SMBC Bank EU Group

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Combined Group Management Report
and Group Financial Statements
Convenience Translation of the Binding German Version
Year ended 31 March 2026

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Auditor's Report

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

The English translation is provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may arise from the translation.

Independent Auditor's Report

To SMBC Bank EU AG, Frankfurt am Main

Report on the Audit of the Consolidated Financial Statements and of the Combined Group Management Report

Opinions

We have audited the consolidated financial statements of SMBC Bank EU AG, Frankfurt am Main, and its subsidiaries (the Group) which comprise the consolidated statement of financial position at 31 March 2026, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 April 2025 to 31 March 2026, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined group management report of SMBC Bank EU AG for the financial year from 1 April 2025 to 31 March 2026.

In accordance with the German legal requirements, we have not audited the content of the components of the combined group management report referred to in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS accounting standards issued by the International Accounting Standards Board (IASB) (referred to subsequently as "IFRS accounting standards") as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 March 2026, and of its financial performance for the financial year from 1 April 2025 to 31 March 2026, and
- the accompanying combined group management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined group management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined group management report does not cover the content of

the components of the combined group management report listed in the "Other information" section.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the combined group Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the combined group management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 April 2025 to 31 March 2026. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Calculation of the specific valuation allowances on receivables to customers

For information on the accounting policies applied by SMBC Bank EU AG, please refer to Sections II. "Accounting and Valuation Methods" and III. "Significant accounting policies" in the Notes to the consolidated financial statements of the company.

THE FINANCIAL STATEMENT RISK

SMBC Bank EU AG reports receivables to customers in the amount of EUR 16,013,1 million as at 31 March 2026. For acute counterparty credit risks, specific loan loss provisions on receivables to customers have been recognized in the consolidated financial statements.

Specific loan loss provisions are calculated based on probability-weighted scenarios. The calculation of specific valuation allowances for receivables to customers is therefore discretionary. It requires assumptions about the contractual cash flows still to be expected and/or about the expected cash flows from the realization of the loan collateral provided. The assumptions are made depending on the selected restructuring or wind-down strategy.

In particular, the risk for the financial statements is that no appropriate assumptions are made about the amount of the contractual cash flows still to be expected or about the amount of the cash flows to be expected from the realization of the loan collateral provided when determining the specific valuation allowance. Incorrect assumptions about the amount of expected cash flows and/or the realization of loan collateral provided result in receivables being measured inappropriately and thus the counterparty risks are not being adequately taken into account.

It was therefore of particular importance for our audit that the number of scenarios analyzed was in line with the complexity of the circumstances determining the default risks in the individual case, including the dependence on macroeconomic factors. We also considered it significant that the selection of the specific scenarios, the estimation of the probability of occurrence per scenario and the estimation of the cash flows expected in each scenario were performed in a comprehensible, objectively substantiated and consistent manner.

OUR AUDIT APPROACH

Based on our risk analysis and the assessment of the risks of error, we based our audit opinion on control-based and substantive audit procedures. Accordingly, we performed the following audit procedures, among others:

- In a first step, we gained a comprehensive insight into the performance of the loan portfolio, the related counterparty credit risks and also the internal control system in relation to the identification, monitoring and assessment of the counterparty credit risks in the loan portfolio.
- For the assessment of the adequacy of the internal control system with regard to the identification, management and monitoring of receivables to customers, we inspected the relevant organisational guidelines and performed interviews. In addition, we assured ourselves of the appropriateness, implementation and effectiveness of relevant controls.
- For the IT systems used to manage receivables to customers and to determine the loan loss provisions, we reviewed, with the involvement of our IT specialists, the effectiveness of the rules and procedures relating to the relevant IT applications and supporting the effectiveness of application controls.
- Based on a deliberate selection of individual exposures determined on the basis of materiality and risk aspects, we performed substantive audit procedures and assessed the recoverability of the receivables from customers. We tested that the allowance for losses on receivables recognized for these exposures was recognized on an accrual basis and was adequate. In doing so, we assessed assumptions about the contractual cash flows still to be expected and/or the expected cash flows from the liquidation of the loan collateral provided. Where loan collateral has been provided for an exposure and is used in the valuation, we have assessed the legal existence and recoverability of this collateral. In the case of guarantees, we assessed the creditworthiness of the guarantors. For the selected exposures, we also verified the arithmetical calculation of the specific valuation allowance recognized.

OUR OBSERVATIONS

The assumptions underlying the calculation of the specific valuation allowance regarding the amount of the expected cash flows from the economic performance of the borrowers or from the realization of collateral were selected appropriately and are in accordance with the accounting principles applicable to the measurement of specific valuation allowances.

Other Information

Management is responsible for the other information. The other information comprises the following components of the summarized group management report, whose content was not audited:

- the consolidated non-financial group statement, which is included in section six of the combined group management report.

Our opinions on the consolidated financial statements and on the combined group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information referred to above and, in doing so, consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined group management report audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the combined Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined group management report that is in accordance with the applicable German legal requirements, and

to be able to provide sufficient appropriate evidence for the assertions in the combined group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined group management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the combined Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control or on the effectiveness of these arrangements and measures.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based

on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined group management report. We are responsible for the direction, supervision and review of the audit activities performed for the purpose of the audit of the consolidated financial statements. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 14 November 2025. We were engaged by the supervisory board on 16 January 2026. We have been the auditor of the SMBC Bank EU AG without interruption since the financial year 2019.

KPMG

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (longform audit report).

In addition to the financial statement audit, we have provided to the Company or its subsidiaries the following services that are not disclosed in the annual financial statements or in the combined group management report:

- Audit of the securities services business in accordance with Section 89 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act)
- Review of the Group reporting package as of 30 September 2025
- Audit of the IT systems used in connection with the prevention of anti-money laundering

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Markus Fox.

Frankfurt am Main, 13 July 2026

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Fox Wirtschaftsprüfer [German Public Auditor]	Hunstock Wirtschaftsprüfer [German Public Auditor]

Combined Management Report

Introduction

This Management Report combines the Management Report of SMBC Bank EU AG and SMBC EU Group (combined Management Report with respect to section 315 para. 5 of the German Commercial Code (HGB) in conjunction with section 298 para. 2 sentence 2 of the HGB). In principle, figures apply to SMBC EU Group. To the extent that there are material differences with respect to accounting or risk figures between SMBC Bank EU AG and SMBC EU Group, figures for SMBC Bank EU AG are reported separately.

I. Fundamental Information about SMBC EU Group

1. SMBC EU Group's Business Model and Strategy

SMBC Bank EU AG (SMBC EU) is a credit institution based in Frankfurt am Main, Germany, to support SMBC's business activities in the European Economic Area (EEA). SMBC EU Group consists of the SMBC EU as a parent and SMBC Nikko Bank (Luxembourg) S.A. (SNBL) as its wholly owned subsidiary. The SMBC EU Group is authorised by the European Central Bank (ECB) and supervised by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, or BaFin) since November 2018 and is the parent company of the SMBC EU Group.

The SMBC EU is a wholly owned subsidiary of Sumitomo Mitsui Banking Corporation (SMBC Tokyo), a Japanese bank, and forms part of the SMBC Group of companies. SMBC Tokyo is a wholly owned subsidiary of the Japanese Sumitomo Mitsui Financial Group (SMFG), which is ranked amongst the largest 29 banks globally by assets and classified as a global systemically important bank (G-SIB).

S&P and Fitch Ratings have both affirmed an international A/A- rating for SMBC Bank EU AG.

In addition, Moody's Ratings has assigned A1 long-term and P-1 short-term domestic and foreign currency deposit ratings to SMBC EU since January 2026.

These ratings reflect the strong support SMBC EU receives from the parent company in all areas such as risk management and funding arrangements as well as information technology and operational infrastructure.

SMBC EU offers a wide range of financial products, including syndicated and bilateral financing, specialised advice on project, trade and asset financing, as well as deposit and currency transactions. As a provider of integrated financial and investment banking solutions, the SMBC EU Group also offers its clients capital market products and derivative financial products and, through its subsidiary SMBC Nikko Bank (Luxembourg) S.A., the Group is also active in fund administration and custody services. The SMBC EU Group's main objective is to serve its corporate clients in the EU/EEA, while pursuing and adhering to the vision, mission and identity of the SMBC Group, which focuses on creating sustainable value for clients and shareholders. With its business model, the SMBC EU Group aims to ensure long-term sustainable growth and a balanced risk/return ratio. The strategy pursues the following objectives:

Serving customers

The SMBC EU Group, in cooperation with other SMBC companies, aims to offer high quality value-added services to EU/EEA clients as their bank of choice.

Sustainable growth

The aim is to conduct the business activities of the SMBC EU Group in a way that is balanced and sustainable. In addition, an efficient and effective infrastructure is to be built to support further business growth.

Competitive edges

Expansion and development of the areas in which the SMBC EU Group has a particularly strong position in terms of customer relationships, product expertise and global reach.

Team 'SMBC Group'

Communicating the mission and vision of the SMBC Group and how they are implemented.

2. Paris Branch Transfer to SMBC EU and European Central Bank Supervision

In February 2026, the business activities with a balanced portfolio of EUR 5 billion of assets and liabilities of the Paris Branch of SMBC Bank International plc (SMBC BI) were transferred to SMBC EU Paris Branch via an asset deal. The transferred portfolio mainly results from loan and deposit business. The transfer further consolidated SMBC's Continental European activities and streamlined the organisational structure. As a result of the transfer, European activities previously conducted through SMBC BI Paris Branch are now carried out by SMBC EU Paris Branch.

The transfer led to an increase in the average number of employees in SMBC EU by approximately 100. Furthermore, with the transfer, the balance sheet size of SMBC EU exceeded the relevant size threshold of EUR 30 billion within the Single Supervisory Mechanism (SSM) regulation. As a consequence, SMBC EU qualifies as a significant institution within the meaning of the SSM. Accordingly, preparations have commenced for a potential change in supervisory responsibility from BaFin to direct supervision by the ECB, which would make SMBC EU the first Japanese owned bank under direct ECB supervision.

3. Organisation and Governance Structure

On 1 March 2026, SMBC EU marked the seventh anniversary of the formal commencement of operations of the SMBC EU Group. It has grown significantly since its inception, showing the strong relationships with an increasing number of core clients and stakeholders, while establishing robust governance and operational excellence that meets regulators' requirements.

SMBC EU has its head office in Frankfurt am Main, Germany, with branches in Amsterdam, Prague, Madrid, Dublin, Milan, Paris and Düsseldorf. Of the named branches, only the Paris and Milan branches undertake loan and deposit transactions as a risk-taking function. All other branches are marketing offices.

As at 31 March 2026, the SMBC EU Group has 801 employees, of which 461 are in Germany, 246 in its EU branches (previous year (PY): 573 employees, of which 373 in Germany and 115 in EU branches) and 94 are in SNBL.

The Executive Board is the primary independent decision-making body of SMBC EU and is directly responsible for the management of SMBC EU subject to applicable laws and regulations in accordance with the articles of association of SMBC EU.

The Executive Board is responsible for overall management of the day-to-day business of SMBC EU to create sustainable value while avoiding damage and risk to SMBC EU including SNBL, through the Chair role as a non-executive member of its Board of Directors. The Executive Board determines the strategy, resources allocation, finance and control standards (including reporting), Risk Management Framework, maintenance of books of account and proper business organisation and contingency plans in a diligent and conscientious manner.

The Executive Board has established several committees to control and monitor various areas of SMBC EU and SMBC EU Group. All committees have delegated approval powers from the Executive Board and include, alongside Executive Board members, selected department heads as voting members. Furthermore, all relevant SMBC EU Committees also cover Group-related topics to ensure adherence to Group Governance. To the extent required, they may invite subject matter experts (SMEs) from SNBL and/or appoint SNBL SMEs as permanent committee attendees.

The Credit Risk Management Committee (CRMC) acts as the responsible body for oversight and governance for all credit-related matters (except individual credit approvals) at SMBC EU and SMBC Group level. It serves as the main forum to discuss and debate credit and underwriting Risk Management Framework elements.

The Enterprise Risk Management Committee (ERMC) acts as the responsible body for oversight and governance for all enterprise-wide related risk matters at SMBC EU and SMBC EU Group level. It serves as the main forum to discuss and debate enterprise-wide related Risk Management Framework elements, the coordination of the risk strategy planning cycle, including the Risk Appetite Framework and Risk Appetite Statement, Internal Capital Adequacy Assessment (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), recovery and resolution planning (RRP), Stress Testing Framework, environmental, social and governance (ESG) related risk matters, model risk management and overall risk governance. This is also a forum where regulatory developments are being presented and discussed. The ERMC is supported by and oversees the activities and outcomes of its two sub-committees, both acting at SMBC EU and SMBC EU Group level:

- The Model Risk Management Committee (MRMC) acts as the responsible body for oversight and governance for model risk matters.
- The Sustainability Risk Management Committee (SRMC) acts as the responsible body for oversight and governance for all sustainability-related risk matters and serves as the main forum to discuss and debate sustainability-related Risk Management Framework elements, including sustainability risk-related alignment between risk strategy and business strategy; the coordination of sustainability-related aspects in ICAAP/ILAAP and sustainability-related stress testing. This is also a forum where sustainability-related regulatory developments are being presented and discussed.

The Asset and Liability Risk Management Committee (ALMC) acts as the responsible body for oversight and governance for ALM and liquidity-related matters, as well as market and counterparty credit risk at SMBC EU and SMBC EU Group level, including policies and procedures. It also serves as a forum for discussion and challenge of elements of the ILAAP. ILAAP results are finally approved by the ERMC and the Executive and Supervisory Board.

The Operational and General Risk Management Committee (OGRMC) is the responsible body for oversight and governance of operational risk management at SMBC EU and SMBC EU Group level. It is a forum for discussion and approval of the relevant operational risk and non-financial risk elements of the ICAAP and RRP.

The Third Party Management Committee (TPMC) is the responsible body for oversight and governance of Third Party Management (TPM) and in/outsourcing matters at SMBC EU and SMBC EU Group level. It is a forum for discussion and approval of the relevant TPM aspects as well as for the first line management of in- and outsourcing.

The Product Approval Committee (PAC) acts as the governance body responsible for approving any new types of products or services (NPS) at SMBC EU and SMBC EU Group level. The scope of the PAC also includes the approval of test plans for new products/services as well as review and acknowledgement of results from test phases. It is embedded into the Europe, Middle East and Africa (EMEA) product approval process and members of the local product consultation group participate in screening meetings at EMEA level and the EMEA Product Approval Committee, both hosted by SMBC BI.

The Transaction Approval Committees (for securities and derivatives – Securities Transaction Approval Committee (S-TAC) and Derivatives Transaction Approval Committee (D-TAC) respectively) act as responsible bodies for new transactions with unusual features, large volumes or potential effects that could be relevant to SMBC EU or SMBC EU Group level in terms of supervisory law, reputation, conflicts of interest, sustainability aspects or problems with client suitability.

The Credit Approval Committee (CAC) acts as the governance body to discuss and debate the credit risk of proposed lending and loan underwriting transactions and follows the SMBC Credit & Underwriting Authority Approval Matrix.

The Compliance and Anti-Money Laundering Committee (CAMLC) oversees the adherence to the SMBC EU Group's implemented anti-money laundering preventative measures and general compliance structure and measures at SMBC EU and SMBC EU Group level. It provides governance, technical and strategic support, and examines matters in respect of identified compliance, anti-money-laundering, financial crime and other regulatory risks relating to the SMBC EU Group.

A Supervisory Board has been established and was elected by the Annual General Meeting in accordance with statutory requirements to supervise and monitor SMBC EU's business activities. The Supervisory Board has established four committees to monitor various functions of SMBC EU and SMBC EU Group. The Audit Committee monitors the accounting processes, the internal control system, the Group annual financial statements and the independence of the auditor. The Risk Committee advises the Supervisory Board on risk management issues, including risk strategy and risk appetite. The Remuneration Control Committee is responsible for monitoring the appropriate design of the remuneration systems. The Nomination Committee supports the Supervisory Board in monitoring and performing the Supervisory Board's duties in personnel matters.

The SMBC EU Group continues to utilise intra group outsourcing arrangements for certain day to day operations, with several functions being centrally performed by Group entities, particularly by SMBC BI in the EMEA region, SMBC New York and head office in Tokyo. At the same time, the SMBC EU Group is strengthening its overall control and operating framework by expanding its Control & Support functions – primarily at the Frankfurt head office – in response to regulatory requirements and operational needs.

The SMBC EU Group provides insourcing services primarily for business units and control functions of the SMBC Düsseldorf branch.

SMBC EU's investment decisions, including those that take sustainability considerations into account, are made in accordance with SMBC EU's independently established policies and practices, which reflect the strategies, investment objectives and risk management approach of SMBC EU and the SMBC Group.

All SMBC EU's engagements with other companies or organisations on sustainability or related topics are guided by the independently established policies and practices mentioned above. All sustainability-related decisions are made by SMBC EU in accordance with the applicable laws and regulations of the respective jurisdictions.

II. Macroeconomic Environment

Economic activity across Europe displayed some resilience last year. Real GDP growth in 2025 stood at 1.5% year-on-year (y/y) in the European Union (EU) and 1.4% y/y in the Euro area, with both figures representing a slight acceleration in momentum compared with the previous year.[1] This performance came despite a backdrop of significant uncertainty at a global level, including as a result of geopolitical threats, such as Russia's ongoing war with Ukraine, and due to major shifts in economic policies, particularly with respect to global trade.

At the aggregate level, the drivers of growth in the EU and Euro area last year remained oriented toward domestic demand. Consumer spending benefitted from resilient labour market conditions, which, together with receding inflation, helped to sustain real disposable incomes. Indeed, headline inflation eased slightly to an average of 2.5% y/y in the EU and 2.1% y/y in the Euro area in 2025.[2] Fixed capital investment also rebounded last year, supported by more favourable financing conditions for non-financial corporates as well as ongoing public sector-led spending programmes. By contrast, export dynamics were more mixed. Expectations of more restrictive tariff policies, particularly by the United States, contributed to a substantial frontloading of shipments from European exporters. This positive impact on exports nevertheless unwound in subsequent months, with net trade acting as a drag on EU and Euro area growth over the year as a whole.

At the national level, economic performance remained mixed. Of the larger economies in the region, Germany exhibited a recovery after two consecutive years of contraction. However, growth of 0.2% y/y in 2025 remained well below the regional average. France and Italy also registered growth, albeit at a softer pace than in 2024 (0.8% y/y and 0.5% y/y, respectively). Spain, meanwhile, continued to outperform the regional average by some margin, despite growth also moderating relative to the previous year to 2.8% y/y.[3]

The aggregate monetary policy stance in the Euro area became more supportive last year. The ECB reduced its key interest rates by a cumulative 100 basis points (bp), taking its deposit rate to 2.00%, though rate cuts were concentrated in the first half of the year. This gradual normalisation in the monetary policy stance contributed to some easing in financial conditions for the real economy as well, as evidenced by the declining composite cost of borrowing indicator for non-financial corporates.[4]

The European region started the new calendar year on a more fragile footing. The outbreak of hostilities in the Middle East at the end of February represents yet another geopolitical shock for the region, and it is likely to weigh on economic performance in the new year (see section IV). In terms of economic performance, real GDP contracted by -0.1% quarter-on-quarter (q/q) in the EU and -0.2% q/q in the Euro area in the first quarter of the year.[5] The aggregate-level weakness was nevertheless driven in part by Irish national accounts data, which can be volatile owing to the presence of multinational corporations headquartered in the country.[6]

1 Unless otherwise stated, GDP figures for the Euro area, EU and individual member states reflect Eurostat data (https://ec.europa.eu/eurostat).
2 Harmonised index of consumer prices (HICP). Data from (https://ec.europa.eu/eurostat).
3 Real GDP growth rate – volume. Data from Eurostat (https://ec.europa.eu/eurostat/databrowser/view/tec00115/default/table?lang=en)
4 The Euro area composite cost of borrowing indicator (which combines interest rates on all loans to corporations) eased to 3.57% in December 2025 from 4.36% in December 2024. Data from the ECB (https://www.ecb.europa.eu/).
5 Seasonally and calendar adjusted figures. Data from Eurostat (https://ec.europa.eu/eurostat).
6 Excluding Ireland, aggregate EU and Euro area real GDP grew by 0.3% q/q in the first quarter of 2026.

III. Report on Business Development and Financial Position

1. Business Performance

Against the uncertain economic policy backdrop, the SMBC EU Group's focus has remained on lending to investment grade borrowers but has also expanded risk appetite to allow for the development of high margin transactions and products on a selective basis while maintaining a well-diversified credit portfolio.

FY2025 was focused on investing, preparing a platform for new levels of growth and profitability. In a multi-year initiative, SMBC EU invests significantly in IT, Data Management capabilities and Human Resources.

This initiative is to be understood as an entrepreneurial investment into the Bank's abilities and strengths in governance, bank control, reporting, analytics, risk management, booking model and trading set up, resolution and recovery and compliance. It will ensure SMBC EU's readiness to compete as a leading European CIB bank.

Against this transformational focus and in alignment with SMBC Tokyo, the organic growth ambitions of SMBC EU during past year have been less aggressive and more focused on maintaining a positive profitability to sustain significant investments.

2. Financial Developments SMBC EU Group

The financial position of the Group was solid: it remained at all times in full compliance with all regulatory and internal limits with respect to its capital, liquidity and refinancing positions. Exchange rate movements had a negligible impact on the financial position.

The Group has defined three key performance indicators (KPIs) to measure business development in terms of costs, profitability and capital:

- Return on Equity (ROE) – the ratio between post tax profits and average equity:
  $$Return\ on\ Equity = \frac{Post\ tax\ profit}{Average\ equity}$$
- Cost Income Ratio (CIR) – the ratio between operating expenses and operating income:
  $$Cost\ Income\ Ratio = \frac{Operating\ expenses^{7}}{Operating\ income}$$
- Common Equity Tier 1 (CET1) – the ratio between CET1 capital and risk-weighted assets:
  $$CET1\ ratio = \frac{CET1\ capital}{Risk\text{-}weighted\ assets}$$

7 Operating expenses being all expenses without risk provision and taxes.

Subsequent SMBC EU Group financials are based on IFRS.

Due to macroeconomic developments and the strong investments in resources and infrastructure, net income after tax of EUR 134.3 million (PY: EUR 229.9 million) reduced as planned. The ROE decreased to 2.3% (PY: 4.05%). The reduction is in line with the plan and is mainly due to the significant investments in the current financial year.

The CIR stands at 58.9% (PY: 40.3%). This development is mainly driven by relatively stable revenues and significantly higher costs compared with the previous year. The increase in CIR was anticipated and is aligned with management expectations.

The CET1 ratio has decreased to 24.9% at year-end (PY: 27.2%), reflecting primarily the acquisition of the Paris Branch portfolio (see section I.2) and remaining very clearly above the regulatory minimum. This is in line with management expectations. This ensures a strong financial standing and sufficient capitalisation, indicating the SMBC EU Group's ability to absorb losses while continuing operations, thus enhancing its resilience in the face of financial downturns.

Balance sheet of SMBC EU Group

Total assets as at 31 March 2026 stand at EUR 38,183 million, an increase of EUR 12,612 million or 49% compared with 31 March 2025 (PY: EUR 25,571 million). The increase compared with the previous year resulted primarily from the transfer of the Paris business (see section I.2) as well as some organic growth of the credit portfolio compared with the previous year. SNBL's portion in total assets stands at EUR 514 million (PY: EUR 509 million). Assets recognised in Milan increased by EUR 404 million compared with the prior year, with a total amount of EUR 4,691 million (PY: EUR 4,287 million). Paris contributes EUR 7,346 million of assets as per 31 March 2026.

