directors' emoluments figures above. Five Directors received a bonus (2024: four Directors) and part of this was subject to a deferral period.

Three employees of the parent company were Directors during the year and received remuneration from the Bank as they were subject to secondment agreements. Further information on the Directors can be found in the Strategic Report on pages 36 to 39. The changes to the Directors in the year can be found in the Directors' Report on page 53.

Notes to the financial statements

For the year ended 31 March 2025 continued

9. Pension costs

Accounting for pension and other post-retirement benefits

The Bank operates, for the majority of employees, a defined contribution scheme. Contributions are charged to profit and loss as they become payable in accordance with the rules of the scheme.

A defined benefit scheme, the Sumitomo Mitsui Banking Corporation Europe Limited Pension Scheme, is provided to a small number of staff. The assets of the scheme are held separately from the assets of the Bank and are administered by trustees. This scheme is closed to new members.

The cost of providing benefits under the defined benefit scheme is determined using the projected-unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit and loss as operating expenses.

The interest element of the defined benefit cost represents the change in present value of scheme obligations arising from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment, made at the beginning of the year, of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The differences between the expected return on plan assets and the interest costs are recognised in profit and loss as other finance income or expense.

Actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the statement of financial position comprises the total for the plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The fair value of the assets held is based on quoted prices or observable inputs for the underlying investments. The value of any net pension asset recognised is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

A triennial funding valuation of the defined benefit scheme was undertaken with an effective date of 31 December 2023 and updated to 31 March 2025 by a qualified independent Actuary. The scheme is funded and, per the triennial valuation, there was no deficit in the pension plan.

The principal actuarial assumptions as at 31 March (expressed as weighted averages) were as follows:

	2025	2024
Discount rate	5.75%	4.80%
Future salary increase (weighted average)	2.60%	3.65%
Future pension increase	3.15%	3.20%
Inflation assumption (RPI)	3.25%	3.30%
Inflation assumption (CPI)	2.60%	2.65%

As at 31 March 2020, an assumption for CPI inflation of 1.0% per annum below the Retail Price Index (RPI) assumption was used.

As a result of the announcement by the Chancellor of the Exchequer in November 2020 that RPI will be aligned with Consumer Prices Index including owner occupiers' housing costs (CPIH) from 2030, a CPI assumption of 0.65% per annum less than RPI has been used as at 31 March 2025 (31 March 2024: 0.65% per annum less than RPI).

The discount rate applied as at 31 March 2025 reflects prevailing market yields for high quality bonds, and per the requirements of IAS 19 has resulted in a net impact through Actuarial gains/(losses) on defined benefit scheme of USD (0.8)m.

The underlying mortality assumption is based upon the standard table known as S3PA Light on year of birth usage with CMI 2023 future improvement factors with a long-term annual rate of future improvement of 1.25% p.a. (31 March 2024: CMI 2022 1.25% p.a.). This results in the following life expectancies:

- Male aged 65 now has a life expectancy of 23.4 years from retirement (previously 23.2 years).
- Female aged 65 now has a life expectancy of 25.1 years from retirement (previously 24.8 years).

Cash flow data is used to estimate the amount which the scheme needs to reimburse the Bank at the end of the year. This reimbursement is in respect of benefit payments which the Bank has paid on behalf of the scheme since 31 December 2020.

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability (asset) and its components:

	Defined benefit obligations		Fair value of plan assets		Net defined benefit (liability)/asset	
	2025 USDm	2024 USDm	2025 USDm	2024 USDm	2025 USDm	2024 USDm
Balance at beginning of year	143.2	132.7	176.8	174.5	33.6	41.8
Included in profit or loss						
Current service cost	1.2	1.1	–	–	(1.2)	(1.1)
Past service cost	–	–	–	–	–	–
Interest expense	6.9	6.4	–	–	(6.9)	(6.4)
Interest income	–	–	8.6	8.5	8.6	8.5
Effect of movements in exchange rates	3.3	2.9	4.0	3.8	0.7	0.9
	11.4	10.4	12.6	12.3	1.2	1.9
Included in other comprehensive income						
Actuarial (loss)/gain arising from:						
Financials	(14.8)	(0.5)	–	–	14.8	0.5
Demographic	(0.5)	0.4	–	–	0.5	(0.4)
Experience	(1.4)	4.8	–	–	1.4	(4.8)
Return on plan assets excluding interest income	–	–	(15.9)	(8.0)	(15.9)	(8.0)
	(16.7)	4.7	(15.9)	(8.0)	0.8	(12.7)
Other						
Contributions paid by employer	–	–	1.1	2.6	1.1	2.6
Benefits paid by fund	(5.9)	(4.6)	(5.9)	(4.6)	–	–
	(5.9)	(4.6)	(4.8)	(2.0)	1.1	2.6
Balance at end of year	132.0	143.2	168.7	176.8	36.7	33.6

The Bank contributes 34.9% of pensionable salaries in respect of future service accrual following a new Schedule of Contributions being put in place (2024: 71.5%). In addition, the Bank is currently paying contributions to cover the cost of pension payments, cash lump sums on retirement, trivial commutation payments and transfer values.

The scheme is run by the Trustees of the scheme who ensure compliance with the Trust Deed and Rules of the scheme. The Trustees are required by law to fund the scheme on prudent funding assumptions under the Trust Deed and Rules of the scheme. The contributions payable by the Bank to fund the scheme are set by the Trustees after consultation with the Bank.

The Trustees use the attained age funding method which is suitable for funding a scheme open for future accruals but is closed to new entrants.

IFRIC 14 is an interpretation of existing paragraph IAS 19.65, which deals with the level of net pension asset recognisable on a company's balance sheet. IFRIC 14 also requires consideration of minimum funding requirements a company has made to its pension scheme and whether this gives rise to an additional balance sheet liability. Under the scheme's Trust Deed, the Bank has an unconditional right to a refund of surplus from the scheme in the context of IFRIC 14 paragraphs 11(b) and 12. As at 31 March 2025, there was no additional balance sheet liability arising in respect of any funding commitment the Bank has to the scheme.

Notes to the financial statements

For the year ended 31 March 2025 continued

9. Pension costs continued

The weighted average duration of the benefit payments reflected in the defined benefit obligation for the Sumitomo Mitsui Banking Corporation Europe Ltd Pension Scheme is 13 years (2024: 16 years).

The employer pays all the costs of administering the scheme and any levies required by the Pension Protection Fund and the Pensions Regulator. The expected employer contribution to the scheme for the year ending 31 March 2025 in respect of future accrual contributions is USD 1.4m.

The following list is not exhaustive but covers the main funding risks for the scheme:

- **Investment return risk:** If the assets underperform the returns assumed in setting the funding target, additional contributions may be required at subsequent valuations.
- **Longevity risk:** If future improvements in mortality exceed the assumptions made then additional contributions may be required.
- **Legislative risk:** The Government, or the Courts, may introduce overriding legislation which leads to an increase in the value of scheme benefits.
- **Solvency risk:** As the funding target is not a solvency target, and the investment strategy does not exactly follow that required for a solvency target, the assets of the scheme may not be sufficient to provide all members with the full value of their benefits on a scheme wind-up. The Bank would then be required to pay the funding shortfall.