The liquidity reserves of EUR 18,713 million (PY: EUR 9,463 million) were primarily kept in Germany at the Bundesbank, at the Banque de France and at other SMBC banks.

Lending exposures, the most important asset type of the SMBC EU Group, are classified under receivables to customers and banks as well as debt securities and other fixed income securities and amounted to EUR 17,530 million (PY: EUR 14,800 million). The increase in receivables to customers and banks is mainly driven by the acquisition of the Paris portfolio.

Financial assets held for trading consist of foreign exchange (FX) and interest derivatives. As at 31 March 2026, the trading portfolio amounts to EUR 1,596 million (PY: EUR 983 million) and increased primarily due to the Paris transfer and market price movements. The market risk arising from derivative trades with customers is hedged by matching transactions with Group companies. The liability trading portfolio is therefore almost identical to the asset position.

Other assets, at 1.38% (PY: 1.7%) of total assets, account for only a small portion of the balance sheet and comprise primarily investment and liquidity securities, fixed assets and deferred tax assets.

The assets are funded primarily with equity, customer deposits and intra-group funding from SMBC Tokyo via its branch in Brussels. Equity increased to EUR 5,807 million (PY: EUR 5,673 million). The increase is due to the current year's profit.

The liabilities include customer and bank deposits, financial liabilities held for trading, and other short-term borrowings as well as long-term debt.

Liabilities to customers increased compared with the previous year, with an amount of EUR 17,724 million (PY: EUR 11,165 million). Liabilities to banks increased to EUR 11,892 million (PY: EUR 7,064 million). The reason for this is an increase in business volume and the transfer of Paris portfolio EUR 4.082 million. As client deposits show volatility due to short duration. Intra-group financing increased to EUR 8,895 million (PY: EUR 5,064 million).

The financial liabilities held for trading increased to EUR 1,584 million (PY: EUR 960 million), in line with the development of the trading assets.

In addition, the SMBC EU Group has off-balance sheet liabilities, specifically guarantees and irrevocable loan commitments, amounting to EUR 22,823 million (PY: EUR 16,125 million), of which EUR 4,304 million in Milan (PY: EUR 4,260 million) and EUR 11,066 million (PY: EUR 11,868 million) in Frankfurt. Paris accounts for EUR 7,353 million.

Due to increased business volume, short-term borrowings increased to EUR 3,020 million (PY: EUR 2,014 million) and long-term debt increased to EUR 8,872 million (PY: EUR 5,050 million).

Provisions amounted to EUR 45 million (PY: EUR 19 million). The increase is driven by increased risk provision for off-balance sheet loan commitments and provisions for expected invoices.

Lease liabilities significantly increased to EUR 26 million in March 2025 (PY: EUR 16 million), due to new office leases.

The SMBC EU Group was granted a committed credit line by SMBC Tokyo in the amount of EUR 1,500 million, which has not been drawn.

The capital adequacy of SMBC EU is described under section V, the Risk Report.

Income statement of SMBC EU Group

In the seventh year of operation, the SMBC EU Group generated a net profit of EUR 134 million (PY: EUR 230 million). Due to a stable development of operating income and significant investments in the further development of the Bank, the reduction in net profit is in line with management's plan.

The operating income in SMBC EU amounted to EUR 554 million (PY: EUR 559 million), comprising net interest income, net fee and commission income, income from fair value through profit or loss (FVTPL) financial instruments, results from hedging relationships and other net operating income.

The net interest income decreased to EUR 346 million (PY: EUR 416 million) and is mainly due to lower interest rate level compared with the previous year. The acquired Paris portfolio increased the interest-bearing volume but contributed for 1.5 months only to the income of this financial year. The Milan Branch generated a net interest income of EUR 65 million (PY: EUR 62 million). Paris accounts for EUR 4 million. Interest expenses for deposits from banks and from customers decreased to EUR 572 million (PY: EUR 646 million), mainly due to lower interest rate level.

The net fee and commission income of EUR 151 million (PY: EUR 101 million) was primarily driven by fees earned from other SMBC entities for supporting external business with clients.

The income from FVTPL financial instruments resulted in a net gain of EUR 58 million (PY: EUR 30 million), primarily from FX and interest rate derivative transactions. The net trading income comprises gains less losses related to trading assets and liabilities as well as gains less losses related to derivative instruments that do not meet the criteria to be designated as a hedge and are measured at fair value. The result includes all realised and unrealised fair value changes, interest and foreign exchange differences. The gains and losses were mainly driven by the increased market volatility of derivative financial instruments and increased trade volume compared with the previous year.

Other operating income contributed with a positive result of EUR 21 million (PY: EUR 16 million), derived primarily from insourcing Service Level Agreements (SLAs), predominantly middle and back office services for SMBC Düsseldorf and the sale of loans.

Administrative expenses of EUR 333 million (PY: EUR 219 million) include primarily personnel expenses of EUR 130 million (PY: EUR 104 million) and expenses related to outsourcing arrangements with Group companies of EUR 96 million (PY: EUR 56 million). Other administrative expenses comprise, amongst others, VAT expenses of EUR 27 million (PY: EUR 11 million), IT charges of EUR 10 million (PY: EUR 9 million) and legal & consultancy fees of EUR 31 million (PY: EUR 11 million). The increase in administrative expenses is primarily related to an increase in business volume and higher number of employees, higher SLA charges and investments our business infrastructure.

Gains and losses from derecognition of financial assets resulted in a net gain of EUR 5.5 million (PY: net loss of EUR (0.1) million).

Amortisation, depreciation and write-downs for intangible assets and property and equipment of EUR 8 million (PY: EUR 5 million) relate to expenses for IFRS 16 depreciation on right-of-use assets and straight-line amortisation/depreciation of fixed assets.

The net risk provision expenses amount to EUR 20 million (PY: EUR 2 million). The significant increase compared with the previous year results primarily from present geopolitical tensions and uncertainties which lead to increased risk provision levels.

The tax expense of EUR 81 million (PY: EUR 102 million) mainly relates to income tax expenses for profit generated.

3. Financial Developments SMBC Bank EU AG

The financial position of the Bank was solid: it remained at all times in full compliance with all regulatory and internal limits with respect to its capital, liquidity and refinancing positions. Exchange rate movements had a negligible impact on the financial position.

The Bank has defined three key performance indicators (KPIs) to measure business development in terms of costs, profitability and capital:

- ROE – the ratio between post tax profits and average equity:
  $$Return\ on\ Equity = \frac{Post\ tax\ profit}{Average\ equity}$$
- CIR – the ratio between operating expenses and income:
  $$Cost\ Income\ Ratio = \frac{Operating\ expenses^{8}}{Operating\ income}$$
- CET1 – the ratio between CET1 capital and risk-weighted assets:
  $$CET1\ ratio = \frac{CET1\ capital}{Risk-weighted\ assets}$$

Subsequent SMBC EU AG financials are based on German GAAP.

Due to the macroeconomic developments and the strong investments in resources and infrastructure, net income after tax of EUR 104 million (PY: EUR 253 million) reduced as planned. The ROE decreased to 1.8% (PY: 4.6%). The reduction is in line with the plan and is mainly due to the significant investments in the current financial year.

The CIR stands at 59.7% (PY: 35.5%). This development is mainly driven by significantly higher costs compared with the previous year. The increase in CIR was anticipated and is aligned with management expectations.

The CET1 ratio has decreased to 25.1% at year-end (PY: 27.7%), reflecting primarily the acquisition of the Paris Branch portfolio (see section I.2), remaining very clearly above the regulatory minimum. This is in line with management expectations. This ensures a strong financial standing and sufficient capitalisation, indicating SMBC EU's ability to absorb losses while continuing operations, thus enhancing its resilience in the face of financial downturns.

Balance sheet of SMBC EU AG

Total assets as at 31 March 2026 stand at EUR 37,733 million, an increase of EUR 12,622 million or 50.3% compared with 31 March 2025 (PY: EUR 25,111 million). The increase compared with the previous year resulted primarily from the transfer of the Paris business (see section I.2) as well as organic growth of the deposit and credit portfolio compared with the previous year.

8 Operating expenses being all expenses without risk provision and taxes.

Lending exposures, the most important asset type of the Bank, are classified under receivables to customers and banks as well as debt securities and other fixed income securities and amounted to EUR 17,610 million (PY: EUR 14,887 million), of which EUR 10,864 million (PY: EUR 11,542 million) were recognised in Frankfurt and EUR 3,768 million (PY: EUR 3,349 million) in Milan. Paris contributes EUR 2,978 million of assets as per 31 March 2026. The development of receivables to customers and banks was primarily driven by the acquisition of the Paris portfolio.

The liquidity reserves of EUR 18,310 million (PY: EUR 9,069 million) were primarily kept in Germany at the Bundesbank, at the Banque de France and at other SMBC banks.

Financial assets held for trading consist of FX and interest derivatives. As at 31 March 2026, the trading portfolio amounts to EUR 1,573 million and increased compared with the prior year (PY: EUR 950 million). The increase is due to the acquisition of the Paris portfolio and caused by market price movements. The market risk arising from derivative trades with customers is hedged by matching transactions with Group companies. The liability trading portfolio is therefore almost identical to the asset position.

Other assets, at < 1.2% (PY: < 1.3%) of total assets, account for only a small portion of the balance sheet and comprise primarily goodwill and fixed assets. The goodwill was generated through the acquisition of the branches at inception of the Bank in 2019, as well as the transfer of employees from the SMBC Tokyo Düsseldorf branch and the addition of the business of SMBC BI Paris Branch.

The assets are funded primarily with equity, customer deposits and intra-group funding from SMBC Tokyo via its branch in Brussels.

Equity increased to EUR 5,748 million (PY: EUR 5,643 million). The increase is due to the current year's profit.

The liabilities include customer and bank deposits, financial liabilities held for trading, and other short-term borrowings as well as long-term debt.

Liabilities to non-bank customers significantly increased to EUR 17,397 million (PY: EUR 10,888 million) compared with last year. Liabilities to banks increased to EUR 11,892 million (PY: EUR 7,017 million), due to higher business volumes and Paris transfer of EUR 4,082 million. Client deposits show volatility due to short duration.

The financial liabilities held for trading increased to EUR 1,557 million (PY: EUR 939 million) in line with the development on the asset side.

In addition, SMBC Bank EU AG had off-balance sheet liabilities, specifically guarantees and irrevocable loan commitments, amounting to EUR 22,823 million (PY: EUR 16,125 million), of which EUR 4,304 million in Milan (PY: EUR 4,260 million), EUR 7,353 million in Paris and EUR 11,065 million (PY: EUR 11,868 million) in Frankfurt, indicating that the increase in mainly due to the Paris portfolio.

Short-term borrowings increased to EUR 3,020 million compared with the prior year (PY: EUR 1,967 million). Long-term debt also increased to EUR 8,872 million (PY: EUR 5,050 million), due to increased business volumes, mainly due to the Paris transfer.

Provisions amounted to EUR 182 million (PY: EUR 79 million). The significant increase is mainly due to higher expected SLA charges from other SMBC entities and a reflection on increased staff level in SMBC EU.

The Bank was granted a committed credit line by SMBC Tokyo for EUR 1,500 million, which has not been drawn.

The capital adequacy of SMBC EU AG is described under section V, the Risk Report.

Income statement of SMBC EU AG

In the seventh year of operation in 2025/26, the Bank generated a **net profit** of EUR 104 million (PY: EUR 253 million). Due to challenging environment and significant investments, the reduction in net profit is in line with management's plan.

The operating income of SMBC Bank EU AG amounted to EUR 546 million (PY: EUR 586 million), comprising net interest income, net fee and commission income, gains and losses of trading activities and other net operating income.

The net interest income decreased to EUR 369 million (PY: EUR 422 million) and is mainly due to the lower interest rate level compared with the previous year. The acquired Paris portfolio increased the interest-bearing volume but contributed to the results of this financial year for only 1.5 months. The Milan Branch generated a net interest income of EUR 61 million (PY: EUR 61 million) and Paris contributed with EUR 6 million. Interest expenses for deposits from banks and from customers decreased to EUR 567 million (PY: EUR 643 million), due to lower interest rates in the current year.

The net fee and commission income of EUR 138 million (PY: EUR 134 million) was primarily the result of income derived from guarantees and upfront fees (EUR 62 million, PY: EUR 104 million) as well as income generated in the securities business of EUR 34 million (PY: EUR 31 million).

The net trading result shows a net gain of EUR 24 million (PY: EUR 18 million), primarily from FX and interest rate derivative transactions. The increase is mainly driven by higher market volatility compared to previous year and increased trading volumes.

Other operating income contributed with a positive result of EUR 15 million (PY: EUR 12 million), derived primarily from insourcing SLAs, predominantly middle and back office services for SMBC Düsseldorf.

Administrative expenses of EUR 317 million (PY: EUR 202 million) include primarily personnel expenses of EUR 117 million (PY: EUR 91 million) and expenses related to outsourcing arrangements with Group companies of EUR 96 million (PY: EUR 56 million). Other administrative expenses are, amongst others, related to legal & consultancy fees of EUR 31 million (PY: EUR 11 million), VAT of EUR 27 million (PY: EUR 11 million) or IT charges of EUR 10 million (PY: EUR 9 million). The increase in administrative expenses is primarily related to an increase in business volume, a higher number of employees and higher SLA charges and investments our business infrastructure.

Amortisation, depreciation and write-downs for intangible assets and property and equipment of EUR 6 million (PY: EUR 5 million) relate to expenses for straight-line amortisation/depreciation of fixed assets and goodwill. The net result of write-downs and valuation allowances for receivables and income from write-ups of loans include net expenses incurred for portfolio loan loss allowances and reserves according to section 340f of the HGB in the amount of EUR 29 million (PY: EUR 11 million). Higher risk provisions for loan business are driving the increase.

The tax expense of EUR 86 million (PY: EUR 114 million) relates to income tax expenses for profit generated. Milan generated tax expenses of EUR 26 million (PY: EUR 21 million).

IV. Forecast Including Business Opportunities and Risks

The macroeconomic outlook is currently subject to significant uncertainty. In addition to existing geopolitical threats, such as the ongoing war between Russia and Ukraine, the outbreak of a major conflict in the Middle East at the end of February 2026 represents a further shock to the global economy. For Europe, adverse spillovers have materialised through various channels, including i) higher prices for oil, gas and other commodities, ii) more restrictive financial conditions due to expectations of tighter monetary policy and higher risk premia, and iii) wider disruptions to transport routes and supply chains. The aggregate economic impact is uncertain and will ultimately depend on the duration and intensity of the conflict. Damage to infrastructure throughout the Middle East region to date nevertheless suggests that a swift normalisation in macroeconomic and market conditions is unlikely, even if hostilities were to durably cease.

Recent economic indicators suggest the conflict is weighing on activity. Surveys of businesses and households, for example, point to weakening sentiment since the start of the war.[9] This in turn is likely to dampen private consumption as well as business investment and hiring decisions. Inflationary pressures have also surged, with headline inflation in the Euro area rising to 3.2% y/y in May 2026. Beyond the Middle East conflict and other geopolitical threats, regional exports may also face continued headwinds, including those arising from structural competitiveness challenges and a more protectionist global trade environment.

There is still capacity for domestic demand in Europe to partially offset external headwinds. Private consumption may retreat as inflation erodes disposable incomes, but it should remain supported by a resilient labour market in the region. Indeed, despite some signs of cooling in hiring propensity, the headline unemployment rate in the Euro area and EU continues to hover around historical lows.[10] Domestic investment should also benefit from public spending on infrastructure and defence – both in response to the immediate geopolitical stresses, but also as governments pursue longer-term green and digital transitions. The deployment of EU budget funds this year, including those available from the Next Generation EU (NGEU), may support these efforts as well.

9 See, for example, the latest monthly business and consumer surveys from the European Commission (https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/business-and-consumer-surveys/latest-business-and-consumer-surveys_en).

10 The unemployment rate stood at 6.0% in the EU and 6.3% in the Euro area in April 2026. Data from Eurostat (https://ec.europa.eu/eurostat).

Overall, despite expectations of continued growth momentum this year, the risks appear tilted to the downside. In its most recent World Economic Outlook publication, the International Monetary Fund (IMF) projected Euro area and EU growth of 1.1% and 1.3%, respectively, in 2026.[11] However, the IMF warned that under a more severe scenario relating to the Middle East conflict, the EU could come close to suffering a recession this year.[12]

Against the backdrop of these external factors, we intend to continue executing our strategy focusing on improving profitability and growing revenues while remaining disciplined in our cost management despite inflationary pressures. We anticipate that our business will grow moderately as demand for refinancing might be dampened due to the economic environment. Firstly, this growth will be generated by further development of marketing activities. Secondly, growth will be generated by assets' lifecycle events originating from other SMBC entities, notably loan extensions of EU customers being booked at their final booking destination, SMBC EU Frankfurt.

The commercial focus will be on gradual profitability increase through stronger focus on higher yielding businesses, expansion of trading businesses and entering into Repo/Reverse Repo transactions. Further business areas to be enhanced will be Transaction Banking and Alternative Asset Management.

To measure our development and success, we use the KPIs that are defined in section III.2 and which are aligned with our internal controls (namely ROE, CIR and CET1).

Despite moderate expected asset growth, we expect the CET1 ratio for SMBC EU Group to notably reduce based on the larger net risk positions assumed by the Bank but to remain well above the regulatory requirement.

The Bank is facing a phase of transformation and restructuring. In its role as SMBC-owned EU-based financial services institution and by contributing to a lead role in the consolidation of SMBC's EMEA governance and footprint, the Bank plans to make material investments in personnel and resources in the coming years. This is to be understood as a material investment in the Bank's capabilities and strengths in the areas of governance, control and reporting. The transformation will have an impact on the Bank's profitability in the short term. At currently 2.3% (PY: 4.1%), the return on equity is expected to remain stable with a slightly positive trend till the end of FY2026/27.

We also expect the cost-income ratio, which was 58.9% in the current year (PY: 40.3%), to remain at the same level.

In addition to the above, both the return on equity and the cost-income ratio reflect an expected stable interest rate environment. A similar development is expected at the level of SMBC EU AG.

SMBC EU Group will prepare for the next stage of accelerated growth. As such, the actual outlook for the next two to three years is a phase of investment in staff and capabilities in Germany, the Bank's branches and the subsidiary SNBL in Luxembourg. A stable revenue expectation will allow us to partially fund those investments. Despite that, we expect a decline in net income in FY2026/27. The next two years are expected to show increased net profit. The cost-income ratio will stay at a stable level with a rising trend, and the Bank will show stable return on equity with an increasing trend over the next three years. The SMBC EU Group's business model, throughout the planning period, will predominantly stay a loan-related business. The Bank's ambition is to further diversify the business and to increase the Commission and Trading business over the next years. Long-term funding will be covered by customer deposits and Group funding, complemented by the planned issuance of securities. Dependency on Group funding will be reduced in proportion relatively but increase in absolute terms. If there is a further deterioration in economic activity in the EU due to the current macroeconomic environment, the expected level of growth is likely to be reduced and should increase the level of loan losses.

The SMBC EU Group has analysed several possible scenarios and is adequately provided with liquidity and capital should a deterioration occur.

Our results could be impacted positively by a stronger than expected economic recovery and related demand for financing. Further, we see business opportunities in the field of sustainable financing solutions for energy supply and energy generation customers.

If present, events after the balance sheet date that are of material significance for FY2025/26 are included in the notes section on subsequent events.

11 IMF estimates published on 14 April 2026 (https://www.imf.org/en/publications/weo).

12 https://www.imf.org/en/blogs/articles/2026/04/17/reforming-europe-under-pressure.

V. Risk Report

1. Risk Management Framework

The SMBC EU Group's intended business model is to be an integrated corporate and investment banking institution that concentrates its resources on carefully selected sectors and regional customer partnerships to achieve sustainable and balanced long-term growth. The Executive Board defines the risk strategy, which is based on and consistent with the approved business strategy. The risk strategy's design, implementation and monitoring are achieved through the Risk Management Framework. This framework comprises the following components: (i) the assessment and management of the Bank's capital and liquidity resources; (ii) the definition and determination of the Bank's risk appetite; and (iii) a series of processes to identify and assess, measure, control and mitigate the risks incurred in the pursuit of the strategic objectives and to report on these.

The Executive Board is ultimately responsible for the organisation, implementation and execution of risk management in the SMBC EU Group, including its branches. The Executive Board's overall risk control is carried out via the SMBC EU Group's organisational structure, the Risk Governance Framework and the internal risk control system.

Roles and responsibilities for risk management across the Bank

The SMBC EU Group uses the industry-wide standard **three lines of defence (3 LOD)** model to manage its risks across the enterprise. The model is used to achieve and ensure an overall effective risk governance, management and assurance, reflecting and reinforcing the SMBC EU Group's Internal Control Framework.

The 3 LOD approach separates the ownership and management of risks from the functions that monitor the risks and the function that provides independent assurance.

The first line of defence is responsible for identifying, implementing controls, regularly monitoring, and reporting on potential risks in the day-to-day operations of the respective departments. This responsibility lies with the process owners.

The Bank's risk management is a function of the second line of defence and is independent of the business areas. It defines the Risk Management and Compliance Framework and monitors compliance with the risk appetite in the first line of defence. It is under the responsibility of the Bank's Chief Risk Officer (CRO), who is a member of the Executive Board.

The SMBC EU Group maintains a fully resourced Risk Management function, led by the CRO and supported by a risk controlling team, which provides comprehensive in house coverage of the Group's risk management responsibilities. In addition, the function benefits from operational support from SMBC BI's risk management resources. These support arrangements are governed by outsourcing SLAs, which define the scope of services, performance standards and oversight, while overall accountability for risk management remains with SMBC EU.

The third line of defence analyses and secures the processes regarding risk management and control in the first two defence lines. Primary responsibility is in the scope of the Internal Audit function.

Risk Committees

The SMBC EU Group has established four Risk Management Committees plus two sub-committees to ensure sound overall management and monitoring of risks. Further details are provided within section I, Fundamental Information about SMBC EU Group.

In general, the responsibilities of the Risk Management Committees with respect to risk management matters are to provide a forum for monitoring and reviewing risk management as well as the design and execution of the Risk Management Framework itself. Approval authorities delegated to these committees are limited to non-strategic operational matters (for example, limit changes in market and liquidity risk if these are within the risk appetite, and mitigation of non-material breaches of key risk indicators (KRIs) or Early Warning Indicators (EWIs)). The Executive Board remains the ultimate body responsible for the risk management and operations of the SMBC EU Group.

In addition to the risk-related committees, the SMBC EU Group has implemented four transaction committees. These transaction committees are namely the PAC, the CAC, the S-TAC and the D-TAC. The PAC is responsible for the approval of new products, including implementation in accordance with MaRisk AT 8.1. The TACs and the CAC are responsible for approving individual transactions within each approved product.

Risk culture

Risk culture is a fundamental element of SMBC EU Group's Governance Framework and reflects the norms, attitudes and behaviours that guide how risks are identified, assessed, managed and escalated across the organisation. In line with regulatory expectations (including MaRisk, the German Banking Act and related guidance), the Management Board is responsible for promoting and embedding a sound risk culture throughout the Bank.

The Bank's Risk Culture Framework is built around four core elements: Tone from the Top, Accountability, Effective Communication and Challenge, and Incentives. These elements are embedded into daily operations through a comprehensive set of governance arrangements, policies and processes, including the Code of Conduct, the Risk Appetite Framework (RAF), the Conduct Risk Governance Policy, and the Compliance, Risk Management and Human Resources Frameworks:

- *Tone from the Top* is actively reinforced through regular leadership communications, town halls and management forums, ensuring consistent risk awareness and clear expectations regarding conduct and risk-taking.
- *Accountability* for risk is supported through defined roles and responsibilities, transparent escalation processes and integration of risk considerations into performance management and remuneration.
- Open and *effective communication and constructive challenge* are encouraged across all lines of defence, including the use of whistleblowing channels.
- *Incentives* and promotion decisions explicitly reflect compliant behaviour and adherence to the Bank's values.

The effectiveness of the risk culture is monitored through a combination of qualitative and quantitative indicators, including the Risk Appetite Dashboard, compliance assessments, internal audit results and HR metrics. During FY2025, the Bank operated largely within its approved risk appetite. Identified breaches were appropriately escalated, remediated and monitored, with no material adverse impact on the Bank's overall risk culture.

Risk strategy and appetite

SMBC EU Group's business strategy and risk strategy are tightly interlinked, forming a disciplined yet dynamic approach to growth.

SMBC EU Group's risk strategy is a strategic enabler, ensuring that ambition is matched by accountability, and that growth is pursued with resilience, responsibility, and long-term value in mind. The Group's risk strategy articulates the philosophy of SMBC EU Group for identifying and managing the risks arising from its corporate and business strategy as well as the operating environment.

To support its overall business strategy and strategic objectives, SMBC EU Group structures its risk strategy and risk appetite around four risk pillars:

1. Business model – Attaining and maintaining long-term sustainable growth.
2. Solvency and liquidity – Compliance with regulatory standards and minimisation of capital and earnings volatility.
3. Operational risk and resilience – Planning for all plausible operational risk scenarios and strict control of outsourced and insourced activities.
4. Business conduct – Putting the Company's values, cultural statements and reputation with the wider stakeholder group at the centre of all business behaviours.

These pillars are critical areas where the formulation of strategy is most strongly influenced by the consideration of risk. High level strategic objectives are defined in strategic statements for each of the four pillars.

In addition, the Group's RAF outlines the principles and guidance for managing risk appetite within SMBC EU Group. The Risk Appetite Statement (RAS) is an integral component of SMBC EU Group's RAF. Its primary purpose is to articulate in a clear and measurable manner the level and types of risk SMBC EU Group is willing to assume in pursuit of its strategic objectives, while remaining within its defined risk capacity and in full compliance with regulatory requirements. The RAS operationalises the RAF by translating the high level risk strategy and principles set out in the RAF into concrete qualitative statements, quantitative risk appetite metrics and risk appetite thresholds across all material risk types.

SMBC EU Group's RAF and the corresponding RAS are closely integrated with ICAAP and ILAAP.

Capital and liquidity adequacy assessment process

The SMBC EU Group's corporate and risk strategic planning process is performed in alignment and simultaneously with the Bank's capital and liquidity adequacy assessment and planning processes.

The ICAAP and ILAAP are embedded in the SMBC EU Group's broader management framework, linking capital adequacy and liquidity adequacy with strategy, the RAF, the RAS and the Recovery Plan. ICAAP-derived capitalisation levels establish the constraints within which the business model operates, ensuring that growth plans, portfolio structure and risk-taking remain aligned with long-term risk-bearing capacity. The Recovery Plan complements this by defining credible management actions should capital or liquidity pressures arise. ICAAP and ILAAP outcomes are integrated into regular management processes through ongoing capital monitoring. Monthly and quarterly assessments provide early insights into emerging risks, capital trajectories and macroeconomic impacts, enabling timely adjustments. The annual ICAAP and Multi-Year Plan (MYP) cycle anchors the medium-term capital plan, informs risk appetite calibration and strategic priorities, and supports decisions such as remuneration and dividend distribution to ensure long-term capital adequacy. The ICAAP is an ongoing process with mutually reinforcing elements and several feedback loops, and also includes alignment with SMBC EU Group's ILAAP, which follows the same key principles.

In line with the terminology introduced by the *ECB Guide to the ICAAP* and the *ECB Guide to the ILAAP*, SMBC EU Group distinguishes two perspectives that mutually inform each other:

- *Normative perspective* – a multi-year assessment of the institution's ability to fulfil all of its capital-related and liquidity-related regulatory and supervisory requirements and demands and to cope with other external financial constraints on an ongoing basis.
  Capital adequacy is articulated via the Total Capital Ratio and Leverage Ratio against SMBC EU Group's risk appetite.
  Liquidity adequacy is articulated via Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) against SMBC EU Group's risk appetite (in the ILAAP).
- *Economic perspective* – under which the institution is expected to identify and quantify all material risks that may cause economic losses and deplete internal capital and/or negatively affect its internal liquidity position.
  Capital adequacy is articulated via the Economic Capital (Utilisation) Ratio against SMBC EU Group's risk appetite. As at ICAAP 2026, the Economic internal perspective is also implemented as a multi-year assessment.
  Liquidity adequacy is articulated via the funding cost Value at Risk (VaR), projected seven-day NSFR excess (Projected NSFR), survival periods and Long-Term Funding (including capital) to Loan Ratio (LLR) against SMBC EU Group's risk appetite (in the ILAAP).

The SMBC EU Group performs an ICAAP and ILAAP on an annual basis. The ongoing adequacy of resources is also monitored throughout the financial year.

Annual ICAAP and ongoing assessment

The annual Internal Capital Adequacy Assessment Process and the ongoing assessment and monitoring of risk-bearing capacity are overseen by the appropriate governing bodies within the SMBC EU Group. The ERMC has been designated as the principal forum for steering ICAAP-related activities, including progress tracking, results review, and the validation of underlying models and assumptions. The Executive Board remains ultimately accountable for the oversight of the institution's risk-bearing capacity assessment.

During the annual capital assessment exercise and review process, regular updates are made to the Executive Board on the progress of the analysis and all supporting components, having first been discussed, reviewed and challenged in the ERMC.

The continuous monitoring of the SMBC EU Group's risk-bearing capacity is also within the remit of the ERMC. The reporting of the risk-bearing capacity assessment is split into three parts:

- Monthly point in time calculations are made under both normative and economic approaches excluding planning components and modelling of adverse stress scenarios.
- Quarterly calculations are made under both approaches, incorporating three-year planning parameters as defined in the annual ICAAP review process. This includes all adverse macroeconomic scenarios currently defined in the ICAAP – as well as a stress analysis from an economic perspective. While most scenarios are assessed quarterly, the ESG scenario is reviewed and recalculated on an annual basis in line with its specific methodology. Additionally, the validity of the scenarios is being reviewed in light of the current changes in the economic outlook.

– As part of the annual ICAAP, the parameters for capital planning – including the base case and stress scenarios – are set, approved and calibrated. These parameters remain valid until the next ICAAP cycle unless a revision is deemed necessary during the financial year. To ensure the ongoing validity of the scenarios, the underlying parameters are monitored on a quarterly basis. Significant deviations in macroeconomic indicators beyond predefined thresholds may trigger a review and, if necessary, an update of the scenarios within the financial year. Additionally, material changes in the Bank's business strategy may also prompt a re-evaluation and re-planning of the ICAAP assumptions. As a key element of the annual ICAAP, risk appetite limits and tolerances are defined. This includes individual risk limits in the economic perspective, overall risk limits in the economic and normative perspectives, and specific limits such as position limits for syndication, to determine the framework for the use of capital within the scope of the two capital measurement approaches. These tolerances and the associated limits and control measures are used to monitor and manage the risk-bearing capacity and the underlying assumptions.

The Bank's risk-bearing capacity was assessed as adequate, even under stressed conditions, in line with regulatory requirements from both perspectives.

Core risk management processes comprising the Risk Management Framework

Risk identification and assessment

The basis for SMBC EU Group's risk management and internal control system is to ensure that its material risks and associated concentrations are adequately identified and assessed. SMBC EU Group has several processes to ensure its risks are identified and assessed appropriately, which include the risk register process, the Transmission Channel Analysis for ESG risks and Top Risk process.

The risk register process is the key process and is designed to comprehensively identify and assess the materiality of risks in line with regulatory requirements under Principle 4 of ECB's 2018 Guide to the ICAAP, MaRisk AT 2.2 (risk profile) and AT 4.3.2 (risk controls).

The following risks have been identified as material:

– Credit risk – especially credit quality and concentration risk
– Market risk – especially interest rate risk in the banking book and credit spread risk in the banking book
– Liquidity risk – especially solvency risk, funding concentration risk, funding cost risk, and intra-day liquidity risk
– Operational risk – especially fraud; employment practices and workplace; clients, products and business practices; business disruption and system failure as well as execution, delivery and process management
– Enterprise risk – especially business risk, reputational risk and Group risk

The risk register results inform other key ICAAP and ILAAP elements including risk appetite, risk measurement and stress testing. More precisely, all material risks are quantified and covered by the Risk Appetite Framework and therefore subject to heightened oversight and analysis. As such, they are also subject to enhanced scrutiny, including targeted stress testing and scenario analysis, to assess their potential impact on SMBC EU Group's capital and liquidity adequacy and risk profile under both baseline and adverse conditions.

ESG-related risks are not considered as a standalone risk category. However, ESG-related risks act as drivers of the original risk categories. To assess the extent of the impact of ESG factors on the risk categories, SMBC EU conducted a transmission channel analysis for short-, medium- and long-term time horizons. ESG transmission channels describe the causal relationship of how ESG risk drivers transform ESG factors into potential adverse impacts at the level of the original risk categories. ESG factors assessed as having a material impact on original risk categories are integrated in the existing risk framework and processes. A material impact within the risk register time horizon has been identified for governance-related risk drivers with respect to operational and enterprise risk categories and without the need to alter risk register original materiality, in line with the prior year assessment.

Risk measurement and quantification

Capital demand: Risk measurement methodologies and models are applied to quantify the capital required to cover all material risks and non-material but quantifiable risks identified by SMBC EU Group (excluding those that cannot be adequately limited by capital or are measured in ILAAP or via stress testing in the adverse scenario planning, e.g. enterprise risks). Risks are measured and reported using accurate, complete and timely data using approved models subject to EMEA Model Risk Management Framework, including regular independent model validation.

SMBC EU Group's ICAAP differentiates between the normative and economic perspective. This is reflected in the risk measurement process, which distinguishes between regulatory (Pillar 1) capital models (which form an input into the normative perspective) and internal economic capital models (which form an input into the economic perspective).

Regulatory capital models

Under the normative perspective of ICAAP, SMBC EU Group applies regulatory 'Standardised Approach' (SA) models as provided in the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) to measure risk-weighted assets to determine the regulatory capital requirement for Pillar 1 risks.

- **Credit risk:** SMBC EU Group measures credit risk using the Standardised Approach, which applies prescribed regulatory risk weights to credit exposures to calculate Pillar 1 requirements and includes counterparty credit risk (CCR) arising from derivatives and securities financing transactions. For derivatives, SMBC EU Group applies the SA-CCR Framework.
- **CVA risk:** For derivative exposures, SMBC EU Group recognises credit valuation adjustment (CVA) risk, which reflects the potential loss in derivative value due to a deterioration in the counterparty's credit quality. SMBC EU Group incorporates CVA risk into its Risk Weighted Asset (RWA) calculation using the basic approach permitted under article 384 (2) of the CRR, selecting the applicable method (standardised, basic or simplified) in line with its regulatory permissions and portfolio characteristics.
- **Operational risk:** Since the amended CRR became effective on 1 January 2025, SMBC EU Group's operational risk capital requirements are calculated using the new Standardised Measurement Approach (SMA), in accordance with CRR Part Three, Title III, Articles 311a to 315.
  Accordingly, RWA for operational risk is calculated using the Business Indicator Component (BIC).
  The Business Indicator (BI) is calculated using SMBC EU Group's income and expenses, providing a measure of SMBC EU Group's operational risk exposure.
  These components are all based on an average of audited figures from the financial statements of the last three financial years.
- **Market risk:** The market risk capital requirement is calculated using the Standardised Approach, as outlined in CRR Part Three, Title IV, Chapter 2 (debt and equities position risk), Chapter 4 (commodities risk) and Chapter 3 (foreign exchange risk). A switch to the Fundamental Review of the Trading Book (FRTB) approaches is planned for 2027.

Internal economic capital models

For the measurement of capital requirements under the economic internal perspective of ICAAP, SMBC EU Group applies various internally developed risk quantification approaches and models to measure the material risks, including Pillar 1 (P1) risks that are not, or not adequately, covered in the regulatory P1 models.

The models used for the economic internal perspective are based on the following principles:

- Comprehensive Risk Quantification: The economic capital models aim to adequately quantify all material and non-material risks SMBC EU Group is exposed to, except those that cannot be adequately limited by capital or measured in ILAAP or via adverse scenario planning or stress testing.
- Robust and Conservative Risk Quantification: The economic capital methodologies are sufficiently conservative to quantify rare losses, using a confidence level of 99.9% over a one-year horizon period in the economic perspective.
- Consideration of Diversification and Concentration Effects: The economic capital models aim to reflect diversification and concentration effects within the portfolio and risk type.

Stress Testing Framework

The SMBC EU Group uses a range of stress testing methodologies across the various risk categories. The methodologies, assumptions and results are submitted to the Enterprise Risk Management Committee for discussion and review and are ultimately approved by the Executive Board. The Bank's Stress Testing Framework includes: (i) adverse scenarios; (ii) operational risk scenario analysis; and (iii) reverse stress tests. Regarding the macroeconomic stress scenarios, the SMBC EU Group defined three different stress scenarios – a global recession, an EU recession and an ESG scenario – which are applied in the ICAAP and ILAAP.

The parameters for the calculation of these adverse scenarios are defined on a yearly basis within the ICAAP to reflect current market conditions and outlook. Each scenario, including a baseline which supports the Multi-Year Plan, is described with a storyline of drivers and benchmarked against regulatory scenarios. As stipulated by MaRisk, at least one scenario is a macroeconomic scenario, with a description of the scenario for the years 1 to 3 in the planning period. These scenario narratives are translated into a set of macroeconomic parameters for calculation of the scenario effects which are achieved by comparison against the impact of the baseline scenario. Although the scenarios are defined annually, they are monitored on a quarterly basis to ensure they remain relevant. If material deviations are observed – based on predefined thresholds, this would trigger a review and potential update of the scenarios to maintain alignment with evolving market conditions.

Stress testing and scenario analysis

The SMBC EU Group employs a comprehensive Stress Testing Framework across key risk categories, including credit, market, liquidity and operational risks. A variety of quantitative and qualitative stress testing methodologies are used to assess the Group's resilience under adverse conditions. These methodologies are designed to capture both idiosyncratic and systemic risk factors.

The design, assumptions and outcomes of all stress tests are reviewed by the relevant Risk Committees and are subject to challenge and validation before final approval by the Executive Board. This governance structure ensures that stress testing remains an integral part of the Group's risk management and strategic decision-making processes.

The framework includes the following components:

1. **Macroeconomic stress scenarios:** Two forward-looking scenarios are developed based on severe but plausible macroeconomic shocks (e.g. recession, interest rate spikes, geopolitical tensions). These scenarios assess the impact on capital adequacy, profitability and liquidity.
2. **ESG scenario analysis:** This scenario evaluates the financial impact of sustainability risks, focusing on an early and orderly policy response consistent with a transition pathway aligned with the Paris Agreement (Highway to Paris scenario), in line with the newly developed Network for the Greening of the Financial System (NGFS) short-term scenarios. It reflects elevated transition risks and physical risks, and is complemented by idiosyncratic risk elements such as operational, reputational and business model risks.
3. **Reverse stress testing:** This method identifies scenarios that could render the Group's business model unviable, helping to uncover hidden vulnerabilities and define risk thresholds.

Together, these stress testing components provide a robust view of the Group's risk profile under extreme but plausible conditions, supporting proactive risk mitigation and capital planning.

Risk reporting

Regular and event-driven ad-hoc reporting on the risk profile of the Bank is submitted to the Risk Committees, the Executive Board and the Supervisory Board according to the terms of reference of each committee/meeting and as required by the economic environment. Limit and Early Warning Indicators are linked to a severity-based documented escalation process.

2. Management of Individual Risks

Credit risk

Credit risk at the level of individual counterparty and loan

As a bank focused on corporate lending, credit risk is the largest risk facing the Bank. In general, the SMBC EU Group assesses and manages the credit risk of individual loans using SMBC Group policies and procedures which have been adapted to local legal and regulatory requirements and specificities. The SMBC EU Group uses the global Internal Ratings Framework from the SMBC Group to derive ratings for the credit risk of credit counterparties. The ongoing performance and validity of these rating models is managed in compliance with the SMBC EU Group's Model Risk Management Framework.

At the time of its establishment, the SMBC EU Group implemented a credit approval process that has been progressively enhanced to reflect the Group's growth. In addition to further organisational measures, the credit approval function was strengthened through the expansion of the leadership team. This measure resulted in a broader distribution of responsibilities and increased capacity within the credit approval process. All credit decisions are taken by the SMBC EU Group's Executive Board or delegated bodies which are stipulated in SMBC Bank EU AG Credit Approval Authority Policy and follow an approval path that ensures the continuous segregation of duties. All credit risk decisions are taken after an initial recommendation by both the local front office and the credit risk analysis department (back office).

The Credit Risk Analysis Department is responsible for credit monitoring and the management of underperforming loans. Risk quantification is carried out through continuous monitoring of the obligor's performance under existing credit facilities, combined with periodic formal reassessments of the obligor's financial condition. This process includes regular reviews and updates of internal credit ratings, which serve as a key input for both economic capital modelling and regulatory capital calculations.

Credit portfolio risk

The quality of the credit portfolio, including concentration risks, is managed through a set of tolerances and limits set on single obligor groups, countries and economic sectors.

To manage the exposure to a single counterparty within the agreed internal single obligor limit, the SMBC EU Group uses a credit risk transfer mechanism (the risk participation scheme) under which the credit risk of the counterparty is transferred to another SMBC Group entity (generally SMBC Brussels Branch). To mitigate the exposure to the SMBC Group created by the risk participation, SMBC EU can call collateral (usually provided as cash) from the SMBC Group up to the entire amount of the committed covered exposure.

Credit risk capital requirements

In the normative perspective, SMBC EU Group applies the Standardised Approach under Pillar 1 to calculate regulatory capital requirements for credit risk.

In the economic perspective, the economic capital requirement for credit risk is calculated using a correlated VaR credit risk model, which estimates the loss distribution of the portfolio based on fair value changes due to credit rating migrations. The model also accounts for concentration risk, ensuring that exposure to individual counterparties, countries and economic sectors is appropriately reflected in the overall risk profile.

As at March 2026, in the normative perspective, the RWAs amount to EUR 22,373.2 million (PY: EUR 20,207.0 million). In the economic perspective, the economic capital requirement for credit risk is EUR 668 million (PY: EUR 687 million).

Structure of the loan portfolio as at 31 March 2026

SMBC EU employs two key approaches to measure credit exposure: gross exposure and net exposure. These approaches provide different perspectives on the Bank's risk profile and are essential for effective credit risk management.

Gross exposure

Gross exposure represents the total nominal amount of a credit facility before any risk mitigation techniques are applied. It reflects the full size of the Bank's initial commitment and is used to assess the overall scale of credit activity.

Net exposure

Net exposure, on the other hand, reflects the amount of risk retained on the Bank's books after applying risk participations or other risk transfer mechanisms. This measure provides a more accurate view of the Bank's actual credit risk, taking into account the effects of risk mitigation.

A key factor in the difference between gross and net exposure is the use of risk participation. This is a risk management tool that allows the Bank to transfer portions of its exposure to other financial institutions within the wider SMBC Group, thereby helping to manage internal limits, concentration risk and overall credit risk more effectively.

Total credit exposure

When reconciling the total committed loan exposure with the balance sheet, it is important to note that the Nostro account balances – EUR 14.2 billion with the Deutsche Bundesbank (PY: EUR 6.1 billion), EUR 0.06 billion with Banque de France and EUR 2.5 billion with SMBC entities – are excluded from the total exposure amount.

Total committed credit exposure as at the end of March 2026 on a gross and net basis:

	Risk exposure amount as at 31.03.2026 (in million EUR)	Receivable amount as at 31.03.2025 (in million EUR)
Total gross exposure[13]	**40,188**	30,405
Total net exposure[14]	**34,495**	29,219
Net take %	**85.83%**	96.10%
Risk participation engagement	**5,693**	1,186
Risk participated exposure %	**14.17%**	3.90%

13 Before risk participation.
14 After risk participation.

Credit quality

For the purposes of credit risk management and credit risk capital assessment, the SMBC EU Group uses SMBC global internal ratings. Each internal rating reflects a probability of default (PD). For corporate customers, these internal ratings are assigned based on a quantitative and qualitative assessment of the borrower's financial standing and economic and business position.

Based on the Bank's internal rating model, the quality of the portfolio, under consideration of guarantees received, as at 31 March 2026, was distributed as follows:

Internal rating linked to annual PD	**Net exposure as at 31.03.2026 (in million EUR)**	Net exposure as at 31.03.2025 (in million EUR)
PD < 0.2%	**24,081.08**	20,412.41
0.2% <= PD < 2.0%	**7,908.22**	7,260.92
PD => 2.0%	**2,285.95**	1,545.42

The largest portion of the portfolio, EUR 14.00 billion, is concentrated in loans with a very low PD between 0.14% and 0.17%, reflecting strong credit quality. In contrast, loans with a PD of 1% or higher represent a small share of the total portfolio, amounting to just EUR 3.72 billion in net exposure. This distribution highlights the overall high credit quality of the SMBC EU Group's lending portfolio as at 31 March 2026. As at the end of March 2026, there were five customers with an impaired credit facility. In comparison with the previous reporting period, the average portfolio PD of the Bank has remained stable at 0.68% (PY: 0.68%). Nonetheless, the development is subject to continued close monitoring to ensure early identification of any emerging trends or potential risk concentrations.

Total exposure to non-performing loans was EUR 64.94 million as at the end of March 2026 (PY: EUR 63.39 million). The non-performing-loan (NPL) ratio[15] as at 31 March 2026 stood at 0.43% (PY: 0.44%).

Single counterparty exposure

The internal limit is dependent on the customer's internal credit grading. For example, the EUR 1.1 billion limit applies specifically to customers with the highest internal rating (G1). This limit is set below regulatory thresholds, providing a management buffer and ensuring a more conservative risk posture.

By aligning internal limits with credit quality, the Bank ensures that exposure levels are appropriately calibrated to the risk profile of each counterparty. The net committed exposure to the top 10 counterparties accounted for 20.36% (PY: 17.94%) of the total portfolio net committed exposure.

15 The NPL ratio follows the European Banking Authority (EBA) definition AQT 3.2. 'Level of non-performing loans and advances'. Receivables to central banks daily due and off-balance exposures are not considered.