Scheme assets were made up of the following:

	2025 USDm	2024 USDm
Equity securities	–	–
Government bonds	101.1	117.2
Corporate bonds	37.0	35.1
Cash	30.6	24.5
	168.7	176.8

Sensitivity analysis

The approximate impact on the defined benefit obligation of changes in the significant assumptions is shown below:

Assumption varied	2025 % change in defined benefit obligation	2024 % change in defined benefit obligation
Discount rate 0.1% p.a. lower	1.0%	1.2%
Salary increase rate 0.1% p.a. lower	-0.1%	-0.1%
Inflation increase (in payment and in deferment) rate 0.1% p.a. lower	-0.5%	-0.4%
Minimum rate of improvement of mortality of 1 year (2023 0.5% p.a.)	-2.7%	-2.6%

The figures assume that each assumption is changed independently of others. Therefore, the disclosures are only a guide because the effect of changing more than one assumption is not cumulative. The sensitivity analysis was calculated by re-running the figures as at the last formal valuation as at 31 December 2023 adjusted approximately for changes in the membership up to 31 March 2025. Therefore, the analysis is only approximate as at the year ended 31 March 2025.

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the court in this case may have had implications for other UK defined benefit plans. In June 2025, the Department for Work and Pensions (DWP) announced that the Government will introduce legislation to give pension schemes affected by the Virgin Media ruling the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards, and therefore the case is not ultimately expected to have any impact on the defined benefit obligation. Therefore, the defined benefit obligation has been calculated on the basis of the pension benefits currently being administered, and the directors do not consider it necessary to make any adjustments as a result of the Virgin Media case.

10. Income taxes

Accounting for income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit and loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Income tax expense

Recognised in the income statement:

	2025 USDm	2024 USDm
Recognised in the income statement		
Current tax charge		
Current year	124.5	143.6
Overseas tax	–	22.3
Adjustment for prior years	4.1	(24.5)
	128.6	141.4
Deferred tax charge		
Origination and reversal of temporary differences	9.2	(19.1)
Adjustment for prior years	(3.8)	6.9
Foreign exchange	(0.2)	–
	5.2	(12.2)
Withholding tax	0.2	0.1
Total Income tax expense	134.0	129.3
Reconciliation of effective rate of tax		
Profit before income tax	483.6	535.5
Income tax using the domestic corporation tax rate (including surcharge) of 28% (2024: 28%)	135.4	149.9
Adjustment for prior years	0.3	(17.6)
Expenses not deductible for tax purposes	0.5	–
Banking surcharge allowance	(2.5)	(2.5)
Overseas tax	0.4	(0.6)
Foreign exchange differences	(0.3)	–
Withholding tax	0.2	0.1
	134.0	129.3

Effective from 1 April 2023, the headline rate of corporation tax has increased from 19% to 25% and the banking surcharge rate of 8%, applicable to profits of banking companies under the Finance (No.2) Act 2015, has been reduced to 3%.

Deferred tax assets and liabilities are required to be valued using the tax rate which will be in force at the time when the temporary difference is expected to unwind. In line with the requirements of IAS 12, the deferred tax asset and liability has been calculated at 28%.

On 11 July 2023, the UK Finance (No. 2) Act 2023 was enacted to implement the G20-OECD Inclusive Framework Pillar 2 rules in the UK, including a Qualified Domestic Minimum Top-Up Tax rule. This legislation, will seek to ensure that UK enterprises pay a minimum tax rate of 15% on UK profits arising in accounting periods commencing after 1 January 2024. As the UK combined rate of corporation tax and banking surcharge is 28% the bank is not expected to have any domestic minimum top up tax liability.

Notes to the financial statements

For the year ended 31 March 2025 continued

10. Income taxes continued

	Tax (expense)/ benefit			Tax (expense)/ benefit		
	Before tax 2025 USDm	2025 USDm	Net of tax 2025 USDm	Before tax 2024 USDm	2024 USDm	Net of tax 2024 USDm
Income tax recognised in other comprehensive income						
Actuarial (losses)/gains on defined benefit scheme	(0.8)	0.2	(0.6)	12.7	(3.5)	9.2
Available-for-sale financial investments (AFS)	–	–	–	0.2	(0.1)	0.1
Cash flow hedges (CFH)	5.0	(1.4)	3.6	9.2	(2.6)	6.6
	4.2	(1.2)	3.0	22.1	(6.2)	15.9

Deferred tax

The components of deferred taxes disclosed on the statement of financial position are as follows:

	2025 USDm	2024 USDm
Deferred tax liability	(21.2)	(26.8)
Deferred tax asset	34.6	43.7
Net deferred tax asset	13.4	16.9

Movements on deferred tax assets and liabilities were as follows:

	Fixed asset temporary differences USDm	Bonus accrual USDm	Pensions and other retirement benefits USDm	AFS & CFH USDm	Unremittable interest on Russian loans USDm	IFRS 9 transitional adjustment USDm	Paris branch and upfront fees USDm	Total USDm
Asset/(liability) at 1 April 2024	(13.3)	10.7	(9.4)	(1.5)	(0.4)	(2.2)	33.0	16.9
Adjustments relating to prior years	0.7	3.1	–	–	–	–	–	3.8
Movement through the P&L account	3.3	(4.6)	(0.7)	0.0	0.4	–	(7.6)	(9.2)
Movement through other comprehensive income	–	–	(0.2)	1.4	–	0.6	–	1.8
Exchange rate changes	0.1	–	–	–	–	–	–	0.1
At 31 March 2025	(9.2)	9.2	(10.3)	(0.1)	–	(1.6)	25.4	13.4

	Fixed asset temporary differences USDm	Bonus accrual USDm	Pensions and other retirement benefits USDm	AFS & CFH USDm	Unremittable interest on Russian loans USDm	IFRS 9 transitional adjustment USDm	Paris branch and upfront fees USDm	Total USDm
Asset/(liability) at 1 April 2023	(9.3)	8.8	(11.7)	(4.1)	–	(2.8)	17.2	(1.9)
Adjustments relating to prior years	(8.4)	1.7	–	–	(0.2)	–	–	(6.9)
Movement through the P&L account	4.4	0.2	(1.3)	–	(0.2)	–	16.0	19.1
Movement through other comprehensive income	–	–	3.5	2.7	–	0.6	–	6.8
Exchange rate changes	–	–	–	–	–	–	(0.2)	(0.2)
At 31 March 2024	(13.3)	10.7	(9.4)	(1.5)	(0.4)	(2.2)	33.0	16.9

The amount of deferred tax asset expected to be recovered after more than 12 months is USD 7.8m (2024: USD 14.7m).