Country concentration

The country concentration as at 31 March 2026 is shown in the table below:

	Net exposure		Gross exposure	
Country	**as at 31.03.2026 (in million EUR)**	as at 31.03.2025 (in million EUR)	**as at 31.03.2026 (in million EUR)**	as at 31.03.2025 (in million EUR)
France	**9,048.60**	2,501.70	**11,813.30**	2,501.70
Italy	**4,709.30**	4,253.20	**5,819.10**	5,247.00
Netherlands	**3,408.63**	3,800.90	**3,668.64**	3,800.90
Spain	**3,232.81**	3,224.10	**3,232.81**	3,224.10
Germany	**2,639.00**	2,375.50	**2,680.60**	2,375.50
Japan	**1,750.60**	2,384.30	**2,262.40**	2,576.60
Luxembourg	**1,663.40**	1,212.40	**1,755.80**	1,212.40
Other	**7,822.90**	9,466.70	**8,735.15**	9,466.70

The country is defined as the risk country of the guarantor (if any) or the counterparty (i.e. the country where most of the revenues are generated) and is subject to a dynamic exposure limit based on CET1 capital, country rank and geographical interest (EMEA vs. Non-EMEA), except for the following countries which are subject to different limits:

- Japan EUR 10,735 million
- Eastern European countries with increased risk due to the Russia-Ukraine conflict, which have a limit of 50% of CET1

The exposure in France has experienced a strong increase year-on-year, due to the onboarding of the Paris Branch.

Sector concentration

The sector concentration is shown in the following table. The sector exposure of the Bank is well diversified and is subject to a limit of 100% of CET1 with respect to each sector.

	Net exposure		Gross exposure	
Economic sector	**as at 31.03.2026 (in million EUR)**	as at 31.03.2025 (in million EUR)	**as at 31.03.2026 (in million EUR)**	as at 31.03.2025 (in million EUR)
Electric Utilities	**3,285.02**	3,143.90	**3,584.92**	3,143.90
Real Estate Operating Companies	**1,938.25**	2,129.60	**2,013.25**	2,129.60
Renewable Electricity	**1,789.18**	991.60	**2,108.56**	991.60
Integrated Telecommunication Services	**1,638.96**	936.40	**1,677.46**	936.40
Diversified Banks	**1,425.42**	1,430.80	**1,429.39**	1,430.80
Alternative Carriers	**1,303.81**	1,229.50	**1,303.81**	1,229.50
Other Diversified Financial Services	**1,234.87**	–	**1,522.27**	–
Internet Services & Infrastructure	**1,088.51**	1,160.70	**1,188.51**	1,160.70
Integrated Oil & Gas	**1,046.38**	1,096.10	**2,135.57**	1,530.10
Wireless Telecommunication Services	**985.16**	649.30	**1,035.16**	649.30
State-owned Financial Institution	**938.82**	379.44	**943.22**	379.44
Specialised Finance	**765.04**	416.24	**778.36**	416.24
Others	**16,835.83**	15,655.02	**20,247.29**	16,407.12

Compared with the previous year, the sector concentration of the portfolio has shifted based on net exposure, especially exposures to both Renewable Electricity and Other Diversified Financial Services, reflecting a significant increase in lending activity within these key economic areas.

Market risk

Definition

Market risk is defined as the risk of losses in on- and off-balance sheet positions arising from movements in market prices. These movements include fluctuations in interest rates, foreign exchange rates, equity prices and credit spreads, which can impact the market value of financial instruments.

The Bank's risk register distinguishes between two primary components for market risk:

- market risk in the trading book; and
- market risk in the banking book.

The classification of transactions into either book is determined at inception by the responsible product desk, based on the stated trading intent.

Market risk in the trading book:

- *Interest rate risk:* The risk of loss arising from adverse movements in interest rates or yield curves affecting trading positions such as interest rate derivatives, bonds and related instruments.
- *FX risk:* The risk that movements in FX rates adversely affect the economic value of trading book position in non-reporting currencies.
- *Credit spread risk:* The risk that the market value of credit instruments will change due to fluctuations in credit spreads, independent of changes in the issuer's creditworthiness.
- *Credit valuation adjustment (XVA) risk:* XVA is an adjustment to the fair value (or price) of derivative instruments to account for a number of variables (counterparty credit risk, own credit risk and collateral funding cost risk). Thus, XVA is commonly viewed as the price of these factors. This price depends on credit spreads, funding cost and counterparty credit risk as well as on the market risk factors that drive derivatives' values and, therefore, exposure. One of the XVA components risk is CVA risk, i.e. the risk of loss arising from changes in the credit valuation adjustment of derivative counterparties, driven by market volatility.

Market risk in the banking book:

- Interest rate risk in the banking book (IRRBB) refers to the risk to a bank's capital and earnings arising from changes in interest rates that affect non-trading (banking book) positions, primarily through their impact on the economic value of equity and net interest income.
- *FX risk in the banking book (FXRBB)* – is the risk that movements in FX rates adversely affect the economic value of banking book position in non-reporting currencies.
- *Credit spread risk in the banking book (CSRBB)* – is defined as the risk arising from changes of the market price for credit risk, for liquidity and for potentially other characteristics of credit-risky instruments, which is not captured by another existing prudential framework such as IRRBB or by expected credit/(jump-to-) default risk. CSRBB captures the risk of an instrument's changing spread while assuming the same level of creditworthiness.

Governance

SMBC EU has established a framework in relation to market risk management under normal and stressed conditions as well as a Trading and Booking Strategy.

The Asset & Liability Risk Management Committee (ALMC) is the main risk governance body for the debate and challenge of market risk. As for individual trades of the Bank, the approval process for individual trades is described in the Transaction Approval Committee (TAC) procedure.

Asset and Liability Management (ALM) Group in Global Markets Department is responsible for managing risk including intra-day in compliance with the Bank's risk appetite and within the Market Risk Limit Framework. The Global Markets Department conducts all secondary market sales and trading activities and can also participate in other departments' primary market activities, for example by providing pre-hedging on bond issuances.

Risk strategy and appetite

The SMBC EU Group's risk appetite for market risk is low. For the banking book, an active hedging strategy is in place. Risks to a minor extent remain in relation to credit spread risk, foreign currency risk (FX risk), CVA risk and the basis risk from derivative transactions. The trading book business is fully covered through a back-to-back strategy with Group companies with congruent maturities and amounts. Also, the market price risk from other capital market activities, such as trading in fixed-interest securities or issuing securities, is zero, as the hedging with SMBC CM Ltd. London is carried out completely and without risk.

Risk measurement and monitoring

SMBC EU Group manages market risk for trading and banking book separately under core and non-core limits, guidelines and monitoring lines as well as the Pillar 2 capital requirements. In general, the Bank's market risk profile is measured on a daily basis with the results against the relevant limit reported to the Bank's management. If there is an excess of the limit/guideline/monitoring line, it is promptly reported to the ALM Group to take action.

The ALM Group is responsible for monitoring and management of both market risk and liquidity risks inherent in SMBC EU's banking book on a day-to-day basis, ensuring compliance with internal risk limits and external regulations. As trading business is subject to back-to-back strategy, daily zero position is monitored and controlled.

The Bank has established economic capital (EC) requirement metrics to cover all sub-risks of market risk. These EC metrics are classified as Control Metrics with defined risk appetite thresholds according to the Bank's risk appetite statements.

Market risk capital requirements

– *Under the normative perspective,* the capital requirement for market risk is calculated using the Standardised Approach, as outlined in CRR Part Three, Title IV, Chapter 2 (debt and equity position risk), Chapter 3 (foreign exchange risk is currently not relevant for SMBC) and Chapter 4 (commodities risk is currently not relevant for SMBC).

At the end of March 2026, the market risk amounts to EUR 24 million RWA.

– *Under the economic perspective,* SMBC EU Group applies various internally developed risk quantification approaches and models to measure the material and quantifiable non-material risks. These models are typically based on historical simulation VaR approaches at 99.9% confidence level.

As at 31 March 2026, the total economic capital requirement for market risk is EUR 80 million.

Foreign currency risk

FX risk is determined by net cash flows in non-Euro currencies, which are mainly driven by currency mismatches in assets and liabilities related to the Bank's banking book. FX risk in the trading book is minimal due to the back-to-back nature of the trades and is mainly driven by margin on client-side in non-Euro currencies. Economic capital quantification of FX risk is done using a historical simulation VaR approach at 99.9% confidence level by simulating the historical FX profit and loss (PnL) with the current FX exposure of the portfolios and the historical market data movements.

In the economic perspective, the foreign currency risk as at the end of March 2026 is EUR 20 million.

Interest rate risk in the trading book

Interest rate risk in the trading book arises from the derivatives trading business with customers. In accordance with the trading strategy, all positions are closed out by means of corresponding mirror transactions on a back-to-back basis. A residual interest rate basis risk arises from mismatch on CSA agreements between customers and group companies. This risk is measured and monitored using limits on basis point value (BPV), VaR and stop-loss limits.

In the economic perspective, a VaR at 99.9% confidence level is calculated using a historical simulation VaR approach which estimates the potential loss at a given confidence interval over a predefined holding period, assuming no change in portfolio composition. As at 31 March 2026, the economic capital requirement for IRRBB is EUR 4 million.

Interest rate risk in the banking book

IRRBB arises from the loan business with customers. All interest bearing positions with a fixed interest rate and a remaining maturity of more than one year are fully hedged through back to back offsetting transactions with matching maturities and notional amounts. The interest rate risk in the banking book VaR model quantifies the potential losses the Bank might face with regard to present value changes due to interest rate volatility.

For the economic perspective, a confidence interval of 99.9% is used. As at the end of March 2026, the economic capital requirement amounts to EUR 22 million.

Credit spread risk in the banking book

CSRBB is driven by changes in the market price for credit risk, for liquidity and for potentially other characteristics of credit-risky instruments, which are not captured by another existing prudential framework such as IRRBB or by expected credit/(jump-to-) default risk. CSRBB captures the risk of an instrument's changing credit spread while assuming the same level of creditworthiness.

The range of products that are potentially sensitive to credit spread change includes all on- and off-balance positions.

For the economic perspective, a historical VaR approach is applied, where generic yield curves are used to determine the credit spread for underlying exposure.

As at 31 March 2026, the economic capital requirement for CSRBB amounts to EUR 5 million.

CVA risk

The CVA risk in SMBC EU arises primarily from the derivatives business, with customers not covered under the SMBC Tokyo Guarantee.

Within the economic perspective of the ICAAP, CVA risk is taken into account as the potential loss in value resulting from changes in the credit assessment of derivative positions. The risk estimation is based on potential changes in relevant market and credit risk factors, in particular interest rates, exchange rates, market prices and credit spreads, which may affect the CVA value of the portfolio. These risk factors influence the expected exposure to counterparties as well as the credit-risk-related valuation of derivative positions.

The consideration of CVA risk within the economic perspective ensures that potential losses arising from market value adjustments as a result of a deterioration in the credit quality of counterparties are adequately reflected in the internal capital adequacy assessment. Consequently, CVA risk is consistently incorporated into the risk-bearing capacity analysis and addressed within the framework of economic capital allocation.

As at end of March 2026, the economic capital requirement for CVA risk is EUR 5 million.

Loan underwriting risk

SMBC EU Group engages in syndication in the form of loans, facilities and guarantees. The underwriting business was established with the explicit objective of distributing loans in the secondary market, except for the portion retained by the SMBC EU itself. These retained positions are fully covered through the Group's credit risk calculation to ensure appropriate risk assessment and capital adequacy.

This objective of placing and selling positions on the market also generates a market risk component – namely, the credit spread risk, in which the value of the loan may decline during the underwriting period – which is actively monitored and limited. The limit structure includes controls for total unsold risk exposure, both at the product level and in aggregate.

A stress loss is computed monthly based on the unsold exposure for that month. Shock factors in credit spreads are computed over a 12-month period. The stress loss is quantified as the product of the unsold exposure, validated standard duration factors and spread shock factors.

The underwriting stress loss, calculated based on the unsold underwriting position as at the end of March 2026, was EUR 1 million. Due to the volatile nature of the business, underwriting risk fluctuates significantly. As underwriting risk is calculated based on unsold positions, the very low volume of such positions as at 31 March 2026, resulted in very low underwriting risk at that reporting date.

Liquidity risk

Background and risk strategy

The Liquidity Risk Management Framework ensures that the SMBC EU Group maintains an adequate level of liquidity in all plausible scenarios and appropriately plans future funding and liquidity requirements. SMBC EU Group has implemented a liquidity contingency plan to define measures and steps to be taken in case of a deterioration of the liquidity and funding position of the Bank.

In accordance with the Risk Appetite Framework, the SMBC EU Group aims to achieve solid liquidity management and a well-diversified financing structure.

Liquidity risk is controlled within the 3 LOD model. As the first line of defence, the ALM Group in Global Markets Department manages the liquidity risk. The risk management department represents the second line of defence and is responsible for establishing the Liquidity Risk Management Framework and the exercise of oversight. Internal Audit, as third line of defence, audits the adequacy of the internal control systems and if an effective internal control environment has been established.

The assessment of liquidity needs is fully integrated into the annual strategic planning process through ILAAP.

The ILAAP is aligned with the corporate strategy and with the capital assessment process (ICAAP) and considers the funding requirements required to support the corporate strategy. Through the risk identification and assessment processes, the ILAAP identifies the scenarios and risks that are relevant for the SMBC EU Group and measures those risks in relation to short-term and longer-term base and stressed environments. The ILAAP is assessed, documented and reviewed at least annually and approved by the Executive and Supervisory Boards. For FY2025/26, it was approved by the Executive Board and the Supervisory Board in March 2025 and is the basis for the management of liquidity in FY2025/26.

The ILAAP reviews all elements of the Liquidity Risk Framework, including the liquidity risk appetite (including all associated risk metrics), the Stress Testing Framework and the contingency plan.

Liquidity risk monitoring and key performance indicators

In accordance with the Bank's risk profile and ILAAP requirements, the NSFR and LCR have been monitored daily.

The NSFR is a regulatory metric that requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. The required stable funding has always been met in accordance with the NSFR requirements.

The LCR is another regulatory requirement that ensures banks hold enough High Quality Liquid Assets (HQLA) to cover their total net cash outflows over 30 days during a period of intense financial stress. The aim is to promote short-term resilience of banks to potential liquidity disruptions by ensuring they can meet their immediate obligations without being forced to sell assets at a loss. The SMBC EU Group maintained a HQLA buffer, held in cash at Deutsche Bundesbank.

For the management of the liquidity position in the day-to-day business, the SMBC EU Group has implemented three main measurements: internal measures such as Money Gap survival period and other EWIs, in addition to the regulatory metrics. Money Gap is the Bank's primary method for monitoring and managing its business-as-usual dispositive liquidity requirements. The purpose of the Money Gap is to limit the SMBC EU Group's reliance on short-term funding (its scope includes assets and liabilities with tenors between overnight and one month) as well as to ensure a sufficient level of day-to-day liquidity. The limits and framework are reviewed on an annual basis and approved by the Executive Board.

Other risk measurement and controlling measures include a Stress Testing Framework and EWI Framework focusing on market indices and benchmarks and key idiosyncratic liquidity metrics. The survival period, EWIs, as well as other limits and tolerances are linked to the Bank's liquidity contingency plan.

Risk factors

An increase in liquidity risk may arise through the following risk factors, either alone or in combination:

- Funding cost risk
- Drawdown risk
- Funding concentration risk
- Intra-group reliance risk

Liquidity stress tests

As part of the ILAAP process, the SMBC EU Group assesses its key liquidity risk drivers. Liquidity stress tests are used to test the vulnerability to liquidity outflows and the adequacy of its liquidity buffer in market, idiosyncratic and combined scenarios.

Liquidity Stress Testing Framework

The Liquidity Stress Testing Framework is designed to assess the adequacy of the Bank's liquidity buffer under certain liquidity stress testing scenarios at a given point in time and incorporates several elements based on the risk assessment to determine an appropriate level of risk appetite. The following stress tests are incorporated into the Liquidity Stress Testing Framework:

1. Stress test to determine the survival horizon: Liquidity stress test that is calculated as part of the SMBC EU Group's survival horizon threshold at a specific point in time on the basis of stressed outflow and inflow rates according to specific scenarios. Survival horizon stress tests are formally reported monthly and monitored daily.
2. Reverse stress test: Monthly stress test used to ascertain the circumstances under which the SMBC EU Group could not survive for a minimum 30 days with elevated deposit outflow and committed facilities drawdowns.
3. FX stress test: Monthly stress test of non-Euro major currencies to understand the liquidity impact of foreign currency positions.
4. Intra-day liquidity stress test: Monthly stress test to better understand the intra-day condition and to allow further evaluation of potential stress situations and determine early response actions.
5. Ad-hoc: Additional balance sheet-specific liquidity stress test scenarios might be used according to idiosyncratic or market events.

The risk factors are used as an anchor point when creating the narratives of the scenarios to address the assessed weaknesses of SMBC EU Group.

The scenarios were then selected and created through an identification and assessment process. Regarding the survival stress test, the SMBC EU Group has defined three stress scenarios:

1. Global market recession
2. SMBC idiosyncratic liquidity stress test
3. Combined liquidity stress test (combination of market and idiosyncratic)

As at the end of March 2026, the survival period on the combined liquidity stress scenario (most severe scenario) was over one year due to the strong liquidity position at the month-end and thus above the Bank's threshold of 30 days. In the reverse stress test, the survival period amounted to 29 days identifying the critical point between reverse and regular stress test with regard to deposits outflow and drawdowns under committed lines.

In addition to these liquidity risk-specific stress tests, the SMBC EU Group uses the adverse scenarios as per ICAAP to estimate the impact on its liquidity position, specifically the impact on NSFR and LCR ratios.

Liquidity risk position as at 31 March 2026

The SMBC EU Group's core liquidity and funding source are customer deposit and the head office. As at 31 March 2026, all liquidity limits and ratios were fulfilled, and no limit breach was observed during the last financial year.

As at 31 March 2026, the Bank's HQLA stood at EUR 15.4 billion (PY: EUR 6 billion), all held as central bank reserves at the Bundesbank. LCR stood at 195% (PY: 145%) and NSFR at 156% (PY: 130%).

Funding cost risk

Funding cost risk is a risk arising from higher funding costs due to a shift in funding spreads which are determined as a delta between the market yield curve and the funding curve of the institution. Funding cost risk results primarily from the maturity transformation and the maturity ladder as well as the simulation of funding spreads over market yield.

Economic capital is calculated by measuring the hypothetical additional cost for closure of all open liquidity gaps within the upcoming 12 months at a confidence level of 99.9% applied on simulated funding spreads. Deterministic cash flows including amortisations are used as the basis for the calculation. For the determination of the funding spreads, a historical simulation is used.

As at March 2026, the economic capital requirement for funding cost risk is EUR 22 million (PY: EUR 66 million).

Operational risk

Definition

The SMBC EU Group defines an Operational Risk Event as an occurrence that results in a negative impact for the Bank, either financial (i.e. realised monetary losses/gains) or non-financial (e.g. customer, legal, regulatory, reputational, business disruption). The cause of an Operational Risk Event can originate internally (e.g. from failures in the Bank's own processes, staff functions and systems), or externally (e.g. from the operations of external providers). The diversity of potential operational losses is covered by diverse operational risk scenarios that are identified by process, governance and system owners as well as HR. Significant drivers of operational risk are complexity, weak controls and missing corporate values.

The operational risk taxonomy of the SMBC EU Group is based on industry standards as projected by the Basel Committee on Banking Supervision in the document International Convergence of Capital Measurement and Capital Standards.

Governance:

The operational and non-financial risk strategy is governed through the following bodies:

- The (Group) Operational and General Risk Management Committee (Group OGRMC)
- The Third-Party Management Committee (TPMC)
- The Compliance & AML Committee
- The New Product Approval Committee

Principles and strategy

The Group's strategy for operational risk is to identify and closely control operational risks which are inherent to the business operations and to ensure operational continuation and resilience through all plausible operational disruption and/or incidents.

The operational risk strategy is rolled out through the Group Operational Risk Management Framework, the objectives of which are to identify, assess, quantify, control, monitor, report and escalate operational risks. The cornerstone of the Group's operational risk management strategy is to deeply embed operational risk management into the daily business.

The Bank's Operational Risk Management Framework encompasses the methodologies and process of identifying risks to the Group, measuring exposures of those risks, ensuring that an effective quantification and monitoring programme is in place, taking steps to control or mitigate risk exposures and reporting to the Group OGRMC and Executive Board on the Group's risk exposures and capital positions.

The Group's business model relies extensively on intra-group outsourced operations. The control of these is a key element of the operational risk strategy and Risk Management Framework. Outsourcing risk management is an element of operational risk. It is integrated into the Operational Risk Management Framework but documented separately and controlled through specific metrics and processes under a dedicated Third Party Risk Management (TPRM) Framework and processes.

The TPRM Framework of SMBC EU is strongly built on the EMEA standards of SMBC. These standards fully address the European and local regulatory requirements including those of the MaRisk and the Digital Operational Resilience Act (DORA). A dedicated TPRM policy as well as detailed onboarding, oversight and exit procedures are the fundamentals of the framework.

The TPRM Framework comprises four key components: governance, onboarding, oversight and exit. Fundamentally, it is concerned with assessing service criticality, assessing the third party, mitigating the identified risks and monitoring that relationship on an ongoing basis.

The outsourcing KRI is one of the key risk metrics of SMBC EU's risk appetite dashboard. The TPRM governance is strengthened by a dedicated Third Party Management Committee.

Finally, the operational risk strategy is in close alignment with the Bank's Conduct Risk Framework, owned by the Compliance department. Conduct risk is the risk of behaviours and activities that may result in poor customer outcomes or damage the integrity of the financial markets. The Bank aims to prevent all conduct risks and to run its business in full compliance with regulatory requirements and expectations.

Key elements of the Bank's Operational Risk Management Framework include:

- tolerances related to operational risk;
- Operational Risk Event Reporting;
- Issue Management;
- Risk and Control Self-Assessment;
- New Product and Services Process;
- Governance Framework for the KRI;
- Operational Risk Scenario Analysis;
- Third Party Risk Management;
- Project Impact Risk Assessment (PIRA); and
- training on operational risk.

Risk (appetite) monitoring and reporting

Due to the diverse nature of sub-risk drivers of operational risks, the operational and non-financial risks of the Bank are controlled and monitored through a large array of quantitative and qualitative metrics and KRIs. The Bank typically consolidates the results of these KRIs in a single composite KRI which is classified as a risk metric defining the overall risk appetite for operational risk including outsourcing risk.

Operational risk capital requirements

Under the normative perspective, SMBC EU Group's operational risk capital requirements are determined using the SMA in accordance with CRR Part Three, Title III, Articles 311a to 315. Under the economic perspective, SMBC EU Group uses an internally developed model to quantify operational risk and estimate the economic capital requirement. The model applies a loss distribution approach (LDA) based on historical loss data and additional loss scenarios. The LDA uses a frequency and a severity distribution to calculate operational risk exposure that must be covered with capital (at 99.9% confidence level). The frequency distribution is based on the historical loss events of the SMBC EU Group and SMBC Group as well as external loss data. The severity distribution is based on the results of internal scenario analysis covering potential damages for each operational risk category. In the adverse scenarios, operational risks are stressed by increasing the likelihood of particular events (frequency), that have been considered as affected in the scenario.

As at 31 March 2026, the SMBC EU Group calculates Pillar 1 RWA requirement for operational risk in its risk-bearing capacity calculation of EUR 1,167 million (PY: EUR 850 million). Changes are mainly due to increased operational income. In the economic perspective, the capital required for operational risk amounts to EUR 187 million (PY: EUR 235 million), mainly driven by the assessed increase of operational risk due to Group operations, accompanied by increased process-related requirements and operational tasks.

The central collection of loss data enables the SMBC EU Group to detect specific patterns, concentrations and trends of operational risks. Therefore, in addition to direct losses, SMBC EU Group records indirect losses, near misses, opportunity costs and real concerns, as well as implemented measures. A report of the loss data is provided to the Executive Board on a regular basis. The Board can take additional measures to control risk on this basis.

As at 31 March 2026, the SMBC EU Group had experienced KEUR 676 of operational losses over the last financial year (PY: KEUR 42). In total, 21 operational risk loss events impacting SMBC EU Group were reported.

Risk level	Category	Target/threshold	Actual as at 31 March 2026
High	Fraud and theft	>=33/66	0
Very high	Cyber security	>=33/66	16.7
High	People risk	>=33/66	17.9
Low	Risk related to tax matter	>=33/66	12.5
Very high	Inappropriate change/project management	>=33/66	31.3
High	External vendor and supplier risk	>=33/66	0
Very high	Business disruption due to unavailability of ICT solutions	>=33/66	11.5
Low	Damage to physical assets	>=33/66	0
High	Processing errors	>=33/66	35.7
High	End-user computing (EUC) risk	>=33/66	16.7
Very high	Regulatory adherence/changes	>=33/66	25
Medium	Product design	>=33/66	0
Low	Sales process	>=33/66	12.5
High	Data confidentiality risk	>=33/66	0
Very high	Market conduct	>=33/66	0
Very high	Conflicts of interest	>=33/66	0
Very high	Regulatory breaches – financial crime	>=33/66	4
High	Regulatory reporting failure	>=33/66	0
Medium	Payments and settlement risk	>=33/66	6.25
Very high	Group outsourcing risk	>=33/66	37.5

The overall metric for outsourcing risk deteriorated and was flagged amber as at the end of March 2026.

Enterprise risk

Definition

Enterprise risk comprises risks which could impact the Bank's overall business and operating profile. Accordingly, these risks are related to business execution, reputation and group dependency. These risks have been assessed as material for the Bank, apart from pension obligation risk, which is considered as non-material.

Reputational risks may arise from loss of confidence through SMBC EU Group's actions, peers' actions or unsubstantiated rumours and mainly materialise through business risk and liquidity risks. Business risks encompass a flawed strategy and/or execution, an unfavourable business or competitive environment and mainly materialise through exposure volume and pricing risk. Group risk is closely connected to liquidity risk, especially funding cost risk. Group risk may in turn also increase business risk or lead to operational risks due to the interconnectivity of the Bank with its parent or other Group entities.

Business risk, reputational risk and Group risk are generally cross-risk in nature and typically are closely linked with other risk types such as credit, market, operational or liquidity risk.

Governance

Enterprise risks are generally managed in accordance with the overall Risk Management Framework, which includes frameworks and policies such as the Enterprise-wide Risk Management Framework, the Group's Risk Strategy and Appetite Framework and various risk type level frameworks and policies. Business risk is managed in line with the Group's corporate strategy, business model and strategic planning.

The ERMC is the main risk governance body for the debate and challenge of enterprise risk in the Bank.

Risk strategy and appetite

The Group's strategy for enterprise risk is to maintain robust processes to:

- identify material risks the Group faces as a consequence of its corporate strategy;
- continuously monitor and escalate risk developments in a timely fashion by way of the risk appetite; and
- prepare the Group to withstand extreme but plausible stress scenarios arising from the business environment (both idiosyncratic and market-wide) by maintaining a well-developed Group Recovery Plan that includes a credible list of recovery options.

The Bank operates on a risk continuum, from risk appetite to recovery and eventually resolution. As such, the focus of Enterprise Risk Management is to monitor the risks arising from the corporate strategy in an integrated way and ensure that the various instruments and processes of the Bank's Risk Management Framework work well together.

Enterprise risk capital requirements

Business risk, reputational risk and Group risk are generally cross-risk in nature and typically manifest through other risk types such as credit, market, operational or liquidity risk. Hence, enterprise risks are indirectly covered in the capital requirements of these risks, or they are assessed through scenario analysis with impact on PnL and capital. There are no dedicated internal capital models to measure capital requirements for the individual enterprise-risk types.

ESG-related risks

During the fiscal year, SMBC EU Group continued to enhance the integration of ESG risks into its Risk Management Framework, with a particular focus on strengthening the methodological robustness of the risk identification and assessment processes. The materiality analysis for ESG risks was further refined through the introduction of enhanced scoping criteria, enabling a concise and repeatable alignment of the ESG risk assessment with the business model and exposure profile.

To deepen the sector-specific perspective, the assessment process was broadened to include wider internal stakeholders and sector experts from across the Bank. The Bank leveraged the in-house climate risk model to support the quantification of climate-related impacts and inform the climate-related materiality assessment. In addition, the Bank leveraged physical climate risk data to support a data-driven identification and assessment of physical risk exposures. This strengthened the evaluation of inherent ESG risk drivers and their potential transmission into original categories.

Within the ICAAP Framework, the recently published NGFS short-term scenarios were assessed in relation to the Bank's adverse scenarios. In line with these short-term climate scenarios aligned to the ICAAP horizon, the previous ESG (Net Zero) scenario has been replaced with a more granular scenario consistent with a transition pathway aligned with the Paris Agreement (Highway to Paris scenario). The dedicated ILAAP scenario remains aligned with the ICAAP assumptions to ensure consistency across capital and liquidity planning.

3. Risk and Capital Management

The SMBC EU Group Capital Management Framework is based on the continuous monitoring and assessment of the Bank's risk-bearing capacity. This capacity is determined by calculating the internal capital required to cover all material risks identified through the risk register process, where capital is considered as an appropriate mitigant, as well as relevant non-material risks, ensuring a comprehensive and prudent approach to risk management. The SMBC EU Group assesses its risk-bearing capacity under two complementary perspectives, which are the normative perspective and the economic perspective of ICAAP.

Within the normative perspective, the Group evaluates its capacity to comply with applicable regulatory requirements over a three-year planning horizon under both baseline and adverse scenarios. A clear linkage between the normative and economic perspectives is established to ensure consistency in capital planning. Risks not captured under Pillar 1 are addressed through a Pillar 2 buffer, which is determined based on a three-year economic forecast and in accordance with the Bundesbank Pillar 2 methodology. Under the economic perspective, the SMBC EU Group assesses its ability to absorb all material risks under both baseline and adverse scenarios. Pillar 1 risks are calculated using the Standardised Approach. In addition, all risk types are quantified using economic perspective present value methodologies, ensuring a comprehensive assessment of the Group risk profile. Further details are provided in the section Risk identification and assessment.

Both perspectives are underpinned by a consistent three-year forecast horizon supporting an integrated and forward-looking view of capital adequacy. Under both approaches, all material as well as relevant non-material risks are quantified and aggregated to determine the total capital requirement.

Material risks identified through the risk register process are mitigated through the allocation of capital resources and are incorporated into both the initial capital assessment and the ongoing risk-bearing capacity analysis. Liquidity risk except for funding risk is not covered by capital resources but instead by dedicated liquidity reserves reflecting the primary objective of ensuring sufficient liquidity at all times. Enterprise risk is not directly covered by capital resources. Due to its cross-risk nature, enterprise risk either materialises through other risk types and is therefore indirectly captured within their capital requirements or is assessed through scenario analysis with impacts on PnL and capital.

The aggregated capital requirement is compared with the available financial resources referred to as risk coverage potential. In the FY2026 capital planning assessment for both the normative and economic perspectives, the SMBC EU Group derives its available capital from regulatory capital with specific adjustments applied under the economic perspective to determine economic capital in line with regulatory expectations. These adjustments include, among others, the introduction of an additional buffer for non-material non-quantified risks.

Key risk metrics

The following selected key risk metrics form part of the SMBC EU Group's holistic risk management to assess capital adequacy and liquidity adequacy, The Total Capital Ratio (TCR), Leverage Ratio, Economic Capital (Utilisation) Ratio, LCR and NSFR serve as high level risk appetite metrics and are fully integrated across strategic planning, the Risk Appetite Framework, stress testing as well as recovery and resolution planning practices, which are reviewed and approved by the Executive Board at least annually.

SMBC Bank EU AG Group	Value as at 31.03.2026 (in % or million EUR)	*Value as at 31.03.2025 (in % or million EUR)*
Total Capital Ratio	24.6%	*27.2%*
Leverage Ratio	11.8%	*16.6%*
Economic Capital (Utilisation) Ratio[16]	17.5%	*21.3%*
Liquidity Coverage Ratio	195.0%	*145%*
Net Stable Funding Ratio	156.0%	*130%*

16 Value applying models and concepts for FY2026.

Most metrics remained stable or improved between 31 March 2025 and 31 March 2026 at levels well above the regulatory minimum requirements and within the Bank's risk appetite. More details on the capital adequacy results are provided below.

Capital adequacy results under the normative perspective

The following table shows the risk profile of SMBC EU Group in terms of RWA by risk type, the available Total Capital and the Total Capital Ratio compared with the regulatory Overall Capital Requirement (OCR) as at 31 March 2026 and as at 31 March 2025.

SMBC Bank EU AG Group	Value as at 31.03.2026 (in % or million EUR)	*Value as at 31.03.2025 (in % or million EUR)*
Total Capital	**5,790**	***5,642.11***
Total RWA	**23,564**	***21,746.9***
of which credit risk	22,373	*20,150.7*
of which market risk	24	*2.5*
of which operational risk	1,167	*593.8*
Total Capital Ratio	**24.6%**	***27.20%***
Overall Capital Requirement	13.12%	*14.4%*
Pillar 1 Requirement	8.0%	*8.0%*
Combined Buffer Requirement (CBR)	3.37%	*3.4%*
SREP Pillar 2 Requirement (P2R)	1.75%	*3.0%*

The TCR reduced from 26.8% to 24.3%, mainly driven by increased RWA as a result of the SMBC BI Paris Branch integration in February 2026, whilst Total Capital remained stable. The regulatory capital requirement in terms of the Overall Capital Requirement decreased from 14.4% to 13.0%, primarily driven by a reduction of the SREP Pillar 2 Requirement from 3.0% to 1.75%. The results demonstrate that SMBC EU Group is adequately capitalised under the normative perspective of ICAAP, ensuring a prudent capital position that supports the Group's risk-bearing capacity and strategic objectives.

Capital adequacy results under the economic perspective

The following table shows the risk profile of SMBC EU Group in terms of economic capital requirements by risk type, the available economic capital resources and Economic Capital Utilisation Ratio as at 31 March 2026 and as at 31 March 2025.

The results as at 31 March 2026 are shown applying FY2026 models and concepts. For comparison purposes, the middle column of the table also shows the results applying FY2025 models and concepts.

SMBC Bank EU AG Group	Economic Capital as at 31.03.2026 (in million EUR) Applying FY2026 models and concepts	Economic Capital as at 31.03.2026 (in million EUR) Applying FY2025 models and concepts	*Economic Capital as at 31.03.2025 (in million EUR)*
Material risks	**885**	**926**	***1,055***
Credit risk	649	668	*687*
Market risk	49	68	*133*
o/w funding risk	*21*	*40*	*66*
o/w credit spread risk in the banking book	*6*	*6*	*9*
o/w interest risk in the banking book	*22*	*22*	*58*
Operational risk	187	190	*235*
Non-material, quantifiable risks	**32**	**29**	***30***
Credit risk	0	0	*0*
o/w counterparty credit risk	*0*	*0*	*0*
Market risk	31	29	*29*
o/w CVA	*7*	*5*	*6*
o/w interest rate risk in the trading book	*4*	*4*	*5*
o/w FX risk in the banking and trading book	*20*	*20*	*18*
o/w credit spread risk in the trading book	*0*	*–*	*–*
Non-material and non-quantifiable risk buffer (5%)	**n/a**	**48**	***54***
Total economic capital requirements	**915**	**1,003**	***1,140***
Economic capital resources	**5,218**	**5,503**	***5,425***
Economic Capital (Utilisation) Ratio	**17.5%**	**18.2%**	***21.3%***

The Economic Capital (Utilisation) Ratio improved from 21.3% as at 31 March 2025 to 17.5% as at 31 March 2026. This improvement was primarily driven by lower economic capital requirements across several risk categories, which more than offset the reduction in available economic capital resources.

The main drivers of this development were methodological changes introduced for FY2026. The previously applied buffer for non-material and non-quantifiable risks (5%) is no longer included in the economic capital requirement as at 31 March 2026, as these risks have since been quantified and are now directly reflected as deductions from available economic capital resources. In addition, a methodological enhancement in the calculation of administrative costs resulted in a further reduction in available economic capital resources.

All limits under the economic perspective were complied with throughout the financial year; the risk-bearing capacity under the economic perspective was maintained at all times within the Bank's risk appetite.

Capital planning for financial year 2026/27 and beyond

The Bank adopts a forward-looking perspective in the capital planning process, assessing expected capital requirements over a three-year horizon under both baseline and adverse scenarios and under both normative and economic perspectives. The baseline scenario is aligned with the Bank's Multi-Year Planning Framework, which supports the broader corporate strategy. To assess resilience under stress, the SMBC EU Group developed three adverse scenarios: two macroeconomic stress scenarios and one climate change scenario. The most severe scenario was a global recession, primarily driven by escalating global tensions resulting from the ongoing Russia-Ukraine conflict, geopolitical instability in the Middle East, and restrictions on rare-earth materials driving inflation. Also considering the base and stress scenarios, the Bank projects that its Total Capital Ratio will consistently remain within the Bank's risk appetite approved by the Executive Board and Supervisory Board in March 2026 for the three-year planning horizon.

The SMBC EU Group adopts a proactive approach to capital utilisation, ensuring robust oversight and effective management of exposures. Gross exposures are actively managed through hedging strategies supported by the wider SMBC Group, aligning with the Group's capital planning objectives. Throughout the financial planning period, the Group expects to remain fully compliant with the capital risk appetite threshold.

4. Summary and Outlook

In FY2025/26, the SMBC EU Group faced a highly uncertain business environment, which was characterised by the Russia-Ukraine crisis and the war in Iran. However, against this backdrop, the SMBC EU Group has managed its risk profile well, remaining within the risk appetite and the available capital and liquidity resources. In parallel, the Group further strengthened its Risk Management Framework, including the introduction of a multi-year Economic Perspective over the full ICAAP horizon, enhancements to CSRBB through the inclusion of the loan book and planned HQLA portfolio, and a redesigned forward-looking P2R projection aligned with supervisory expectations. Additional refinements included improved treatment of non-material and non-quantified risks, a more consistent stage 3 credit cost methodology, more granular and scenario-specific income projections, and the early consideration of the FRTB Framework for trading book risks.

Further enhancements to the SMBC EU Group's Risk Management Framework are planned over the coming years, with a focus on strengthening resilience, supervisory alignment and operational efficiency. Key initiatives include closer integration of recovery plan management actions into ICAAP, continued enhancement of stress testing and forecasting capabilities, increased automation of PnL projections and risk reporting, and the transition towards more advanced risk measurement approaches. In parallel, governance, processes and data foundations will be further strengthened to ensure ongoing compliance with the ECB ICAAP Guide, BCBS 239 principles and the SMBC EU Group's risk appetite.

VI. Consolidated Non-Financial Report (Not Part of the Audit of the External Auditor)

1. General

Basis for preparation

Scope of consolidation of the non-financial statement

The consolidated non-financial statement of SMBC EU Group (the Group) for the year ended 31 March 2026 has been prepared according to the same principles as the financial statements, on a consolidated basis, including SMBC EU (the Bank) as parent and SNBL, its wholly owned subsidiary.

Regulatory basis

The consolidated non-financial statement fulfils the requirements according to section 315c and section 340i (5) in conjunction with sections 289b–289e of the HGB.

Since the Corporate Sustainability Reporting Directive has not yet been adopted into German law, the consolidated non-financial statement is prepared in accordance with the current legislation (HGB and DRS20). In line with this and the publication of the EU Omnibus proposal, SMBC EU Group adjusted its sustainability reporting approach. While SMBC EU Group's Double Materiality Assessment (DMA) approach is influenced by European Sustainability Reporting Standards (ESRS) as part of the initial Corporate Sustainability Reporting Directive (CSRD) preparation, the Group is not using the ESRS as the framework for the consolidated non-financial statement in accordance with section 289d of the HGB.

SMBC EU Group's consolidated non-financial statement covers concepts on the following HGB aspects and related material sustainability matters:

HGB aspect	DMA material sustainability matters	Chapter
Environmental matters	Climate change	Climate
	Biodiversity and ecosystems	Nature
Employee-related matters	Own workforce	Own workforce
Social matters	n/a	Social matters
Respect for human rights	n/a	Respect for human rights
Combatting corruption and bribery	n/a	Anti-bribery and corruption

For the disclosure on the five aspects prescribed by the HGB, the respective concepts are described. Described material risks and impacts in the Group's own operations refer to the principal risks that are related to the Group's own business activities and that are highly likely to cause, now or in the future, material adverse impacts on the aspects as prescribed by section 289c para. 3 no. 3 of the HGB. The material risks and impacts described in relation to the Group's upstream and downstream value chain refer to the principal risks related to the Group's business relationships, products and services which are very likely to cause, now or in future, material adverse impacts on the aspects as prescribed by section 289c para. 3 no. 4 of the HGB. In the disclosure text of the topical chapters Environment, Social and Governance, the terms 'strategy' and 'IRO management' refer to the specific strategies, targets, actions, policies, procedures and due diligence processes that the Group employs to achieve the non-financial aspects outlined in section 289c para. 2 of the HGB. The term 'IRO management' also refers to a description how the Group manages principal risks as required by section 289c para. 3 no. 3 and 4 of the HGB.

The report covers concepts related to sustainability matters for the Group on a consolidated basis. Concepts on sustainability matters that were not material for the subsidiary SNBL on a standalone basis are not explicitly mentioned in the report.

Double Materiality Assessment

The Group has conducted a DMA to identify material sustainability matters based on ESRS methodology and definitions. Therefore, the Group applies a definition of materiality for this report that includes, but goes beyond, HGB requirements, resulting in a wider scope of material sustainability matters. The consolidated non-financial statement addresses the material aspects of both upstream and downstream value chain activities and own operations as assessed during the DMA. For the upstream value chain, it covers assessments of suppliers, depositors and investors (parent company), with a focus on integrating sustainability criteria. For the downstream value chain, it includes clients of SMBC EU. The value chain of SNBL consists of upstream suppliers, own operations and downstream business covering the custodian services and bond portfolios.

Strategy and business model

SMBC EU is a credit institution based in Frankfurt am Main, Germany, to support SMBC's business activities in the EEA. SMBC EU Group consists of the SMBC EU as a parent and SNBL as its wholly owned subsidiary. The SMBC EU Group is authorised by the ECB and supervised by BaFin since November 2018 and is the parent company of the SMBC EU Group.

SMBC EU is a wholly owned subsidiary of SMBC Tokyo, a Japanese bank, and forms part of the SMBC Group of companies. SMBC Tokyo is a wholly owned subsidiary of the Japanese SMFG, which is ranked amongst the largest 29 banks globally by assets and classified as a G-SIB.

S&P and Fitch Ratings have both affirmed an international A/A- rating for SMBC EU.

In addition, Moody's Ratings has assigned A1 long-term and P-1 short-term domestic and foreign currency deposit ratings to SMBC EU since January 2026.

These ratings reflect the strong support SMBC EU receives from the parent company in all areas such as risk management and funding arrangements as well as information technology and operational infrastructure.

SMBC EU offers a wide range of financial products, including syndicated and bilateral financing, specialised advice for project, trade and asset financing, as well as deposit and currency transactions. As a provider of integrated financial and investment banking solutions, the SMBC EU Group also offers its clients capital market products and derivative financial products and, through its subsidiary SMBC Nikko Bank (Luxembourg) S.A., the Group is also active in fund administration and custody services.

The SMBC EU Group's main objective is to serve its corporate clients in the EU/EEA, while pursuing and adhering to the vision, mission and identity of the SMBC Group, which focuses on creating sustainable value for clients and shareholders. With its business model, the SMBC EU Group aims to ensure long-term sustainable growth and a balanced risk/return ratio.

As a subsidiary of SMFG, SMBC EU has embarked on a multi-year journey to actively manage the risks and opportunities presented by sustainability topics and to create positive social value. Starting in 2020, SMFG introduced its Sustainability Strategy, followed by the setting of a net zero target for the Bank's financing activities by 2050 in 2021, and most recently introducing the 'Plan for Fulfilled Growth' starting from 2023. Following SMFG's sustainability footsteps, SMBC EU began its own journey in 2023 by appointing a Head of EU Sustainability Strategy and by launching an indicative DMA. This was followed by its inaugural Sustainability Strategy and first formal DMA, with the aim of publishing its inaugural Sustainability Report in 2025. The SMBC EU Sustainability Strategy consists of four Strategic Ambitions statements, which support SFMG's 'Plan for Fulfilled' 2023–2025 Medium-Term Management Plan & Material Sustainability Topics:

- 'Our clients': support the Bank's clients in their journey to sustainability
- 'Our solutions': be recognised as a leading provider of green and sustainable finance solutions
- 'Our business': embed sustainability 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

Thus far, the Bank has identified two indicators to support its Sustainability Strategy aligned with the 'Our clients' and 'Our solutions' pillars: the number of mandates as sustainability coordinator and the volume of sustainable finance that it has facilitated. In FY2025/26, the Bank set targets to be appointed as sustainability coordinator for six mandates and to finance sustainable transactions totalling USD 4,980 million. These targets are derived from the EMEA region's overarching goals, aiming to contribute 20% of the sustainability mandates undertaken by the EMEA region and 40% of the sustainable finance volume mobilised by the EMEA region (SMBC EMEA). In FY2025/26, the Bank met its targets through being appointed as sustainability coordinator for six mandates and surpassed its target for financing sustainable transactions totalling USD 6,827 million. In February 2026, the Paris Branch of SMBC BI was transferred from SMBC BI to SMBC EU, resulting in an expansion of the Bank's reporting scope (refer to section I.2 'Paris Branch Transfer to SMBC EU and European Central Bank Supervision' for further information). Accordingly, the sustainable finance volumes disclosed, which reflect the Bank's sustainable finance activities for the full FY2025/26, include a transaction booked between the date of transfer and the end of the fiscal year, while the target set at the beginning of the fiscal year was defined based on the prior reporting scope. The transaction booked following the transfer represents approximately 2% of the total sustainable finance volume for FY2025/26 and therefore does not materially affect performance against the target.

Through these actions, SMBC EU's goal is to be a solution provider that meets the needs of clients and supports them in achieving their sustainability objectives. In line with this aspiration, the Bank is working to enhance awareness and provide guidance across all areas of the business landscape, offering financial solutions to support the necessary investments for this transition. To further support its clients in their sustainability efforts, SMBC EU offers a range of specialised products designed to meet the diverse needs of our clients and promote environmental and social responsibility. For example, through social or green loans, the use of proceeds contributes directly to sustainable development projects, such as renewable energy initiatives. Another example of a sustainable finance solution is sustainability-linked loans, where clients are provided with incentives to take environmental or social-related actions through the legal terms of their financing. Products under consideration to be labelled 'Green', 'Social' or 'Sustainability-linked' must align with the Bank's internal sustainable finance policies, procedures and checklists based mainly on the Loan Market Association (LMA) guidance and in line with market practice. In FY2025/26, USD 6,827 million was mobilised in sustainable finance (see Table 1), with USD 2,943 million financing utilities, being the sector benefitting the most from sustainable finance (43%), followed by the financial sector (17%) and real estate (16%). Offering sustainable finance products and services to customers is one way the Bank can both act on opportunities and mitigate sustainability risks.