11. Loans and advances to banks and customers

Accounting for loans and advances to banks and customers

Loans and advances at amortised cost

Loans and advances at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude those that are classified as held for trading and those that are designated as at fair value through profit and loss. Subsequent to initial recognition, loans and advances are measured at amortised cost less impairment losses where:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified date that represent solely payments of principal and interest on the principal amount outstanding.

Where exposures are hedged by derivatives designated and qualifying as fair value hedges, the carrying value of the loans and advances so hedged includes a fair value adjustment for the hedged risk only (note 13).

Loans and advances at fair value through other comprehensive income

Loans and advances are classified as at fair value through other comprehensive income where:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount.

Loans and advances at fair value through other comprehensive income are measured at fair value on the statement of financial position. Unrealised gains and losses are recognised in other comprehensive income and only on disposal is the cumulative gain or loss, previously recognised in other comprehensive income, recognised in profit and loss.

The Bank does not hold any loans and advances at fair value through other comprehensive income.

Loans and advances at fair value through profit and loss

Loans and advances held at fair value through profit and loss include all loans and advances classified as held for trading, those irrevocably designated as held at fair value through profit and loss on initial recognition, and those with contractual terms that do not represent solely payments of principal and interest on the principal amount outstanding.

Loans and advances classified at fair value through profit and loss are recorded at fair value on the statement of financial position with changes in fair value recognised in profit and loss. Financial instruments are classified as held for trading when they are held with the intention of generating short-term profits.

Notes to the financial statements

For the year ended 31 March 2025 continued

11. Loans and advances to banks and customers continued

Finance leases

Leases in terms of which the Bank assumes substantially all risks and rewards of ownership are classified as finance leases. Upon initial recognition, the lease asset receivable is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease income is recognised in interest income over the term of the lease using the net investment method (before tax) which reflects a constant periodic rate of return.

	2025 USDm			2024 USDm		
	Loans to Banks	Loans to customers	Total	Loans to Banks	Loans to customers	Total
Gross loans and advances at amortised cost	3,570.9	19,279.7	22,850.6	3,535.9	18,185.6	21,721.5
Gross loans and advances at FVTOCI	–	79.9	79.9	–	52.3	52.3
Less: impairment provisions (note 4)	(124.6)	(79.8)	(204.4)	(82.4)	(186.2)	(268.6)
Loans and advances at amortised cost	3,446.3	19,279.8	22,726.1	3,453.5	18,051.7	21,505.2

During the year to 31 March 2025, USD 1,192.6m of loans and advances to customers were derecognised as part of the Bank's balance sheet and credit risk management. This resulted in a loss on derecognition of USD 83.7m.

Loans and advances to banks includes balances with a carrying value of USD nil (2024: USD 20.7m) which are subject to restrictions.

	2025 USDm	2024 USDm
Amount included within loans and advances to customers expected to be recovered more than 12 months after the reporting date	12,778.1	12,169.0

12. Investment securities

Accounting for investment securities

Debt securities at amortised cost

Debt securities at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude those that are classified as held for trading and those that are designated as at fair value through profit and loss. Subsequent to initial recognition, debt securities are measured at amortised cost less impairment losses where:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that represent solely payments of principal and interest on the principal amount outstanding.

Investment securities at fair value through other comprehensive income

Debt instruments

Investments in debt instruments that are classified as at fair value through other comprehensive income are those where:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount.

Debt instruments at fair value through other comprehensive income generally comprise securities. The assets are measured at fair value on the statement of financial position. Unrealised gains and losses are recognised in other comprehensive income and only on disposal is the cumulative gain or loss, previously recognised in other comprehensive income, recognised in profit and loss.

Equity instruments

Investments in equity instruments that are not held for trading are measured at fair value through other comprehensive income where an irrevocable election has been made on initial recognition by management. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

Investment securities at fair value through profit and loss

Investment securities held at fair value through profit and loss include all instruments classified as held for trading, those instruments irrevocably designated as held at fair value through profit and loss on initial recognition and debt instruments with contractual terms that do not represent solely payments of principal and interest on the principal amount outstanding.

Investment securities classified at fair value through profit and loss are recorded at fair value on the statement of financial position with changes in fair value recognised in profit and loss. Financial instruments are classified as held for trading when they are held with the intention of generating short-term profits.

	2025 USDm	2024 USDm
Trading investments at fair value through profit and loss	1,497.7	–
Investment securities held at Amortised Cost	18.0	10.3
Investment securities at fair value through other comprehensive income	724.0	637.0
Investment securities at fair value through profit and loss	22.1	21.2
Total Investment securities	2,261.8	668.5
	USDm	USDm
Trading debt securities held at fair value through profit and loss	1,497.3	10.3
Trading equity held at fair valued through profit and loss	0.4	–
Debt securities held at amortised cost	18.0	–
Debt securities held at fair value through other comprehensive income	722.8	637.0
Equities held at fair value through other comprehensive income	1.2	1.2
Equities held at fair valued through profit and loss	22.1	20.0
	2,261.8	668.5
Movement in investment securities		
At start of year	668.5	1,045.1
Exchange rate adjustments	8.0	(12.0)
Acquisitions and transfers	3,186.0	2,849.6
Fair value movement recognised in other comprehensive income	0.9	0.8
Fair value movement recognised in profit and loss	0.9	–
Disposals and maturities	(3,107.4)	(3,217.3)
Amortisation of discounts and premiums	0.9	2.3
Gain on sale	6.3	–
At end of year	764.1	668.5

Increase in trading investments at fair value through profit and loss driven by integration of securities business of SMBC Nikko CM.

Notes to the financial statements

For the year ended 31 March 2025 continued

13. Derivative financial instruments and hedge accounting

Accounting for derivatives

Derivatives include interest rate swaps and futures, cross currency swaps, forward foreign exchange contracts and options on interest rates and foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative instruments that do not meet the criteria to be designated as a hedge are deemed to be held for trading and are measured at fair value with the resultant profits and losses included in net trading income.

The fair value of exchange-traded derivatives is determined by reference to the quoted market price.

The fair value of over-the-counter derivatives is determined by calculating the expected cash flows under the terms of each specific contract, and then discounting these to their net present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices, or through modelling cash flows using appropriate pricing models. The effect of discounting expected cash flows back to present value is achieved by constructing discount curves derived from the market price of the most appropriate observable interest rate products such as deposits, interest rate futures and swaps.

The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments) is considered when measuring the fair value of derivative assets and the impact of changes in the Bank's own credit spreads (known as debit valuation adjustments) is considered when measuring the fair value of its derivative liabilities.

Hedge accounting

The Bank continues to apply the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' for hedge accounting purposes and consequently there have been no changes to the hedge accounting policies and practices following the adoption of IFRS 9.

Derivative financial instruments are used to hedge interest rate risk on fixed rate assets and liabilities, and foreign exchange movement risk on highly probable forecast transactions. Instruments used for hedging purposes include interest rate derivatives, cross currency interest rate derivatives and foreign exchange forwards.

The criteria required for a derivative instrument to be classified as a hedge are as follows:

- At inception of the hedge, the Bank formally documents the hedge relationship between the hedged item and the hedging instrument. This will also include the aim and objective of the risk management and the method that will be used to assess the effectiveness of the hedging relationship.
- The hedge is expected to be highly effective.
- For cash flow hedges, any forecast transactions included must be highly probable and must present an exposure to variations in cash flows that could affect the profit and loss.
- The effectiveness of the hedge (hedged item and hedging instrument) can be reliably measured.
- The hedge effectiveness is assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge is designated

The Bank applies either fair value or cash flow hedge accounting when the transaction meets the above criteria. Hedge accounting is discontinued when it is determined that the derivative ceases to be highly effective as a hedge. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. A hedge will also cease to be effective if the derivative or asset is sold, terminated, expires or matures, or when a forecast transaction is no longer deemed probable.

Interest rate benchmark reform

i) Phase 1 amendments

The Bank applies the IBOR Reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (RFR). A hedging relationship is affected if IBOR reform gives rise to the following uncertainties:

- the timing and/or amount of interest rate benchmark-based cash flows of the hedged item or the hedging instrument; and/or
- an interest rate benchmark subject to the reform is designated as the hedged risk, regardless of whether the rate is contractually specified.

The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of the IBOR reform.

IBOR Reform Phase 1 requires that for hedging relationships affected by IBOR reform, the Bank must assume, for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. Also, the Bank is not required to discontinue the hedging relationship if the results of the assessment of retrospective hedge effectiveness fall outside the range of 80% to 125%, although any hedge ineffectiveness must be recognised in profit and loss, as normal.

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

ii) Phase 2 amendments

The Bank also applies IBOR Reform Phase 2 issued in August 2020.

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Bank amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged;
- updating the description of the hedging instrument; or
- updating the description of how the entity will assess hedge effectiveness.

The Bank amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Bank amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship. If changes are made in addition to those changes required by IBOR reform described above, then the Bank first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Bank amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

Notes to the financial statements

For the year ended 31 March 2025 continued

13. Derivative financial instruments and hedge accounting continued

Fair value hedge accounting

For qualifying fair value hedges, the changes in fair value in respect of the hedged risk of both the hedged item and hedging derivative are recognised in profit and loss. Any ineffective portion of the hedge is immediately recognised in profit and loss under interest income.

If hedge relationships no longer meet the criteria for hedge accounting or the hedging derivative is sold, terminated, expires or matures, hedge accounting is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised over the remaining period to maturity of the previously designated hedge relationship using the effective interest rate method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in profit or loss.

Cash flow hedge accounting

For qualifying cash flow hedges in respect of financial assets and liabilities, the effective portion of the change in the fair value of the hedging derivative is initially recognised in other comprehensive income and is released to profit and loss in the same periods during which the hedged item affects profit and loss. Any ineffective portion of the hedge is immediately recognised in profit and loss under net trading income.

Analysis of derivatives

The following tables show the notional amounts and fair values of the Bank's derivatives at 31 March 2025 and 31 March 2024.

	2025 Notional contract amount USDm	2025 Fair value derivative assets USDm	2025 Fair value derivative liabilities USDm	2024 Notional contract amount USDm	2024 Fair value derivative assets USDm	2024 Fair value derivative liabilities USDm
Trading derivatives						
Credit derivatives	2,163.5	17.5	(19.1)	–	–	–
Interest rate derivatives	650.9	0.3	(0.7)	–	–	–
Forward foreign exchange	281,221.9	1,416.5	(1,532.2)	288,841.6	1,612.2	(1,482.8)
Currency options	13,589.0	257.7	(200.9)	11,217.3	222.5	(140.1)
Total trading derivatives	297,625.3	1,692.0	(1,752.9)	300,058.9	1,834.7	(1,622.9)
Derivatives held for risk management						
Foreign exchange derivatives	312.1	0.8				
Currency swaps – Cash flow hedges	584.4	23.6	(3.6)	511.4	78.5	(0.7)
Total foreign exchange derivatives	896.5	24.4	(3.6)	511.4	78.5	(0.7)
Interest rate derivatives						
Interest rate derivatives	–	–	–	127.8	–	(0.1)
Interest rate swaps – Fair value hedges	2,778.0	41.5	(11.6)	1,865.2	59.8	(1.5)
Total interest rate derivatives	2,778.0	41.5	(11.6)	1,993.0	59.8	(1.6)
Total derivatives held for risk management	3,674.5	65.9	(15.2)	2,504.4	138.3	(2.3)
Total derivatives	301,299.8	1,757.9	(1,768.1)	302,563.5	1,973.0	(1,625.2)

Increase in interest rate and credit trading derivatives driven by integration of securities business of SMBC Nikko CM.

Hedge accounting

As part of its asset and liability management, the Bank uses derivatives as fair value and cash flow hedges to protect it against changes in the fair value of financial assets and financial liabilities due to movements in interest rates and against variability in cash flows arising from movements in foreign exchange rates. Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. These instruments frequently involve a high degree of leverage and can be volatile. Due to this, the Bank maintains very tight control over their use and whenever a derivative hedge is used, it is imperative that the critical terms of the hedging instrument and the hedged item are closely aligned.

The Bank applies hedge accounting to manage interest rate and foreign exchange risk. Further details of how these risks arise and how they are managed by the Bank are discussed in note 4(b).

In order to hedge the risks to which the Bank is exposed, the hedging instruments employed are interest rate and cross currency interest rate swaps. Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in specified underlying indices such as an interest rate or foreign currency rate.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed or alternative floating rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a cross currency interest rate swap, the Bank pays the principal amount in one currency and receives the principal amount in the other currency at the start of the deal with the reverse at the maturity of the deal. Interim cash flows of interest are then exchanged on the same basis as an interest rate swap in that the Bank either receives or pays a floating rate of interest in one currency, in return for paying or receiving, respectively, a fixed rate of interest in the other currency.

The hedging instruments share the same risk exposure as the hedged items, being interest rate and currency risk. Before hedge accounting is applied, the Bank determines whether an economic relationship exists between the hedged item and the hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk, and considers whether the critical terms of the hedged item and hedging instrument are closely aligned.

Hedge effectiveness is determined with reference to changes in the fair value of the hedged item compared with the fair value of the hedge on a cumulative basis. The hedge is considered effective if the results are in the range of 80% to 125%.

Sources of hedge ineffectiveness may arise from the following:

- mismatches between the contractual terms of the hedged item and hedging instrument, including differences in maturities or basis differences between the hedged item and the hedging instrument; or
- changes in credit risk of the hedging instrument.

Notes to the financial statements

For the year ended 31 March 2025 continued

13. Derivative financial instruments and hedge accounting continued

Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as IBOR has become a priority for global regulators. Since the changes are market driven, there is currently some uncertainty around the timing and precise nature of these changes.