Table 1: Sustainable finance volumes for SMBC EMEA and SMBC EU, broken down by product type

	FY2026 sustainable finance – greater of lending/underwriting amount and arrangement amount (USD million)[17]	
Product	**SMBC EMEA**	**Of which SMBC EU**
Sustainability-linked loan	5,214 (PY: 6,482)	1,354 (PY: 3,089)
Green loan	2,912 (PY: 1,766)	745 (PY: 356)
Social loan	0 (PY: 315)	0 (PY: 200)
Sustainability loan	344 (PY: 527)	0 (PY: 0)
Renewable project finance	1,562 (PY: 2,136)	964 (PY: 183)
Sustainability-linked bond	432 (PY: 399)	260 (PY: 264)
Green bond	4,399 (PY: 3,467)	3,406 (PY: 2,051)
Social bond	150 (PY: 0)	0 (PY: 0)
Sustainability bonds	471 (PY: 744)	99 (PY: 0)
Total	**15,484 (PY: 15,835)**	**6,827 (PY: 6,144)**

17 The basis for measurement of sustainable finance is that SMBC EU counts the greater of lending, arrangement or underwriting amount as the amount of sustainable finance. It is aligned to the SMBC Group target to facilitate JPY 50 trillion of sustainable finance by 2030, i.e. by arranging a transaction, SMBC is facilitating that financing, even if other banks are lending the money.

The Group understands that equity, fairness and transparency are key to enabling colleagues to be their most authentic selves at work. The Group is an inclusive and equal opportunities employer, and its 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 Group recognises the importance of attracting, developing and retaining diverse talents. During FY2026, SMBC EMEA continued to implement the DEI (diversity, equity and inclusion) strategy focusing on the three priority areas:

- Where We Belong – Our behaviours create a culture where everyone feels part of Team SMBC
- Every Moment Matters – Our decisions and actions ensure we are an equitable organisation where everyone can fulfil their potential
- Make a Difference – Through collaboration with our clients and communities, our contribution to society supports wider change

Under this strategy, to support gender diversity and the advancement of women, the Bank set targets in Germany to reach 45% proportion of female employees and 23.5% of women in a senior leadership position by 2027, with interim milestones of 42% proportion of female employees and 20.3% of women in a senior leadership position in FY2025/26. As at 31 March 2026, SMBC EU in Germany has surpassed the milestone for proportion of female employees, at 42.7% (PY:41.5%). The Bank, however, saw a decrease in senior female representation, at 17.5% (PY:23.1%), primarily due to employee attrition within a small senior leadership population. Diversity remains a key strategic objective for the Bank, with actions taken to support diversity across recruitment, promotion and retention of talent, and the Bank is committed to achieving the gender diversity targets set. The Supervisory Board will continue to closely monitor efforts to improve our performance in FY2026/27.

Ensuring that leaders set the tone from the top that every moment matters, DEI remains a key metric in senior management performance evaluation, and linked to variable remuneration, and all leaders across SMBC EU participated in training this year to support the leaders in progressing towards the Bank's goals.

The DRIVE (diversity, respect, inclusion, value and equality) employee resource groups operate across the EMEA region and play a key role in creating an inclusive culture at the Group. With events and activities that take place both in person and virtually, employees are able to participate wherever they are located. There are local DRIVE groups in some of the Group's larger locations who support engagement and delivery with DRIVE locally, and the DRIVE group for Germany was relaunched last year and continues to have great success in enhancing engagement. Besides, the Germany Country Council for DEI and Culture was established to oversee and DRIVE initiatives related to DEI and culture within Germany. The Council aims to ensure alignment with the broader EMEA DEI and Culture Strategy, local regulatory requirements and the local business strategy, fostering an inclusive and respectful workplace.

Through these efforts, SMBC EU demonstrates its commitment to inclusiveness and equal opportunities.

Sustainability governance

Executive Board and Supervisory Board composition

The Executive Board of SMBC EU consisted of five executive members until the end of December 2025. As at January 2026, the Executive Board consists of four male members. The Supervisory Board consists of five members, including one independent member. The Supervisory Board currently has a gender diversity ratio of 20%, with one female member. Recently a new target of 33% female representation has been set for both Boards by 2027, illustrating SMBC EU's ambition and alignment with the expectations of our employees, clients and regulators – even where SMBC EU may not be directly subject to specific regulation or legislation.

The criteria for the election of Supervisory Board and/or Executive Board members are reflected in a dedicated policy outlining the individual and collective requirements in line with German law, BaFin guidelines as well as EBA and European Securities and Markets Authority (ESMA) guidelines. In the annual evaluation of the Boards' composition and the self-assessment undertaken by the members of the Supervisory Board and Executive Board, both individual and collective skills are assessed. The diverse composition of the Boards, paired with the advanced expertise of the members in the relevant areas – i.e. banking, global and capital markets, as well as functional expertise – was deemed to be adequate.

Roles and responsibilities

Executive Board and Board Committees

The CRO is the member of the Executive Board responsible for oversight of sustainability-related impacts, risks and opportunities. The Executive Board has established several committees to control and monitor various areas of the Bank. All committees have delegated approval powers from the Executive Board and include, alongside Executive Board members, selected department heads as voting members. The CRO reports to the Supervisory Board. Also, as at 31 March 2024, due to the classification of SMBC EU as a potentially systemically relevant institution (PSI), the Risk Committee, among other committees, was established at the Supervisory Board level.

Risk Committee governance

The Bank follows Risk Committee governance to ensure sustainability risk matters are overseen, with the ERMC and its sub-committee, the Sustainability Risk Management Committee (SMRC), acting as the main governance bodies authorised by the Executive Board. If required, matters arising from the Committee are reported to the Executive Board, operating under the supervision of the Supervisory Board, reinforcing accountability and governance at all organisational levels.

The ERMC advises and supports the Executive Board, as necessary, in its supervising function on the Banks' overall, enterprise-wide, risk-related matters, including sustainability risk. To the extent sustainability risk impacts traditional risk categories, this mandate covers advice, oversight and challenge to the reports and content presented in this Committee and escalates if necessary to the Executive Board, on risk framework elements of risk register, risk appetite, risk strategy, Stress Testing Framework, ICAAP and ILAAP, and RRP, as well as overall risk governance.

The SRMC, established as a sub-committee of SMBC EU's ERMC, acts as the body responsible for oversight and governance for all sustainability-related risk matters (excluding individual transaction approval) at the Bank. The SRMC serves as a main forum to discuss and debate sustainability-related Risk Management Framework elements, including sustainability risk-related alignment between risk strategy and business strategy; the coordination of sustainability-related aspects in ICAAP and sustainability-related stress testing. This is also a forum where sustainability-related regulatory developments are being presented and discussed. Voting members of the SRMC have rights to approve and also recommend approval of key items to the ERMC.

The MRMC, established as a sub-committee of the ERMC, acts as the body responsible for oversight and governance for all models, including sustainability-related models.

EMEA forums, product/transaction level

The Bank participates in any discussion held under the Governance Framework in the EMEA Division and liaises with appropriate departments where necessary. To this extent, any decision made by an EMEA forum is further subjected to the Bank's formal governance approval escalation processes.

The Sustainable Finance Transaction Review Forum (EMEA Division) (EMEA SFTR) is tasked with deal review governance for specific 'Sustainable Finance' labelled transactions, as well as to review and agree changes to the EMEA region's Sustainable Finance processes and procedures. Where necessary and where no consent is formed, transactions are escalated to the EMEA Reputational Risk Committee (ERRC).

The Reputational Risk Forum (EMEA Division) (EMEA RRF) is established to consider reputational matters relating to 'customer activities' (i.e. customers, transactions, products). The RRF's main function is consultative, to assist front office groups to identify, assess and mitigate reputational risks. The RRF is also responsible for escalating matters to the ERRC.

The Reputational Risk Committee (EMEA Division) is responsible for overseeing the embedding of EMEA Division's approach to reputational risk, including the extent to which this relates to sustainability matters.

Frequency of reporting

As part of regular reporting, the CRO provides the Executive Board monthly and the Supervisory Board quarterly with an assessment of the latest Sustainability Strategy and risk appetite profile, as well as updates on all related strategy and risk matters. As part of the Risk Committee governance, sustainability risk matters are reported to the ERMC and SRMC on a bi-monthly basis. At the EMEA level, product and transaction matters related to sustainability are addressed on a fortnightly basis as part of the EMEA Sustainable Finance Transaction Review Forum and, on an ad-hoc, basis, as part of the EMEA RRF.

Sustainability-related skills and expertise

According to section 25c para. 1a of the German Banking Act, the Executive Board in its entirety must possess an adequate scope of knowledge, abilities and experience. All members of the Executive Board are acquainted with sustainability aspects relevant to their respective roles, and the CRO, mandated by the Executive Board with a dedicated sustainability role, is provided regular briefings on sustainability matters to enable effective oversight of such matters relevant to SMBC EU. Therefore, the aforementioned legal requirement is met on an individual and a collective level.

In addition, the requirement applicable to the Supervisory Board of SMBC EU, in accordance with section 25d para. 2 of the German Banking Act, is also met, given that several Supervisory Board members possess deeper knowledge of sustainability-related topics and receive regular sustainability training, ensuring both individual and collective suitability in this field.

The Bank provides regular training to the Executive Board to ensure that the members maintain and continuously enhance their knowledge and skill set. With respect to sustainability, the Executive Board was provided with a dedicated sustainability training session by the EMEA Head of Sustainability Strategy and an external consulting firm in January 2025, as well as several internal sustainability-related training sessions and presentations in 2025 and 2026. Moreover, SMBC EU and its Boards engage with various external experts providing sustainability advice in European and international contexts.

Additionally, the organisation mandates an annual eLearning module on Sustainability Strategy for all employees, including members of the Executive and Supervisory Boards. Regular checks are conducted to ensure that all participants complete the training. This mandatory training underscores SMBC EU's commitment to embedding sustainability knowledge across all levels of the Bank.

To deepen the alignment of SNBL's Sustainability Strategy with SMBC EU's goals, all SNBL employees received training on the Sustainability Framework and EU regulations. This training ensures that SNBL's personnel are aligned with the Bank's sustainability goals and regulatory requirements.

By implementing these training programmes and regular updates, the organisation ensures that employees have the necessary skills and expertise to oversee sustainability matters effectively. This approach not only strengthens their competencies but also aligns with the Bank's commitment to sustainability, ensuring that they are well equipped to navigate the evolving landscape of sustainability challenges and opportunities.

Executive compensation system

In SMBC EU, there is a dual Board structure, with the Executive Board exercising the management function and the Supervisory Board being responsible for the supervision of the management function.

The Executive Board of SMBC EU is responsible for the appropriate design of the remuneration systems for employees. The remuneration systems are reviewed annually for their appropriateness and compatibility with the business and risk strategy of the Bank and are adjusted, if necessary, with the approval of the Executive Board. Accordingly, SMBC EU is committed to ensuring that the remuneration systems for the Bank's employees are appropriate and transparent and are geared towards the sustainable development of the institution.

In line with the business and risk strategy, delivery against SMBC EU's Sustainability Strategy is a component of SMBC EU's overall bonus pool allocation, and the individual bonus awards for employees, including members of the Executive Board.

The Supervisory Board of SMBC EU is responsible for the appropriate design of remuneration for the Executive Board. The remuneration structure of the Executive Board is aligned to the remuneration structure of employees, albeit their performance targets are also overseen by the Supervisory Board. Employee and Executive Board remuneration is divided into fixed and variable components, which may vary by location and function.

Fixed remuneration

The fixed remuneration compensates employees according to their qualifications, experience and competencies, as well as the requirements, importance and scope of their function. Fixed remuneration includes not just the salary but may also include any allowances or other fixed benefits.

Variable remuneration

Variable remuneration is determined annually on an individual basis, and takes into account the success of the Bank, the department and personal performance. Employees thus have the opportunity to participate in the Bank's success in years of good performance. Conversely, poor performance and/or losses or negative contributions to success are reflected in lower, or no, variable remuneration.

The Bank's success in this context is evaluated under two categories of metrics:

- Financial success
- Non-financial performance, including the area of sustainability, cultural initiatives, risk management and compliance, and sustainable and balanced growth

All employees categorised as Material Risk Takers have their performance managed against defined targets, including a sustainability goal. 'Material Risk Taker' is a term deriving from remuneration regulation. It refers to 'employees whose professional activities significantly impact the institution's risk profile'. Members of the Executive Board and other senior management roles (both business leaders and heads of Control & Support functions) are identified as Material Risk Takers.

For Material Risk Takers, their target-setting includes a sustainability goal and a focus on DEI targets. For other employees, each employee may set their own goals that align with the Bank's corporate strategy, including its focus on Social Value Creation, which includes a focus on sustainability. The remuneration policies in place are subject to regular review, including consultation with the Remuneration Officer and often with the input of external professional advisors. These policies are then subject to local governance for approval.

Governance process for management of material IROs

The Executive and Supervisory Boards are committed to integrating sustainability aspects into all the Bank's activities. This encompasses the management of material impacts, risks and opportunities (IROs) arising from these aspects. The DMA process resulting in the Bank's material IRO profile is presented to the SRMC, reported to the ERMC and integrated into the Bank's Sustainability Strategy, which has oversight by the Executive Board. The Executive Board receives monthly updates on metrics and targets related to the identified sustainability IROs, as well as the Sustainability Strategy, while the Supervisory Board is provided with quarterly updates.

These IROs are considered in the various decisions approved by the Executive Board, forming an integral component of the SMBC EU's general management and control framework. The Bank's strategy and objectives in terms of sustainability are defined by considering the IROs that are of relative importance to the Bank. Consequently, the Sustainability Strategy is updated on an annual basis to reflect the latest insights, seamlessly integrating these elements into SMBC EU's Strategic Framework and underscoring its unwavering commitment to sustainability and long-term sustainable growth.

Sustainability risk appetite

The CRO is accountable for the establishment of the Bank's Sustainability Risk Management Framework (SRF), including setting of the Bank's sustainability risk appetite. The Bank's SRF consists of an adaptation of the SMBC EMEA SRF together with a Bank-specific Addendum. DMA is one key element of the Bank's SRF to assess IROs. The EMEA SRF, together with the SMBC EU Addendum describing specific arrangements, processes and governance elements of SMBC EU, is approved by the Executive Board. The Bank's SRF is governed through the Bank's dedicated SRMC. The inclusion of sustainability considerations within each of the strategic pillars of the risk strategy is operationalised through the RAF and the embedding of the sustainability risk appetite. The review and challenge of the sustainability risk appetite is subject to relevant Risk Committees in advance of the Executive and Supervisory Boards' approval or acknowledgement. The Risk Department is responsible for developing, maintaining and tracking risk appetite metrics and thresholds, as well as developing proposals for changes to the sustainability risk appetite. The sustainability risk appetite metrics constitute an integral part of the RAF and hence follow the same framework for approval process.

Sustainability impacts and opportunities

The Bank has established dedicated controls and procedures to manage impacts and opportunities. These elements are managed at the departmental level, with each team applying the usual controls pertinent to their specific functions. Opportunities, particularly deals involving labelled transactions, are subject to distinct governance procedures that involve appropriate escalations to the Sustainable Finance Transaction Review Forum when necessary, ensuring that they meet the Bank's sustainability criteria and align with its overall strategic goals. Similar controls and procedures are in place for managing impacts. For instance, transactions with a potential negative impact are also subjected to specific procedures

involving the Sustainable Finance Transaction Review Forum. This ensures that all transactions are reviewed and assessed for their potential impacts.

Stakeholder engagement

The Group's primary stakeholders encompass both internal and external parties, including employees, clients, suppliers, parent company (SMFG) and regulatory authorities, who contribute to and benefit from the organisation's growth and development. Engaging in dialogues with these stakeholders shapes strategic management decisions and day-to-day operations across financial services delivery, sustainable finance efforts, ethical procurement practices, strategic business partnerships as well as employee wellbeing, inclusion and development initiatives, including regulatory sustainability committees, science-based target initiatives and global industry sustainability events.

The Group believes that a sustainable society cannot be achieved without cooperative relationships with the various stakeholders. To this end, the Group is involved with external parties through participation and involvement in various domestic and international initiatives. Each stakeholder group has distinct needs and perspectives, which can result in both positive and negative impacts on its value chain. The Group's objective is to remain informed and proactively address opportunities and risks identified through its interactions with key stakeholders. Therefore, its stakeholder engagement approach varies by stakeholder group, utilising a combination of informal and formal channels and methods to maintain effective communication.

For its credit and capital markets clients, the Bank regularly evaluates their needs through conversations with relationship managers. The Bank's 'Customer First' value drives us to provide personalised value and continuously improve its products and services based on feedback. SMBC EU Group has established points of contact to receive and act on customer feedback, ensuring the Group meets their evolving needs.

The business model of a bank depends highly on sufficient human resources to fulfil strategic objectives, making employees a key stakeholder for the Bank. The Group recognises its people as its key asset and is committed to developing their skills and diversity. It promotes high ethical standards and a culture of authenticity, supported by initiatives such as hybrid working practices and professional development plans, which include training programmes and secondments. Additionally, the DRIVE employee groups play a key role in fostering understanding and allyship through various events and activities. The Group conducts a bi-annual employee engagement survey for guiding the Bank to understand and prioritise key engagement topics.

The interests and views of the Group's key stakeholders vary based on the nature of their relationship with us. Stakeholder engagement is a crucial part of the Bank's ongoing sustainability due diligence efforts, both for suppliers in the upstream value chain and for clients in the downstream value chain. The annual review by the Group and its stakeholders' sustainability statements highlight the most important topics for its stakeholders, considering the identified interdependencies and IROs related to its value chain.

To maintain alignment with stakeholder interests, updates on departmental activities and ongoing business operations are presented at the Executive Board meetings. The DMA results, including the stakeholder representative workshop process, are approved by internal management committees such as the EU Sustainability Risk Management Committee.

Double Materiality Assessment

DMA methodology and process

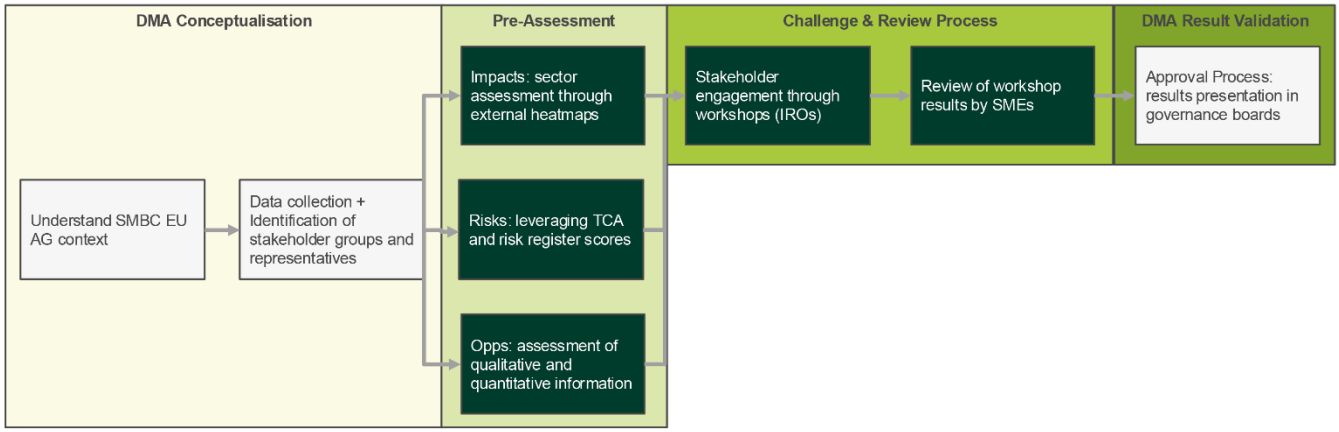
The Group follows the concept outlined in the ESRS to identify the material sustainability matters and related IROs through a DMA. The concept of double materiality considers two dimensions: the Impact and the Financial Materiality. The Impact Materiality dimension assesses how business activities of the Group impact[18] the environment and people from the inside out, negatively or positively. The Financial Materiality dimension assesses how sustainability matters affect the financial position of the Group from the outside in, as a risk or opportunity.

Therefore, in an ESRS context, a sustainability matter can be material for SMBC EU Group, if its business activities have a positive or negative impact on people and environment or if it leads to risks or opportunities for the Group's business performance. The assessment defined aspects that the Group can control, such as own products and services, as well as aspects arising due to the Group's direct and indirect business relationships in the upstream and downstream value chain.

18 Legal disclaimer: 'impact' in the lending & capital markets business is derived from the definitions of 'Impact on Society and the Environment' within the CSRD and the 'impact' on society and the environment (based on [public sources/industry databases] for certain industry sectors) of clients to whom the Bank provides financial services which may be deemed to be 'connected' to SMBC EU/SMFG as a result of sustainability reporting requirements. This does not imply, and should not be inferred to imply, any legal liability of SMBC EU/SMFG for the activities or impacts of those clients.

To identify and assess material sustainability matters in relation to IROs, the following process was implemented:

Figure 1: Double Materiality Assessment process overview



1. Understanding the context and preparation

a) Process determination and defining scope of entities included in materiality assessment: As a first step in the DMA process, the Group analysed its own business context and entities in scope. Due to the structure of the Group, it was concluded that the scope of consolidation for the assessment is the same as for financial reporting, including SMBC EU and its subsidiary SNBL. In FY2025/26 DMA, the Paris BI portfolio was included in the portfolio analysis for SMBC EU, with the transfer of the BI Paris Branch into the SMBC EU Paris Branch completed during this financial year (refer to section I.2 'Paris Branch Transfer to SMBC EU and European Central Bank Supervision' for further information).

b) Defining value chain segments and identifying business relationships: As the next step, the direct and indirect business relationships in relevant segments of the upstream and downstream value chain, as well as the own operations of the Group, were identified and analysed.

c) Preparation of stakeholder representative engagement: The Group conducts the stakeholder engagement for the DMA through internal stakeholder representatives/subject matter experts and a mix of in-house data and objective third party data.

d) Defining the list of sustainability matters for the assessment: For identifying the relevant sustainability matters in scope of the assessment, the list of EFRAG AR 16 was used as a starting point. The non-exhaustive list of matters was further assessed to be supplemented by additional risk management department topics and SMFG impact report topics. The relevance of this list of topics was, in the next step, evaluated for the Group's value chain segments. That led to an exclusion of risk management – or SMFG – topics that were already included in ESRS topics or financial reporting or not relevant for the Group's business model (e.g. retail business). Furthermore, ESRS sustainability matters not relevant for certain value chain segments were excluded (e.g. child labour for own operations).

e) Collecting, preparing and analysing internal information (e.g. client data) and external data sources for DMA (e.g. proxy heatmap data) for each value chain segment considered: Based on the defined sub-segments of the value chain to be assessed, relevant internal data and information was collected and prepared. For instance, for the credit business segment, the relevant client exposure data was aggregated on a sector level to serve as an input for the portfolio analysis. Thereby, significant high exposure industry sectors in the Group's value chain were identified.

A second part of the preparations for the portfolio analysis was consolidating external data sources from heatmaps such as from the science-based database Exploring Natural Capital Opportunities, Risk and Exposure (ENCORE) to serve as an input to the assessment.