The Bank's risk exposure is directly affected by interest rate benchmark reform, across its fair value hedge accounting activities where IBOR-linked derivatives are designated as a fair value hedge of fixed interest rate assets.

The Bank's risk exposure is predominantly to GBP, USD, EUR and JPY LIBOR.

Fair value hedges

The financial instruments hedged for interest rate risk include fixed rate loans and bonds. The Bank uses interest rate swaps to hedge interest rate risk (including currency swaps). Interest rate risk arises as the Bank holds a portfolio of medium- and long-term fixed rate customer loans whose fair value fluctuates due to movements in market interest rates. In such cases, changes in the fair values in respect of the hedged risk of both the hedging instrument and the hedged item are recognised in profit and loss.

The Bank hedges interest rate risk only to the extent of benchmark interest rates because the changes in fair value of fixed rate loans are significantly influenced by changes in the benchmark interest rate.

The following table shows the hedging instruments which are carried on the Bank's balance sheet within derivative assets and liabilities:

Hedge type	Risk category	Notional amount USDm	Carrying amount derivative assets USDm	Carrying amount derivative liabilities USDm	Change in fair value used as a basis to determine ineffectiveness USDm	Notional amount directly impacted by IBOR reform USDm
As at 31 March 2025						
Fair value	Interest rate risk	2,778.0	41.5	11.6	29.9	1,556.5
		2,778.0	41.5	11.6	29.9	1,556.5
As at 31 March 2024						
Fair value	Interest rate risk	1,865.2	59.8	1.5	58.3	1,742.2
		1,865.2	59.8	1.5	58.3	1,742.2

The following table summarises the significant hedge accounting exposures impacted by the IBOR reform as at 31 March 2025

Current benchmark rate	Convergence to RFR	Notional amount of hedged items directly impacted by IBOR reform USDm	Notional amount of hedging instruments directly impacted by IBOR reform USDm
GBP London Interbank Offered Rate (LIBOR)	Reformed Sterling Overnight Index Average (SONIA)	547.7	547.7
JPY LIBOR	Tokyo Overnight Average (TONA)	307.5	307.5
USD LIBOR	Secured Overnight Financing Rate (SOFR)	701.3	701.3

The following table profiles the expected notional values of current hedging instruments:

	Maturity 31 March 2025			Maturity 31 March 2024		
	Less than 1 year	1 to 5 years	More than 5 years	Less than 1 year	1 to 5 years	More than 5 years
Interest rate risk						
Hedge of loans and advances to customers						
Notional amount (USDm)	1,155.2	1,286.0	336.8	455.0	1,061.0	349.2
Average fixed interest rate %	3.9%	2.5%	1.9%	0.7%	1.8%	2.0%

The following table shows the hedged items in fair value hedge accounting relationships:

At 31 March 2025	Hedged item statement of financial position classification	Carrying amount USDm	Accumulated fair value hedge adjustments included in carrying amount USDm	Change in fair value used as a basis to determine ineffectiveness USDm	Hedge ineffectiveness recognised in the income statement USDm
Hedged risk					
Interest rate risk	Loans and advances to customers	1,735.1	(40.6)	(40.6)	–
	Investment securities	138.3	0.9	0.9	–
	Deposits by banks	865.8	1.0	1.0	–
		2,739.2	(38.7)	(38.7)	–

At 31 March 2024	Hedged item statement of financial position classification	Carrying amount USDm	Accumulated fair value hedge adjustments included in carrying amount USDm	Change in fair value used as a basis to determine ineffectiveness USDm	Hedge ineffectiveness recognised in the income statement USDm
Hedged risk					
Interest rate risk	Loans and advances to customers	1,806.8	(58.4)	(58.4)	–
		1,806.8	(58.4)	(58.4)	–

Cash flow hedges

The Bank transacts cash flow hedges for hedging cross currency swaps and to reduce the foreign exchange risk on the cash flows arising from the Bank's forecast Sterling expenses for each financial year. The Bank enters into US Dollar–Sterling foreign exchange forward contracts to manage variability in the Bank's highly probable cash outflows in relation to Sterling expenses for each month of the financial year.

The following table shows the hedged items in cash flow hedge accounting relationships:

Hedge type	Risk category	Change in fair value used as a basis to determine ineffectiveness USDm	Balance in cash flow hedging reserve for assets USDm	Hedging gains or losses recognised in other comprehensive income USDm	Hedge ineffectiveness recognised in income statement USDm
As at 31 March 2025					
Cash flow hedge	Foreign exchange risk	(0.1)	(0.1)	(0.1)	–
		(0.1)	(0.1)	(0.1)	–
As at 31 March 2024					
Cash flow hedge	Foreign exchange risk	5.0	5.0	5.0	–
		5.0	5.0	5.0	–

The amount recycled from other comprehensive income due to hedged items affecting the income statement for cash flow hedges of foreign exchange rate was USD 3.6m (2024: USD 10.2m).

Notes to the financial statements

For the year ended 31 March 2025 continued

13. Derivative financial instruments and hedge accounting continued

The following table shows the movements of the cash flow hedging reserve:

	Cash flow hedging reserve USDm
At 1 April 2024	3.6
Hedging gains for the year	(0.1)
Amounts reclassified in relation to cash flows affecting profit or loss	(3.6)
Tax	–
At 31 March 2025	(0.1)
	Cash flow hedging reserve USDm
At 1 April 2023	10.2
Hedging gains for the year	5.0
Amounts reclassified in relation to cash flows affecting profit or loss	(10.2)
Tax	(1.4)
At 31 March 2024	3.6

Offsetting of financial assets and financial liabilities

In accordance with IAS 32 'Financial Instruments: Presentation', the Bank does not offset any financial assets and liabilities. It does however receive or give collateral against certain derivative transactions and reverse repurchase agreements with such collateral subject to standard industry terms including the ISDA Credit Support Annex.

In addition, the Bank also enters into ISDA and similar master netting agreements which only allow offsetting on certain events, such as following an event of default. These do not meet the criteria for offsetting in the statement of financial position.

The disclosures set out below include derivative assets, derivative liabilities and reverse repurchase agreements that are subject to enforceable master netting arrangements or similar agreements.

	Gross amounts recognised in the statement of financial position USDm	Gross amount offset in the statement of financial position USDm	Net amounts recognised in the statement of financial position USDm	Related amounts not offset			Potential net amounts if offset of related amounts permitted USDm
				Cash collateral (received)/pledged USDm	Non-cash collateral (received)/pledged USDm	Master netting and similar agreements USDm	
At 31 March 2025							
Derivative assets	1,757.9	–	1,757.9	(141.4)	–	(1,196.0)	420.5
Derivatives liabilities	(1,768.1)	–	(1,768.1)	385.7	–	1,196.0	(186.4)
Net position	(10.2)	–	(10.2)	244.3	–	–	234.1
Reverse Repurchase Agreements	17,316.6	(232.5)	17,084.1	(38.8)	(17,088.4)	–	(43.1)
Repurchase Agreements	(12,901.6)	232.5	(12,669.1)	100.8	12,714.3	–	146.0
Net position	4,415.0	–	4,415.0	62.0	(4,374.1)	–	102.9
At 31 March 2024							
Derivative assets	1,973.0	–	1,973.0	(253.4)	–	(1,286.6)	433.0
Derivatives liabilities	(1,625.2)	–	(1,625.2)	–	–	1,286.6	(338.6)
Net position	347.8	–	347.8	(253.4)	–	–	94.4
Reverse Repurchase Agreements	1,710.4	–	1,710.4	–	–	–	1,710.4
Net position	1,710.4	–	1,710.4	–	–	–	1,710.4

The format of the above table has been updated to give a clearer view of the net exposures.

14. Other assets

	2025 USDm	2024 USDm
Accrued income	632.5	498.4
Prepayments and other receivables	266.6	64.9
Cash collateral placed under CSA and repurchase agreements	562.3	200.5
	1,461.4	763.8

15. Intangible assets and goodwill

Accounting for intangible assets

Intangible assets are stated at capitalised cost less accumulated amortisation and accumulated impairment losses. The carrying values of intangible assets are reviewed for impairment at each reporting date and when events or changes in circumstances indicate that the carrying value may not be recoverable. Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner which will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life.

Intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:

Computer software	Up to 31 March 2021	3 years
	From 1 April 2021	5 years

Accounting for goodwill

The carrying value of goodwill is determined in accordance with IFRS 3 'Business Combinations' and IAS 36 'Impairment of Assets'.

Goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the purchase consideration over the fair value of the Bank's share of the asset acquired and the liabilities and contingent liabilities assumed on the date of acquisition.

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have incurred. The test involves comparing the carrying value of the cash generating unit (CGU) including goodwill with the present value of the pre tax cash flows, discounted at a rate of interest that reflects the inherent risks of the CGU to which the goodwill relates, or the CGU's fair value if this is higher.

Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU that is expected to benefit from that business combination. The carrying amount of goodwill, which is immaterial, is USD 3.1m.

Notes to the financial statements

For the year ended 31 March 2025 continued

15. Intangible assets and goodwill continued

Software

The carrying amount of software is as follows:

	Internally generated software USDm	Other Software USDm	Total USDm
At 1 April 2024	26.5	180.6	207.1
Additions	4.7	59.8	64.5
Disposals	–	–	–
At 31 March 2025	31.2	240.4	271.6
Accumulated amortisation			
At 1 April 2024	17.1	121.7	138.8
Charge for the year	3.8	24.9	28.7
Disposals	–	–	–
At 31 March 2025	20.9	146.6	167.5
Net book value at 31 March 2025	10.3	93.8	104.1
At 1 April 2023	22.8	149.8	172.6
Additions	3.7	30.8	34.5
Disposals	–	–	–
At 31 March 2024	26.5	180.6	207.1
Accumulated amortisation			
At 1 April 2023	14.3	103.8	118.1
Charge for the year	2.8	17.9	20.7
Disposals	–	–	–
At 31 March 2024	17.1	121.7	138.8
Net book value at 31 March 2024	9.4	58.9	68.3

The gross carrying amount of fully depreciated software still in use is USD 103.4m (2024: USD 3.1m).

16. Property and equipment

Accounting for property and equipment

Fixed tangible assets are stated at capitalised cost less accumulated depreciation and accumulated impairment losses. The carrying values of fixed tangible assets are reviewed for impairment at each reporting date and when events or changes in circumstances indicate that the carrying value may not be recoverable.

Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	10 years or over the remaining life of the lease, whichever is the shorter
Computer hardware	3 years
Equipment, fixtures and fittings	5 years

Accounting for leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

The Bank presents right-of-use assets in property and equipment, and lease liabilities in 'other liabilities' in the statement of financial position.

Notes to the financial statements

For the year ended 31 March 2025 continued

16. Property and equipment continued

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term (note 6). The total recognised in the income statement for the year ended 31 March 2025 was USD 6.7m (2024: USD 5.9m).

	Right-of-use assets: Land and buildings USDm	Leasehold improvements USDm	Equipment USDm	Total USDm
Cost				
At 1 April 2024	184.0	79.8	92.3	356.1
Additions	0.7	2.0	3.9	6.6
Disposals	–	(0.4)	(1.1)	(1.5)
At 31 March 2025	184.7	81.4	95.1	361.2
Accumulated depreciation				
At 1 April 2024	41.4	20.0	51.2	112.6
Charge for the year	13.2	6.1	14.1	33.4
Disposals	–	(0.5)	(0.5)	(1.0)
At 31 March 2025	54.6	25.6	64.8	145.0
Net book value at 31 March 2025	130.1	55.8	30.3	216.2
Cost				
At 1 April 2023	178.9	79.7	87.9	346.5
Additions	16.9	2.7	4.4	24.0
Disposals	(11.8)	(2.6)	–	(14.4)
At 31 March 2024	184.0	79.8	92.3	356.1
Accumulated depreciation				
At 1 April 2023	38.5	16.7	36.9	92.1
Charge for the year	14.7	5.9	14.3	34.9
Disposals	(11.8)	(2.6)	–	(14.4)
At 31 March 2024	41.4	20.0	51.2	112.6
Net book value at 31 March 2024	142.6	59.8	41.1	243.5

The gross carrying amount of fully depreciated property, plant and equipment still in use is USD 32.2m (2024: USD 24.6m).

17. Debt securities in issue

	2025 USDm	2024 USDm
Certificates of deposit – held at amortised cost	1,012.0	901.9

All debt securities are expected to be settled no more than 12 months after the reporting date.

18. Other liabilities

	2025 USDm	2024 USDm
Lease liabilities	163.3	173.8
Accruals and deferred income	498.5	465.0
Cash collateral received under Credit Support Annex and reverse repurchase agreements	187.8	285.9
Other liabilities	217.1	13.9
	1,066.7	938.6

Lease liabilities

The Bank leases various offices under non-cancellable lease arrangements to meet its operational business requirements. The Bank does not have any material subleasing arrangements. Right-of-use assets relate to property leases only: refer to note 16 for a breakdown of the carrying amount of right-of-use assets.