2. Pre-assessment and scoring of actual and potential negative and positive IROs for each value chain segment

   A sustainability matter is material from an impact perspective when it pertains to the Group's material actual or potential, positive or negative impacts on people or the environment over the short, medium or long term. Therefore, the assessment of impact materiality was implemented through performing a scoring exercise for actual and potential negative and positive impacts on a sector level for each sub-segment of the upstream and downstream value chain, as well as own operations. Internal data sources informed the evaluation of own operations, while external data supported the assessment of upstream and downstream portfolios. These insights were aggregated to determine overall impact of materiality by sustainability matter.

   Identifying the risks relevant to the Group forms the basis of a functioning risk management system. Sustainability-related risks or opportunities can have negative or positive financial effects that materially affect (or could reasonably be expected to affect) the Group's cash flows, access to finance, or cost of capital over the short, medium or long term. For the assessment of risks and opportunities, the Bank considers whether a financial effect stems from a trigger event with regard to dependencies on the continuation of use of resources or reliance on relationships. Secondly, it needs to be determined if a risk or opportunity affects the Group's development, financial position, financial performance, cash flow, access to finance or cost of capital.

   The assessment of risks leverages existing risk management processes at the Group to ensure consistency. Sustainability-related risks are assessed across clearly defined transmission channels, which link ESG factors to EBA-defined risk drivers (EBA/REP/2021/18). This involves identifying causal links between ESG factors to (traditional) risk categories in the risk register. The materiality of each transmission channel is mapped to risk inventory categories focusing on inherent risk before consideration of mitigation controls.

   During the pre-assessment, sub-scores were derived to reflect the severity of each impact, using a structured framework that incorporates key dimensions such as scale, scope, remediability and likelihood. The evaluation of risks and opportunities considered both their magnitude and their likelihood. Predefined thresholds were applied to determine whether an impact, risk or opportunity is considered material.

3. Stakeholder engagement and validation of assessment

a) Discussion and validation of pre-assessment with stakeholder representatives for each value chain segment: For FY2025/26, a more streamlined approach was taken to validate the preliminary assessment with the stakeholders representing the Group's value chain (upstream and downstream) and own operations. To ensure the consideration of stakeholder views, a session was held to discuss the results, with feedback provided through offline channels.

b) Final review and challenge of results by SMEs in the Group and consolidation of results: In a further step, the pre-assessment topic scores were further reviewed and, if necessary, adjusted by the Group sustainability SMEs. The SMEs are part of departments such as Sustainability Strategy and Risk Management that are involved in the EU sustainability regulation project at the Bank. This step was taken to eliminate potential business unit bias. The final results were then consolidated and documented.

c) Control and validation of results by senior management in executive committees: As a final step, the consolidated results were acknowledged, validated and signed off by the management of the Group. For this purpose, the results were presented in several SMBC EU governance bodies, such as the EU Sustainability Risk Committee.

4. Integration into overall management processes

   The Group considers its material IROs in its Sustainability Strategy process. The Bank also manages its sustainability impacts arising in the downstream value chain by supporting customers on their journey towards sustainability and decarbonisation. This contributes to the Group's aim of driving positive change while creating economic value. Further details on the integration of material IROs into SMBC EU Group's management processes are included in the topical report sections on Environment, Social and Governance aspects. The sustainability risk is managed under the 'three lines of defence' model. In relation to sustainability risk, the first line of defence is responsible for managing its business activities in a manner consistent with this framework, and business risk appetite, operating its sustainability risk processes and controls as well as data and assessment quality. The second line of defence defines SMBC EMEA's

Sustainability Risk Policy and sustainability risk appetite, and is responsible for providing oversight of risk-taking activities at the portfolio and transaction level and independently challenge first line of defence proposals. The third line of defence is the Audit department – Internal Audit. As part of ongoing reviews, the department will ensure sustainability risk issues are appropriately monitored, documented and escalated. In parallel, the Executive Board has established several committees to control and monitor various areas of SMBC EU. All committees have delegated approval powers from the Executive Board and include, alongside Executive Board members, selected department heads as voting members.

Opportunities are managed by each marketing department and relationship manager in relation to their respective client portfolio. Sustainable finance opportunities deducted from completed deals are consolidated across departments, monitored in the Sustainability Strategy department, and communicated in forums and committees.

DMA outcome: material impacts, risks and opportunities

The DMA at the Group led to the material topics as displayed in Table 2 and Table 3.

For impact materiality, the topic of climate change has been identified as having material positive and negative impacts through the Bank's downstream activities. The impacts are related to relationships with clients in high greenhouse gas (GHG) emitting sectors and financing the transition to a low carbon economy. Biodiversity and ecosystems have been identified as experiencing material negative impacts, also stemming from the downstream value chain, arising through the connection with climate change as key driver for biodiversity loss. Within the Bank's own operations, own workforce has been identified as experiencing material positive and negative impacts, particularly around the topic of work–life balance. Due to the nature of the Group's business model as a financial institution, the assessment of the upstream value chain in relation to suppliers did not lead to material impacts.

From the Financial Materiality perspective, material risks and opportunities have been identified for the Bank's downstream activities in relation to climate change. Physical and transition risks are affecting the Group's clients, exposing the Bank to climate change risks. Nonetheless, there has been an increased call for green finance from the Bank's clients, demonstrating that climate change can also trigger financial opportunities. Material risks and opportunities have also been identified for the Bank's own operations related to the Bank's own workforce. The inherent risks arise from compliance with employment law/satisfaction with working conditions, equal treatment, diversity and data privacy. Conversely, positive reputational effects attracting or retaining highly qualified employees are opportunities that have been identified for the Bank. There are material risks identified in the Bank's own operations around business conduct for corporate culture as it is recognised that an inappropriate risk culture driven by insufficient employee awareness on risk-taking with lack of controls would lead to risk of financial loss, regulatory sanctions and reputational damage arising from misalignment between stated values and actual behaviours. All risks are assessed at an inherent level in the materiality assessment and are managed through controls and systems, resulting in lower residual risks for SMBC EU.

The outcome of the DMA has been considered from FY2024/25 onwards in the SMBC EU Sustainability Strategy, whereby objectives and targets are defined. In FY2025/26, a refresh of the DMA was undertaken, yielding the same material topics as the previous year, due to minimal portfolio changes across value chains and hence confirming that the DMA results remain relevant for SMBC EU's Sustainability Strategy. The Sustainability Strategy feeds into the overall corporate strategy. This takes into account that the material IROs originate in and are connected to the Group's banking business model, which is highly dependent on efficient corporate governance processes and sufficient human resources in its own operations, as well as on lending and investing in different corporate sectors across the whole economy.

Addressing IROs in further developing the Bank's business model and strategy enhances the resilience of the Group. These targets and corresponding IRO management are outlined in each topical section:

Material impacts

Table 2: Material impacts

ESRS	Positive/ negative	Value chain segment	Description	Time horizons	Chapter
Climate change (E1)	Negative	Downstream: Credit & loan Deposits Capital markets	Material volume of GHG emissions attributable to clients	Short to long term	Climate
	Positive	Downstream: Credit & loan Deposits Capital markets	Financing the climate- and energy-related transition of clients	Short to long term	
Biodiversity and ecosystems (E4)	Negative	Downstream: Credit & loan Deposits Capital markets	Considerable volume of GHG emissions attributable to clients contributing to climate change-related biodiversity loss	Short to long term	Nature
Own workforce (S1)	Negative	Own operations	High workload affecting work–life balance	Short to long term	Social
	Positive	Own operations	Employee benefits and flexible working conditions	Short to long term	

No material impacts identified for: Pollution (E2), Water and marine resources (E3), Workers in the value chain (S2), Affected communities (S3), Consumers and end-users (S4), Governance (G1).

Material risks and opportunities

Table 3: Material risks and opportunities

ESRS	Opportunity /risk	Value chain segment	Description	Time horizons	Chapter
Climate change (E1)	Opportunity	Downstream: Credit & loan Deposits Capital markets	Increased need for transition/green finance from clients, leading to business opportunities for SMBC EU	Long term	Climate
	Risk	Downstream: Credit & loan Deposits Capital markets	Transition risks affecting SMBC EU's clients, exposing the Bank to climate change risks	Medium to long term	
Own workforce (S1)	Opportunity	Own operations	Positive reputational effects, attracting or retaining highly qualified employees	Short to medium term	Social
	Risk	Own operations	Compliance with employment law/satisfaction with working conditions, equal treatment, diversity and related to data privacy	Short to medium term	
Business conduct (G1)	Risk	Own operations	An inappropriate risk culture driven by insufficient employee awareness on risk-taking with lack of controls would lead to risk of financial loss, regulatory sanctions, and reputational damage arising from misalignment between stated values and actual behaviours	Short to medium term	Governance

No material risks/opportunities identified for: Pollution (E2), Water and marine resources (E3), Biodiversity and ecosystems (E4), Workers in the value chain (S2), Affected communities (S3), Consumers and end-users (S4).

2. Environment

EU Taxonomy

FY2024/25 marked the first year in which the Group published a report in accordance with Article 8 of the EU Taxonomy Regulation (EU/2020/852).

In line with Article 7 (9) of the Taxonomy Disclosure Delegated Act, as amended by the Omnibus Delegated Act, financial undertakings may apply the option to opt out of detailed Taxonomy reporting, provided they do not claim under Articles 3 and 9 of Regulation (EU) 2020/852 to have economic activities associated with the EU Taxonomy Framework.

For FY2025/26, no activities in the Group are claimed as being associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 (the Taxonomy Regulation). On that basis, SMBC EU applies the opt-out option on detailed EU Taxonomy reporting.

Climate

Strategy

The Bank recognises that climate change presents both risks and opportunities for its business. In addition, its business could have impacts on climate change. As detailed in the section Double Materiality Assessment, these IROs are all material for the Bank, and therefore are considered in its strategic planning process, and incorporated into the Bank's Sustainability Strategy, which has been approved and is overseen by its Executive Board.

SMBC EU's Sustainability Strategy considers IROs resulting from climate change, in its four Strategic Ambition Statements. It supports SMFG's approach to Sustainability Strategy.

- Our clients: Firstly, SMBC EU aims to 'Support our clients on their journey to sustainability'. SMBC EU works with clients directly on their response to climate change, within the boundaries of its Sustainability Client Engagement Framework. The Framework sets out engagement approaches used with clients in higher carbon sectors and those involved in the energy transition, with the aim of driving positive change while creating economic value. A focused group of sustainability experts within the Sustainability Solutions team provide advice to customers on topics such as how to finance their low carbon transition needs, technological and sectoral developments, and investor perspectives.
- Our solutions: Secondly, SMBC EU aims to be 'Recognised as a leading provider of green and sustainable finance solutions'. At present, SMBC EU offers green loans, sustainability-linked loans, social loans, green deposits, lead arranging and advisory services for renewable energy, new energy and energy transition, and ESG-related capital markets activity. Mitigating and adapting to climate change is a primary focus of much of the sustainable finance facilitated by SMBC EU, either because the use of proceeds directly contributes to mitigation and/or adaptation, for example proceeds of project financing used for developing new renewable energy assets, or because climate action by clients is directly incentivised through the legal terms of financing.
- Our business: Thirdly, SMBC EU aims to embed sustainability management in our culture, risk appetite and all aspects of our business. Examples of this are ensuring all clients are assessed using SMBC EU's Climate Change Ratings Assessment (CCRA)[19] annually, and ensuring all colleagues go through mandatory training related to climate change annually.
- Our impact: Finally, SMBC EU aims to 'Pursue long-term economic growth through social value creation for stakeholders'. One aspect of this is reducing the sustainability impacts of SMBC EU's business, including impacts on climate change. A key way in which it can do so is by supporting its clients' transition to a low carbon economy, in line with SMFG's ambition to achieve net zero emissions in its overall loan and investment portfolio by 2050, as well as in its own operations by 2030. SMFG has also set medium-term GHG emissions reduction targets for power, oil and gas, coal, steel, automotive and real estate sectors, and has also established a Net Zero Transition Plan. SMBC EU continues to monitor evolving regulatory requirements, including those relating to sectoral emissions, and any future reporting will be considered in line with applicable requirements. While SMBC EU works towards this, it manages the sectoral emissions related to new transactions with origination guidelines, to ensure it is contributing to SMFG's overall net zero targets. The origination guidelines are detailed in Climate IRO management.

19 The CCRA tool is an internal assessment that allows the Bank to consider both physical and transition risks within the portfolio by assigning a Climate Risk Score to all in-scope customers.

SMFG is also a signatory to the Poseidon Principles, and 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 Strategy, which was updated in 2023 in order to manage well-to-wake emissions.

Climate IRO assessment

General information on climate impacts, risks and opportunities assessment

Throughout the analysis, the Bank consistently considered climate adaptation, climate mitigation and energy aspects.

For the IRO pre-assessment of impacts in its own operations related to climate change, operational CO_2 emissions and the fraction of renewable energy usage of SMBC EU Group offices were considered. The assessment focused on two different perspectives on own operations, the physical assets and infrastructure of the Bank and its core banking processes. For assessing the impact in the downstream and upstream value chain, SMBC EU analysed sector breakdowns with science-based heatmaps on their impact related to CO_2 emissions. In relation to opportunities, the SMFG sustainable finance target and EU sustainable finance deals were considered. The risk materiality assessment leveraged a dedicated transmission channels assessment (TCA), which is explained below.

Assessing climate-related (physical and transition) risk

Climate change has the potential to substantially impact (financially, reputationally or physically) SMBC EU, its customers, the environment and society. Climate-related risk can manifest across all risk types.

The Bank has embedded a climate-related risk assessment process into its broader Risk Assessment Framework. A central component of the Bank's Sustainability Risk Framework is the identification and evaluation process of climate-related risks through an analysis of relevant transmission channels, the causal chains and avenues through which ESG factors and risk drivers impact the prudential risk categories. The Bank specifically considers climate-related risks in the form of physical risks, stemming from the physical impacts of climate change as well as transition risks which emerge from uncertainties in pace, timing and magnitude of the societal, economic and regulatory shift towards a low carbon, sustainable economy. The materiality analysis combines ESG factors based on ESRS sustainability matters and ESG risk drivers based on an EBA report (EBA/REP/2021/18). The risk materiality assessment considers four distinct time horizons covering the short-, medium- and long-term time horizons and is conducted separately for own operations, upstream stakeholders (such as depositors and suppliers) and downstream activities (including lending and capital markets).

Table 4: Consideration of ESG factors, risk drivers and risk register categories in the TCA

ESG factor (ESRS topic)	Risk drivers	Risk register categories
Climate change adaptation	Physical risk – Acute risk – Chronic risk	– Credit risk – Market risk – Liquidity risk
Climate change mitigation/energy	Transitional risk – Policy changes – Technological changes – Behavioural changes	– Operational risk – Enterprise risk

Physical risks, both acute and chronic, may affect the financial situation of obligors either directly or indirectly through impacts on operations, supply chains and markets. The risk materiality analysis for physical risks takes into account the portfolio's CCRA physical risk score. This is complemented by a breakdown of lending exposures' vulnerability to climate-related hazards. The key climate-related hazards considered in this analysis include the following:

Table 5: Consideration of acute and chronic physical risks in the TCA

Acute	Chronic
– Floods	– Heat stress
– Hurricanes and typhoons	– Sea level rise
– Wildfires	– Water stress
– Water stress	

In addition to assessing counterparties, SMBC EU evaluates its own exposure to physical climate risk. This includes both direct and indirect vulnerabilities that could affect the Bank's ability to maintain operational continuity. Beyond its own infrastructure, the Bank considers third party dependencies in its assessment of operational physical risk. SMBC EU relies on several external service providers to support its business functions. If these providers are affected by climate-related physical hazards, the Bank may experience disruptions through service interruptions or delays.

The analysis of climate transition risks is structured around key types of transition risk drivers: policy changes, technological changes and behavioural changes:

- **Policy changes:** Arising from evolving climate-related regulations, such as stricter emission standards and carbon-pricing mechanisms, these policy shifts may increase compliance costs, restrict certain business activities and erode the long-term viability of carbon-intensive operations.
- **Technological changes:** Rapid advances in low carbon technologies may render existing products, processes or assets less competitive or obsolete, eventually leading to stranded assets, reduced market share or increased capital expenditure to adopt clean alternatives.
- **Behavioural changes:** Shifts in the attitudes and patterns of decision-making of customer, consumer and investors. Consumers may choose to support companies that prioritise sustainability principles. Investors are increasingly integrating sustainability considerations into their investment decisions, pushing for greater transparency around ESG factors and related risks and more robust sustainability strategies. These shifts in behaviour may lead to reduced demand for existing offerings and may lead to reputational risks affecting access to capital and funding if a company is perceived as lagging in its climate transition.

For the evaluation of credit risk impact, the analysis of transition risk is conducted at the sector level for the lending portfolio as the economic activity is considered a key determinant of a counterparty's exposure to transition risk, and transition dynamics vary significantly by sector. For other risk categories, the assessment is conducted in a sector-agnostic approach. This includes the evaluation of transition risk impact on the Bank's funding capacity. The assessment is conducted from the Bank's own perspective where applicable, in particular with respect to operational risk as well as reputational and business risks.

The resulting risk materiality assessments are mapped to the Bank's prudential risk categories as part of the annual risk register process, ensuring their consideration in the broader risk management processes.

Scenario and resilience analysis

Scenarios in SMBC EU's climate-related risk assessments

SMBC EU employs climate-related scenario analysis to identify and assess transition risks and opportunities over short-, medium- and long-term horizons. This process involves evaluating various climate scenarios to understand their potential impacts on the Bank's financial position. The analysis anticipates risks such as regulatory changes, demand shifts, and evolving market dynamics and technological advancements. Scenarios with varying degrees of climate ambition are explored to assess the long-term viability of the business model and the resilience of the value chain. This approach allows the Bank to develop strategies that are resilient to different future outcomes, supporting its commitment to sustainability and responsible business practices.

The analysis of climate-related transmission channels is informed by scientific climate scenarios, including those published by the NGFS and other globally recognised institutions. These scenarios provide broader transition narratives, including orderly and disorderly transition pathways, against which the materiality of transition events is assessed. The results of the transmission channel analysis serve as the foundation for subsequent applications of climate scenario analysis, including ICAAP, ILAAP and long-term stress testing. In the context of physical climate risks, SMBC EU applies a long-term perspective that aligns with the underlying dynamics of the climate system and the expected timeline for materialisation of acute and chronic climate-related hazards. The transmission channel analysis incorporates assumptions consistent with high emission climate scenarios, acknowledging the cumulative impact of historical emissions and the inertia inherent in climate processes. The transmission channel analysis and CCRA physical risk scores are used as inputs into the ICAAP quantification.

Resilience analysis as part of ICAAP/ILAAP

SMBC EU conducts a climate resilience analysis on an annual basis as an integral part of its risk management and capital planning processes. The scope of the analysis includes both the Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Assessment Process, as well as a long-term scenario framework. These processes ensure that the Bank maintains sufficient capital and liquidity under both normal and stressed conditions. All material climate-related risks, including both physical and transition risks, are reflected in the scenario design. The scenarios used are based on scientifically grounded pathways, particularly those developed by the NGFS. These scenarios incorporate assumptions on how the transition to a low carbon economy may affect macroeconomic developments, energy consumption and mix, as well as the pace and scale of low carbon technology deployment. SMBC EMEA has developed an in-house climate scenario model to support forward-looking risk management, strategic planning and regulatory capital and liquidity assessments.

Results of the resilience analysis

The outcomes of SMBC EU's climate resilience analysis indicate that while climate-related risks have a measurable impact on the Bank's financial position, the institution remains resilient across the ICAAP and ILAAP horizon. Over the ICAAP horizon, the Paris-Agreement-aligned scenario based on the newly developed NGFS short-term scenarios represents a comparatively more adverse trajectory than the ICAAP base case, reflecting the orderly transition risk impact together with additional physical risk transmission into the credit portfolio and the inclusion of additional impacts for reputation and business risks under the scenario assumptions. In the long-term scenario analysis, the net zero scenario leads to the highest expected credit loss impact initially, reflecting the frontloading of transition-related impacts under an orderly transition pathway. Over longer horizons, loss impacts increasingly shift toward disorderly transition pathways and high physical risk pathways, where weaker policy coordination and/or high residual emissions drive more severe risk outcomes. These results support the conclusion that SMBC EU maintains a sound capital and liquidity resilience under a range of plausible climate scenarios while also highlighting the evolving nature of climate risk and its increasing materiality over longer time horizons. The Bank acknowledges the fact that NGFS scenarios used represent plausible but not predictive pathways, illustrating one possible trajectory of how the transition to a low carbon and climate-resilient economy could unfold.

Climate IRO management

The Bank's aim to be a leading provider of sustainable solutions, and offering sustainability-related products, is supported by Origination Procedures for sustainability-related products. Teams originating transactions are required to review the sustainability-related provisions, to ensure the best practice, as defined by industry guidelines, is followed. Cases can be escalated for review by an expert forum, for example transactions labelled as sustainable for a borrower in a sector with high climate change impacts are afforded additional due diligence to ensure they reach a high bar of positive impact.

These Origination Procedures outline the steps the Bank takes with the aim of ensuring that products and transactions, intended to support sustainability outcomes such as climate change mitigation or adaptation, target sustainability performance improvement and minimise the risk of greenwashing.

On the other side of the impact equation, the Bank has implemented guidelines for business originating in the energy and power sectors, to manage negative climate change impacts and contribute to SMFG's overall net zero targets. In line with these guidelines, all transactions in these sectors are reviewed with the aim of originating business with clients that have transition plans aligned to the Bank's ambition. The Bank has defined what is required of its clients' transition plans within its internal guidelines, and assesses transition plans as part of its Climate Change Ratings Assessment.

By supporting and engaging with clients with credible transition plans, the Bank intends to reduce impact and mitigate climate change based on real-world emissions reductions.

In addition to assessing client transition plans, the sectoral emissions impact of new transactions is assessed as part of the guidelines, with the aim of ensuring business conducted by the Bank reflects SMFG's ambitions and targets to transition its lending and investment portfolio in line with net zero by 2050.

The Bank has a process to deal with transactions in the energy and power sectors if they are misaligned with its guidelines.

SMBC EU recognises climate risk in the form of transition and physical risk as a driver of financial risk that can affect the creditworthiness of individual clients and the overall risk profile of the portfolio. Climate-related risks are therefore integrated into the credit lifecycle, including client onboarding, transaction assessment and reviews, as well as portfolio-level analysis. The credit guidelines, which outline requirements for assessing clients' emissions and evaluating exposure to carbon-intensive sectors, therefore also serve as a key tool for managing transition risks by supporting the integration of climate considerations into risk-relevant decision-making processes. While sectoral emissions are a central metric in assessing the Bank's environmental impact, they are also highly relevant from a transition risk perspective as they serve as an indicator of exposure to sectors and counterparties that may be vulnerable to decarbonisation policies, technologic disruption and/or market shifts. Accordingly, climate risk is embedded across ESG risk appetite, credit policies and broader risk management processes. A key instrument in operationalising these climate risk considerations is the internally developed CCRA.
The CCRA enables structured assessments and monitoring of climate-related risks at both obligor and portfolio level:

- Assignment of transition and physical risk scores at client level, reflecting factors such as sectoral exposure, carbon intensity and vulnerability to climate hazards
- Collection of GHG emissions data
- Evaluation of client transition plans as key risk mitigation from SMBC EU's perspective
- Triggers for in-depth review
- Climate Risk Score assigned to all in-scope customers

CCRA outputs are integrated in the credit and transaction approval process. CCRA data also informs materiality assessments, ESG risk appetite-setting as well as climate-related internal reporting.