The total expenses recognised during the year for short-term and low value leases were USD 6.7m (2024: USD 5.9m) and USD nil (2024: nil), respectively. The portfolio of short-term and low value leases to which the Bank is exposed at the end of the year is not dissimilar to the expenses recognised during the year

	USDm
As at 31 March 2023	161.8
Interest expense	1.9
New leases and remeasurement	14.9
Disposals	–
Foreign exchange movements	3.5
Cash payments	(8.3)
As at 31 March 2024	173.8
Interest expense	2.3
New leases and remeasurement	0.7
Disposals	–
Foreign exchange movements	3.7
Cash payments	(17.2)
As at 31 March 2025	163.3

The undiscounted maturity analysis of lease liabilities at 31 March 2025 and 31 March 2024 is as follows:

	Up to 3 months USDm	3 to 12 months USDm	1 to 2 years USDm	2 to 3 years USDm	3 to 4 years USDm	4 to 5 years USDm	Over 5 years USDm	Total USDm
31 March 2024								
Lease payments	4.5	13.4	17.8	17.4	16.9	16.9	87.6	174.5
Finance charges	(0.5)	(1.6)	(1.9)	(1.7)	(1.5)	(1.2)	(2.8)	(11.2)
Net present values	4.0	11.8	15.9	15.7	15.4	15.7	84.8	163.3
31 March 2023								
Lease payments	3.9	12.9	17.4	17.4	16.9	16.5	101.9	186.9
Finance charges	(0.6)	(1.7)	(2.0)	(1.8)	(1.6)	(1.4)	(4.0)	(13.1)
Net present values	3.3	11.2	15.4	15.6	15.3	15.1	97.9	173.8

The Bank is not exposed to any additional cash flows in respect of variable lease payments or extension and termination options. Additionally, the Bank does not have any significant sale and lease back transactions and does not have any restrictions or covenants imposed by the lessor on its property leases which restrict its business.

Notes to the financial statements

For the year ended 31 March 2025 continued

19. Contingent liabilities

Accounting for contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

The Bank was a defendant in a LIBOR-related legal case alleging certain of the Bank's practices and actions were improper. On 30 June 2025 the United States Supreme Court denied the plaintiffs' petition for an appeal against the decisions of the lower courts. The plaintiffs have no further avenue of appeal in this matter and the litigation is at an end.

20. Called up share capital

USDm

Issued, allotted and fully paid share capital (ordinary shares of USD 1,000 and GBP 1)

At 31 March 2024 and 31 March 2025	3,200.1
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The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Prudential Regulation Authority in supervising banks.

The Bank's capital is managed to ensure the Bank complies with external requirements and, in order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders, return capital or issue capital securities. There were no changes to the objectives, policies or process for the management of capital in the year. During the year, there were no breaches of the Bank's capital adequacy requirement which required reporting to the Prudential Regulation Authority.

The Bank's available regulatory capital as at year-end was USD 5,785.8m (2024: USD 5,476.7m) calculated as total equity per financial statements less regulatory adjustments as per the requirements laid down in the Capital Requirements Regulation.

The following table provides a reconciliation of the Bank's balance sheet position to the Bank's regulatory capital position:

	2025 USDm	2024 USDm
Shareholders' equity per financial statements	5,926.4	5,579.8
Reserves not included in Tier 1 capital – Cash flow hedge	0.1	(3.6)
Deductions and other adjustments	(140.7)	(99.5)
Tier 1 capital after deductions	5,785.8	5,476.7

21. Guarantees and commitments

Accounting for guarantees

In the course of its business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium or the provision in line with the policy in note 4. The premium receivable is recognised in profit and loss in fees and commissions income using the effective interest rate method over the life of the guarantee. Any increase in the liability relating to financial guarantees is taken to profit and loss.

	2025 USDm	2024 USDm
Guarantees and letters of credit	3,585.0	2,819.4
Undrawn formal standby facilities, credit lines and other commitments to lend	17,192.4	14,684.2

Undrawn commitments includes USD 2,914.8m (2024: USD 2,202.3m) in relation to green and sustainability facilities.

Guarantees and letters of credit commit the Bank to make payments on behalf of customers upon the occurrence of an event, generally related to the import or export of goods.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Since commitments may expire without being drawn upon; the total contract amounts do not necessarily represent future cash requirements.

Guarantees, letters of credit and commitments carry the same credit risk as loans and are subject to the expected credit loss requirements of IFRS 9. For further details please refer to note 4.

22. Assets pledged

Assets are pledged as collateral to secure liabilities or as security deposits on derivatives. The following table summarises the nature and carrying amount of assets pledged against liabilities held.

	2025 USDm	2024 USDm
Loans and advances to customers	299.0	264.1
Other assets	562.3	200.5
Total	861.3	464.6

The loans and advances to customers were pledged to the Banque de France. These assets allow the Bank to draw additional liquidity as of the year-end of USD 299.0m (2024: USD 264.1m). The other assets have been pledged as security deposits on derivatives and repurchase agreements.

Notes to the financial statements

For the year ended 31 March 2025 continued

23. Related parties

Two or more parties are considered to be related when one party has direct or indirect control over the other party; or the parties are subject to common control from the same source; or one party has influence over the financial and operating policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests.

Key management personnel are the Directors of the Company. There were no loans or deposits with or to key management personnel (and their connected persons) of the Bank. Key management personnel compensation is as follows:

	2025 USDm	2024 USDm
Short-term employee benefits	4.1	2.9
Post-employment benefits	0.1	0.1
Total	4.2	3.0

The Bank has entered into a Keep Well Deed under which the Bank and SMBC agree to certain financial arrangements, including the obligation of the parent to maintain tangible net worth in the Bank at all times sufficient to cover the Bank's obligations arising through any of its business activities.

Amounts receivable from related parties of the Bank are as follows:

	2025			2024		
	Loans and advances USDm	Repurchase agreements USDm	Other assets USDm	Loans and advances USDm	Repurchase agreements USDm	Other assets USDm
Amounts due from parent company	1,735.0	9,361.0	1,141.1	3,295.5	–	755.7
Amounts due from other related parties	3.7	–	0.2	9.3	–	7.7
Total	1,738.7	9,361.0	1,141.3	3,304.8	–	763.4

Loans and advances are made in the ordinary course of business and on the same terms as comparable transactions with third parties. Other assets predominantly include derivative assets and other receivables.

Amounts payable to related parties of the Bank are as follows:

	2025			2024		
	Deposits USDm	Repurchase agreements USDm	Other liabilities USDm	Deposits USDm	Repurchase agreements USDm	Other liabilities USDm
Amounts due from parent company	23,547.1	3,236.8	656.3	16,955.9	–	684.5
Amounts due from other related parties	221.1	–	0.1	12.3	–	0.2
Total	23,768.2	3,236.8	656.4	16,968.2	–	684.7

The Bank receives collateral consisting of cash (part of amounts due to the parent company) of USD 7,032.4m (2024: USD 5,773.6m), from SMBC, to mitigate large exposures on intra-group positions. Deposits are taken in the ordinary course of business and on the same terms as comparable transactions with third parties.

Guarantees received from related parties of the Bank are as follows:

	2025 USDm	2024 USDm
Guarantees received on customer accounts	4,293.9	3,474.3
Guarantees received on the Bank's liabilities	496.0	365.3

Amounts recognised in the statement of comprehensive income in respect of related party transactions are as follows:

	Parent companies USDm	Other related parties USDm	Total USDm
2025			
Interest income	321.1	0.2	321.3
Interest payable	(965.2)	(11.5)	(976.7)
Fee and commissions receivable	622.0	1.0	623.0
Fee and commissions payable	(23.4)	–	(23.4)
Net trading income	3.8	–	3.8
Other expenses	(75.7)	–	(75.7)
Total	(117.4)	(10.3)	(127.7)
	Parent companies USDm	Other related parties USDm	Total USDm
2024			
Interest income	139.1	0.5	139.6
Interest payable	(903.5)	(0.2)	(903.7)
Fee and commissions receivable	473.9	1.1	475.0
Fee and commissions payable	(8.4)	–	(8.4)
Net trading income	(0.1)	–	(0.1)
Other expenses	(48.6)	–	(48.6)
Total	(347.6)	1.4	(346.2)

Notes to the financial statements

For the year ended 31 March 2025 continued

24. Country-by-country report

The Capital Requirements (Country-by-country Reporting) Regulations 2013 came into effect on 1 January 2014. The requirements impose certain reporting obligations on credit institutions and investments firms within the UK and within the scope of EU Capital Requirements Directive IV. The Bank's country-by-country report is presented below.

Country-by-country disclosure

2025

Activity	Geographical location	Profit or loss before income tax			
		Turnover USDm	tax USDm	Cash tax USDm	Average headcount
Corporate banking	UK	1,294.2	457.7	101.6	687
Corporate banking	France*	109.5	25.9	28.7	1,304
Corporate banking	United Arab Emirates**	0.9	–	–	–
Intra-group adjustments		(23.8)	–	–	–
Total		1,380.8	483.6	130.3	1,991

2024

Activity	Geographical location	Profit or loss before income tax			
		Turnover USDm	tax USDm	Cash tax USDm	Average headcount
Corporate banking	UK	1,152.3	510.5	106.7	1,641
Corporate banking	France*	141.4	25.1	16.1	98
Intra-group adjustments		(19.5)	–	–	–
Total		1,274.2	535.6	122.8	1,739

* The activity in France is carried out through the Bank's branch in Paris.

** The activity in United Arab Emirates is carried out through the Bank's branch in Abu-Dhabi, following the integration of securities business.

Basis of preparation

- Activities:
Corporate banking – refers to provision of credit and other banking services to corporate customers.
- Geographical location – the country where the branch is established.
- Turnover includes interest income, interest expense, fees and commissions income, fees and commissions expense and net trading (loss)/income. This is in line with the financial statements.
- Cash tax – refers to cash amount of all corporation tax paid in each location during the period 1 April to 31 March each year, including Group relief.
- Public subsidies – refers to direct support by the Government. The Bank does not receive any public subsidies.

25. Items held for sale

Accounting for assets held for sale and discontinued operations

Under IFRS 5, assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets may be sold individually or in 'disposal groups' comprising various assets and directly associated liabilities. The activities of disposal groups, which can be clearly distinguished from the rest of the entity and represent a separate major business line or geographical area of operations, are referred to as 'discontinued operations'.

In order to be classified in this category, the assets or disposal groups should be available for immediate sale in their present condition and the sale should be highly probable. The sale is highly probable when the appropriate level of management is committed to a plan to sell, an active programme to find a buyer has started and completion is expected within one year from the date of classification. Non-current assets held for sale and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. If carrying amounts exceed the fair value less costs to sell, an impairment loss is recognised and allocated to the non-current assets within the group. Some assets, including deferred tax and financial instruments in the scope of IFRS 9, are excluded from remeasurement, either individually or as part of a disposal group.

As part of its post-Brexit strategy, SMBC Group established its banking subsidiary in Germany as the Group's new EU/EEA passported hub: SMBC Bank EU AG ("SMBC EU") which started its operations in March 2019.

To continue this strategy, the Bank will transfer the activities of the Paris Branch to SMBC EU before closing it down. At the reporting date, Paris branch represented a major business line with associated assets and liabilities. As such, it met the definition of a disposal group and discontinued operation.

Below is the analysis of major classes of assets and liabilities comprising the disposal group at 31 March 2025.

	USDm
Loans and advances to banks and customers	4,801.90
Derivative assets	248.2
Other assets	78.0
Total assets	5,128.1
Deposits by banks and customers	2,359.70
Derivative liabilities	64.9
Other liabilities	36.7
Total liabilities	2,461.3

The following table analyses the results of the transferred operations for the current and previous year in accordance with IFRS 5.

	2025	2024
	USDm	USDm
Total income	85.8	76.2
Operating expenses	(59.9)	(70.9)
Profit before taxation	25.9	5.3
Taxation	(7.2)	12.2
Profit from discontinued operations attributable to owners of the parent	18.7	17.5

26. Parent companies

The Bank is a subsidiary undertaking of Sumitomo Mitsui Financial Group Inc, which is the ultimate parent company incorporated in Japan. SMFG is the ultimate controlling party.

The largest group in which the results of the Company are consolidated is that headed by Sumitomo Mitsui Financial Group Inc. SMFG's consolidated financial statements can be obtained from its registered office at 1-1-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan.

The smallest group in which they are consolidated is that headed by Sumitomo Mitsui Banking Corporation, the Bank's immediate parent. The consolidated financial statements of SMBC can be obtained from its registered office at 1-1-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan.

Forward-looking statements and sustainability matters

Forward-looking statements

This Annual Report contains certain forward-looking statements with respect to the financial condition, results of operations, and business of the Bank and SMBC Group. Forward-looking statements may be made in writing but also may be made verbally by members of the management of SMBC Group in connection with this document. Words such as 'may', 'will', 'continue', 'aim', 'target', 'projected', 'expect', 'anticipate', 'intend', 'plan', 'goal', 'believe', 'seek', 'estimate', 'achieve', 'potential' and variations of these words are intended to identify forward-looking statements.

The Bank and SMBC Group makes no commitment to revise or update publicly any forward-looking statements. Forward-looking statements may be affected by, among other things, changes in legislation; the development of standards and interpretations under IFRS; the outcome of current and future legal proceedings and regulatory investigations; the policies and actions of governmental and regulatory authorities; SMBC Group's ability to manage the impacts of climate change effectively; geopolitical risks; and the impact of competition. A number of these factors are beyond the control of the Bank and SMBC Group. As a result, the Bank and SMBC Group's actual financial position, future results, capital distributions, capital, leverage or other regulatory ratios, or other financial and non-financial metrics or performance measures may differ materially from the statements or guidance set forth in the Bank's and SMBC Group's forward-looking statements.

Sustainability matters

Investment and financing decisions, including those with sustainability considerations, are made in accordance with the Bank's and SMBC Group's independently determined policies and practices, which are designed to support risk management and other investment, financing and commercial objectives. Any engagement by the Bank or SMBC Group with other entities or organisations on sustainability-related, or other matters, is conducted in accordance with the Bank's and SMBC Group's own policies and judgements. All sustainability-related decisions are made in compliance with the applicable legal requirements in each relevant jurisdiction.

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