Together, these tools and processes establish a forward-looking framework for the identification, assessment and management of climate-related risks, supporting the Bank's risk management objectives.

Nature

Strategy

SMBC EU operates in line with SMFG's strategic direction, including sustainability considerations and the protection of nature and biodiversity. SMBC EU and SMFG recognise nature as fundamental and encompassing natural resources – such as plants, animals, atmosphere, water and soil – collectively known as 'natural capital'. Biodiversity supports the stability of natural capital, and its loss impacts the environment, economy and society. Damage to natural capital affects the entire supply chain.

Natural capital and climate change are interdependent. Changes in natural capital (including, for example, atmosphere and forests) impact the climate, while climate change affects natural capital through increased precipitation and natural disasters. Collaborative efforts can promote societal change and achieve natural preservation goals. Loss of natural capital, including biodiversity, may impact business activities, increase inherent risks and reduce the value of financial assets. Conversely, conserving and restoring natural capital enriches people's lives and improves health. Understanding the interdependence between climate change and natural capital enhances control of climate change and maximises the benefits of ecosystem services.

Financial institutions have a strong relationship with natural capital through transactions with corporate and individual clients. Assessing risks and opportunities related to nature involves analysing customers' activities and their interface with natural capital. SMBC EU and SMFG prioritise understanding of these relationships to address nature-related risks and opportunities, advancing the Risk Management Framework and supporting nature-positive efforts by customers.

Nature IRO assessment

The identification of actual and potential nature-related IROs covering pollution, water and marine resources, biodiversity and ecosystems, circular economy and resource use follows the previously mentioned DMA approach. This process is consistently applied across the entire DMA, with adjustments to address the specific focus of each nature-related aspect and the relevant stakeholders. The pre-assessment of impacts and opportunities is conducted through science-based heatmaps, internal information and expert judgement and provides an initial indication of which nature-related sub-topics are likely to be material and which stakeholders are most affected. The heatmap-based pre-assessment considers the sub-topics defined in the ESRS related to E2–E5 through assessing global averages on the impact of the sectors related to heatmap components such as air pollutants, toxic pollutants to water and soil, water use, invasive species and solid-waste generation.

Regarding the Group's buildings and sites, all offices of SMBC EU Group in Europe are located inside cities. As a result, the Group assessed that it does not have any building in or near particular biodiversity-sensitive areas, nor are the Group's own operations dependent on specific ecosystem services. Due to the office-based banking operations in cities, no endangerment of nature or operational risk can be concluded. Overall, no IROs were assessed as material for sub-sub-topics related to biodiversity and ecosystems in the value chain segment of own operations. Therefore, currently no biodiversity mitigation measures need to be implemented for the Group's own operations.

In the downstream value chain, the nature and biodiversity-related physical and transition risks, including dependencies on ecosystem services, were considered as part of the transmission channel analysis and assessed for their potential to drive credit and enterprise risk. The assessment concludes that biodiversity-related risks are currently immaterial to the Bank's business model and financial performance.

Nature IRO management

SMFG promotes the conservation and restoration of natural capital, striving to achieve nature-positive initiatives. It assesses environmental risks to reduce the impacts from its activities. SMFG offers financial products, information and solutions to support clients in addressing environmental issues and transition to a decarbonised society. SMFG has implemented decarbonisation practices and climate-related risk management with nature and biodiversity conservation in mind.

SMBC EU aligns with SMFG, implementing due diligence to address environmental and social risks affecting credit and reputational risks. This includes evaluating customers' risk-mitigation measures for sector-specific issues such as emissions, waste, resource use and biodiversity. The goal is to integrate sustainability risk into the credit approval process, as well as promote engagement with customers on their transition plans and identify ESG risk mitigants. In the credit- and lending-related risk assessments, particularly in project finance, environmental impacts related to climate change and nature connected to the Bank's clients are considered. In particular, project finance transactions undergo a thorough assessment of environmental and social risks that cover the impact perspective. The environmental screening process involves classifying the project into one of three categories based on the magnitude of potential impacts and risks, specifically related to significance, extent and potential irreversibility. An environmental review step ensures that the project meets environmental and social considerations. It also verifies compliance with international guidelines when making decisions about providing support. After support has been granted, the ongoing environmental monitoring process verifies that the project continues to comply with international guidelines. These steps ensure that all project finance transactions are rigorously evaluated for their environmental and social impacts, aligning with SMFG's commitment to sustainability and responsible financing.

Overall, SMBC EU's initiatives to mitigate climate change also contribute to reducing biodiversity loss, which is driven by the effects of climate change and has been identified as material in the DMA within the Bank's downstream value chain. The procedures and measures implemented by SMBC EU to address climate change mitigation are detailed further in the section Climate.

These steps ensure that all project finance transactions are rigorously evaluated for their environmental and social impacts, aligning with SMFG's commitment to sustainability and responsible investment.

3. Social

Own workforce

Strategy

The term 'Own workforce' includes all employees who might be significantly affected by the Company's actions. This covers both permanent and temporary staff working for the Group, including expatriates on secondment. Impacts related to 'Own workforce' have been identified as material.

The Group relies heavily on a skilled and qualified workforce to operate efficiently and achieve its strategic goals. Inadequate or uncompetitive working conditions pose a risk to the Group's ability to compete for, attract and retain a sufficient and qualified workforce.

Material sub-topics include the following:

- Working time: ensuring fair and manageable working hours.
- Work–life balance: promoting a healthy balance between work and personal life.
- Gender equality and equal pay: committing to equal opportunities and pay for all genders.
- Diversity: fostering an inclusive and diverse workplace.
- Data privacy: protecting the privacy and security of employee data.
- Ensuring equal treatment and opportunities for all is essential.

The business model and strategy take these material topics into account by integrating them into core operational and strategic decisions. The following section outlines the actions taken to address each topic.

Own workforce IRO assessment

The assessment for Own workforce was carried out in accordance with the previously mentioned DMA process. Own workforce-related impacts and opportunities were evaluated using employee engagement survey data, internal documents, policies and available human resources metrics for each sub-sub-topic. The risk assessment leveraged the results of SMBC EU's risk register process.

Working time: The Group adheres to regulations in all locations where it operates. Employees are informed of their applicable working hours through their individual contracts or the Employee Handbook. To reduce the risk on working time, the Group locally addresses policies on overtime monitoring where feasible. In Germany, a joint working council agreement applies for 'flextime, working rules and recording'. Additional local arrangements are designed to offer flexible, remote and smart working options. The Group supports 'agile' working styles, recognising their importance in fostering work–life balance. Social KPIs including overtime and hybrid working are monitored and reported to the Executive Board.

Work–life balance: The Group's policies and programmes aim to support a healthy balance between work and personal life, including hybrid working conditions and wellness programmes. Hybrid working allows employees to choose the environment that best suits their tasks and objectives and mitigates against negative impacts on work–life balance. Wellness resources are readily available, and weekly communication provides a list of upcoming events, programmes, training and actions. The Group is committed to engaging in social dialogue to enhance agile working arrangements and support local family-leave policies.

Gender equality and equal pay: The Group is committed to being an inclusive and equal opportunity employer, appointing, training, developing and promoting individuals based on merit and ability. Promotion criteria and procedures are designed to prevent unconscious bias, with opportunities for challenge to ensure fairness. To promote equal opportunities and remove risk of unfair treatment, the Group implements unbiased recruitment processes as well as training, and promotes women in leadership roles. It commits to equal pay for all genders by conducting regular pay reviews, ensuring fair salaries relative to peers, and aligning salary growth with employees' skills and experience. These principles aim to create equitable career prospects and employability of the Group's workforce.

Diversity: The Group recognises the importance of attracting, developing and retaining diverse talent. At the executive level, diversity and inclusion initiatives are overseen by the EMEA Diversity, Equity and Inclusion Steering Committee, which reports to the Board and Executive Committee. There is a local, German DEI country council led by the CEO of SMBC EU that reports to the EMEA DEI Steering Committee. DRIVE is the umbrella for the Bank's employee resource groups. It aims to drive and elevate the sustainable growth of the Bank by fostering a diverse and inclusive workplace.

DRIVE comprises various networks, each focused on a key aspect of diversity and inclusion, namely Balance (gender), BE&A (Black employees and allies), Collaborate (inclusion), Niji (LGBTQ+), Social Mobility (socio-economic mobility) and UNIQUE EMEA (neurodiversity and disability).

Data privacy: Protecting employee data privacy is a priority, with data protection policies and procedures in place. The Group is committed to ensuring compliance with regulations and builds trust with employees by adhering to GDPR and local federal acts, applying additional measures as needed.

The Group employs a variety of policies and tools to secure data privacy, including measures to prevent data leakage and manage insider risks. These policies and tools are designed to mitigate any potential risks. Regular employee training sessions and awareness programmes are conducted at all levels to reinforce these measures. Additionally, the Group aims to continuously enhance the robustness of its applications to further safeguard data.

It is important to the Group to create a supportive and competitive work environment that attracts and retains skilled and qualified employees, driving long-term success.

Metrics and targets

Gender diversity targets

SMBC is a proud signatory of the Women in Finance Charter (WiFC), and in July 2023 SMBC EMEA achieved its target to have 30% female representation in EMEA at Director level and above. In recognition of the importance of sustaining the focus on gender diversity, and to further accelerate progress, SMBC EMEA set a new target of 30% at the more senior level of executive Director and above by 2027. As at 31 March 2026, SMBC EMEA has 27% female representation in senior leadership roles and therefore our 2027 WiFC target is achievable.

With the heightened emphasis on regulatory reporting and the expected growth of SMBC EU, it was recognised that additional measures were necessary to enhance employee diversity in Germany. Consequently, several annual diversity targets focused on female representation have been established and are monitored monthly.

At the Board level, a new target of 33% female representation has been set for SMBC EU Executive and Supervisory Boards by 2027.

Number of employees in SMBC EU Group

The number of permanent, expatriate and temporary employees in the Group as at 31 March 2026 is as follows:

	Number
Permanent and expatriate employees[20]	745[22] (PY:553)
Temporary employees[21]	56 (PY:28)

20 Members of the Executive Board of SMBC Bank EU AG and SNBL are included (4+3).

21 Temporary employees include fixed-term employees and interns.

22 In February 2026, the business and employees of BI Paris Branch were transferred into SMBC EU Paris Branch (refer to section I.2 'Paris Branch Transfer to SMBC EU and European Central Bank Supervision' for a general description of the transaction).

Number of employees in SMBC EU Group who belong to a workers' council/equivalent employee representative group

The table below shows the number of permanent employees who belong to a workers' council or equivalent employee representative group as at 31 March 2026:

	Location				
	Düsseldorf	Frankfurt	Luxembourg	Paris	Total
Number of employees	7 (PY: 7)	9 (PY: 9)	2 (PY: 3)	7 (PY: 8)	25 (PY: 27)

Women in Finance Charter – Women in senior leadership in SMBC EMEA

The WiFC target is to achieve 30% female representation in senior leadership positions across SMBC EMEA by 2027.

This table shows the proportion of women in senior leadership in SMBC EMEA as a number and a percentage as at 31 March 2026:

	Female	Male	Total
Number	110 (PY: 99)	267 (PY: 267)	377 (PY: 366)
Percentage	9.2% (PY: 27.0%)	70.8% (PY: 73.0%)	100.0% (PY: 100.0%)

Gender distribution at top management level in SMBC EU Group

This table shows the gender distribution of top management of SMBC EU Group as a number and a percentage as at 31 March 2026:

	Female	Male	Total
Number	20 (PY: 14)	65 (PY: 50)	85 (PY: 64)
Percentage	23.5% (PY: 21.9%)	76.5% (PY: 78.1%)	100.0% (PY: 100.0%)

Employee age distribution

This table shows the age distribution of all permanent employees in SMBC EU Group as at 31 March 2026:

	Age below 30	Age 30–50	Age 50 and above
Percentage	10.8% (PY: 10.6%)	70.0% (PY: 72.0%)	19.2% (PY: 17.4%)

Performance reviews and career conversations
All permanent employees in SMBC EU Group who were eligible for a performance review and career conversation in FY2024/25 completed the process.

Employee Class definitions:

- **Permanent** – This is defined as individuals directly employed by the Group in their respective home country or region. These employees have a formal contract with the Group that specifies the terms and conditions of their employment and has no specified end date. This population has an Employee Class of 'Permanent'.
- **Expatriate** – This is defined as employees working for the Group outside of their home country. These employees have a formal employment contract with SMBC Tokyo and either: i) a secondment agreement between SMBC Tokyo and SMBC EU with a specified end date, or ii) a formal employment contract with SNBL. This population has an Employee Class of 'Expatriate'.
- **Fixed Term** – This refers to individuals who are directly employed by the Group for a set period in their respective home country or region. These employees have a formal contract with the Group that outlines the terms and conditions of their employment, including a specified end date. This group is classified under the Employee Class 'Fixed Term'.
- **Contingent** – This refers to individuals who are hired through a recruitment agency in their respective home country or region for a defined period. These individuals have a formal contract with the recruitment agency, which in turn has a contractual agreement with the Group. This group is classified under the Employee Class 'Contingent'. This does not include consultants.
- **Intern** – This typically refers to students who are gaining practical work experience in their respective home country or region for a specified period of time. The students have a formal contract with the Group that outlines the terms and conditions of their employment, including a specified end date. This group is classified under the Employee Class 'Intern'.

For the purpose of the consolidated non-financial statement, the following definitions have been used:

- **Permanent employees in the Group** – Total number of employees in SMBC EU Group with an Employee Class of 'Permanent' or 'Expatriate'.
- **Temporary employees in the Group** – Total number of employees in the Group with an Employee Class of 'Fixed Term' or 'Intern'.
- **Number of Employees in the Group who belong to a workers' council/equivalent employee representative group** – This is made of up the total number of employees in the Group belonging to a workers' council or equivalent staff representative group with an Employee Class of 'Permanent'. This does not include substitute members.
- **Women in Finance Charter – Women in senior leadership in SMBC EMEA** – this is the percentage of females in SMBC EMEA (except SNBL) whose Employee Class is 'Permanent' or 'Fixed Term' with a corporate title of executive Director (ED) or Managing Director (MD).
- **Gender distribution at top management level in the Group** – This refers to the percentage of female and male employees in SMBC EU Group with an Employee Class of 'Permanent' or 'Fixed Term' and a corporate title of ED or MD.
- **Proportion of women in senior leadership in the Group in Germany** – The percentage of female employees in the Group in Germany with an Employee Class of 'Permanent' or 'Fixed Term' and a corporate title of ED or MD.
- **Total proportion for female employees in the Group in Germany** – **T**he percentage of female employees in SMBC EU Group Germany with an Employee Class of 'Permanent' or 'Fixed Term'.
- **Employee age distribution in the Group** – This metric shows how all employees in the Group with an Employee Class of 'Permanent' are placed across different age groups. It is reported as a percentage for each age group, which is calculated based on the birth date of each. For reporting purposes, the ages are categorised into three groups: under 30, 30–50 and over 50.
- **Percentage of employees that participated in regular performance and career development reviews** – This is the percentage of all eligible employees in the Group with an Employee Class of 'Permanent' who participated in regular performance and career development reviews. Employees on leave of absence during the review period are excluded from the eligible population.

Social matters

The Bank recognises the importance of making a meaningful and positive impact in the communities where it operates. Employees are encouraged to consider how they can embed social value into their activities, whether through volunteering with community or charitable organisations, supporting fundraising initiatives or taking part in other socially focused activities. This year SMBC EMEA launched an EMEA Volunteering Leave Policy, available across all EMEA locations to encourage employees to take part in volunteering activities by providing dedicated paid leave to do so.

In FY2025/26, SMBC Group and its employees contributed to a globally coordinated Social Value Creation week of Corporate Social Responsibility (CSR) activities for a second year, where SMBC EU employees and representatives of the Executive Board participated in a series of volunteering events, including the following:

- Partnership with Frankfurter-Tafel, Tafel Düsseldorf e.V. and Kindertafel Düsseldorf Tafel to support Tafel's mission of redistributing surplus food to those in need using SMBC EU colleagues, including SMBC EU's CEO, Mr Stanislas Roger. This initiative not only tackles food waste but also provides vital assistance to individuals experiencing food insecurity.
- Partnership with Zentrum für Weiterbildung gemeinnützige GmbH (ZfW) in Frankfurt, offering workshops to help students create their CVs and start entering the professional world.
- SMBC EU's Paris Branch hosted students from underserved communities in partnership with a local organisation for a Careers Morning. This event was supported by senior leadership.
- Alongside the Sustainable Aviation Fuel Roundtable, SMBC EU Dublin branch supported the Dublin Simon Community through a Christmas Box Appeal. Employees donated toys, clothing, food and toiletries, complemented by fundraising activities and a corporate contribution.
- The SMBC EU Madrid and Milan branches volunteered at local food banks, sorting donations and packing food boxes to support vulnerable members of the community.
- SMBC EU Prague employees volunteered at a Food Bank, helping distribute food packages to local residents. The team also supported a children's care home through a volunteering activity.
- SMBC EU Amsterdam employees supported a local care home, spending time with elderly residents through games, preparing snacks and distributing gifts.

The Bank will promote such initiatives in upcoming years to expand existing relationships and identify new community organisations to which the Bank's staff may contribute time, skills and expertise.

Respect for human rights

Even though this topic is considered immaterial by the DMA, the Bank pursues the following HGB-compliant policies and actions in this regard.

SMBC EU Group'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 slavery or human trafficking. This includes a cautious due diligence process in the selection of customers, business partners, suppliers and other third parties, to provide reasonable assurance that they are not involved in the commission or facilitation of slavery and/or human trafficking.

SMBC EU Group supports the SMBC Group Human Rights Report and Statement on Human Rights, based on the United Nations' Guiding Principles on Business and Human Rights (UNGPs). As such, SMBC EU Group is committed to protecting and respecting human rights in accordance with international human rights standards.

Social-related risks may manifest in financial and non-financial risks not only for customers but also for financial institutions. Human rights-related risks were considered as part of the transmission channel analysis (described in detail in section 2.1.2) and assessed for their potential to drive the traditional risk categories. Human rights-related risks may affect individual counterparties, but from the Bank's perspective the overall risk materiality is considered immaterial.

Supplier due diligence for human rights

SMBC Group commits to meet its responsibility to respect human rights in its supply chain. Therefore, SMBC Group has established the Sustainable Procurement Policy (Supplier Code of Conduct), which requires suppliers to comply with the laws and regulations applicable in the countries in which they operate, as well as to seek their understanding and cooperation on appropriate standards considered by SMBC Group.

As such, the Group follows globally aligned standards and processes for evaluating, onboarding and managing external suppliers. The Group has adopted the Sustainable Procurement Policy of SMBC Group. Those partnering with the Group must meet rigorous business, compliance and financial stability criteria while adhering to the Group's ethical guidelines, which outline expectations for responsible and sustainable business conduct. Suppliers operating in sectors with elevated ESG risks or heightened concerns related to modern slavery and human trafficking undergo enhanced due diligence and ongoing monitoring. The supplier due diligence process at the Group consists of an annual service provider risk assessment which includes an ESG questionnaire, covering adherence to international standards on human rights such as the European Convention on Human Rights, as well as international standards on working conditions and the prohibition on human rights.

Human rights due diligence in customer onboarding and lending transaction processes

SMBC EU has policies and processes in place to prohibit transactions with businesses that cause child labour, forced labour and human trafficking. The Bank's credit management considers social-related risks in its decision-making on doing business with new and existing customers. For that purpose, SMBC EU implemented, aligned with SMFG, a human rights due diligence process which includes usage of the Environmental and Social Due Diligence (ES DD) tool. The purpose of the ES DD is to recognise and assess the impact of various factors in affecting credit and reputational risks. Furthermore, the tool aims to promote engagement with customers on their transition plans and evolving ESG risk mitigants.

The implemented standards and processes at the Group support its commitment to protecting and respecting human rights in FY2025/26.

4. Governance

Governance IRO assessment

The identification of actual and potential business conduct-related IROs follows the same structured approach detailed in the previously mentioned DMA process. This process is consistently applied across the entire DMA, with adjustments to address the specific focus of each business conduct-related aspect and the relevant stakeholders. The pre-assessment, conducted through internal governance-related information, provided an initial indication of which business conduct-related sub-topics were likely to be material and the stakeholders most affected. The pre-assessment considers the sub-topics defined in the ESRS: corporate culture, protection of whistleblowers, animal welfare, political engagement and lobbying activities, management of relationships with suppliers including payment practices, and corruption and bribery.

The assessment concludes governance-related risks originating from downstream activities are immaterial to the Bank's overall risk profile. With respect to the Bank's own business conduct, corporate culture risks in the form of risk culture have been assessed as a material risk, as it is recognised that an inappropriate risk culture driven by insufficient employee awareness on risk-taking with lack of controls would lead to risk of financial loss, regulatory sanctions, and reputational damage arising from misalignment between stated values and actual behaviours.

Corporate culture

The Group is committed to fostering a culture that aligns with regulatory expectations, internal governance standards and the broader EMEA Culture Framework. Our approach is grounded in SMBC's five global values – Integrity, Customer First, Speed & Quality, Innovation & Proactiveness, and One 'Team SMBC' – which underpin behaviours, decision-making and collective accountability across the organisation. These values are embedded in the Bank's Mission, Vision and Culture Statement, and serve as a foundation for how we lead, collaborate and engage with each other and stakeholders.

The Bank's Culture Governance Framework includes key mechanisms such as the EMEA Culture Governance Panel and network of Culture Champions across the Bank. These structures play a critical role in driving cultural alignment across all SMBC EU locations, aiming to ensure that local activities reinforce shared values while meeting regulatory and supervisory expectations.

All cultural initiatives, employee engagement activities and governance measures are designed to support a healthy, inclusive and values-driven environment. The Bank monitors and assesses the effectiveness of its Culture Framework through structured oversight, bi-annual employee engagement surveys and the implementation of Culture Action Plans (CAPs), enabling us to identify areas for improvement and ensure continuous alignment with strategic and cultural priorities.

Business conduct

Within its roles and responsibilities, the Executive and Supervisory Boards aim to ensure that, through internal structures, risk management functions, as well as policies and procedures, the Group has established a robust corporate governance culture. This particularly includes the 'three lines of defence' model, including functions such as Compliance, Risk Management and Audit. Therefore, all business conduct-related topics are led from the top.

The Group defines standards and behaviours through an extensive framework of policies and procedures for identifying, reporting and investigating unlawful behaviours or breaches of its Code of Conduct. Essential rules for compliant and general behaviour are also defined in the respective Code of Conduct document. Within the Code of Conduct, guiding principles, responsibilities and Company-specific aspects are further outlined. Therefore, concrete reporting obligations are defined for internal stakeholders.

In line with national whistleblower regulations, the Group has established internal policies and procedures to accommodate whistleblowing cases for both employees and other stakeholders, particularly including non-employee stakeholders.

The Group has established dedicated reporting channels, both internally and externally. Investigations and reporting are conducted in line with the respective national whistleblowing regulations. The Group therefore ensures whistleblowers are protected in accordance with national regulations.

The Group has established processes to investigate business conduct incidents promptly, independently and objectively.

The Group has defined a training concept within its policies and procedures, divided into three pillars. These training methods include face-to-face sessions, group sessions and electronic learning. They also cover conduct-related topics, among others.

Anti-bribery and corruption

Even though this topic is considered immaterial by the DMA, the Bank pursues the following HGB-compliant policies and actions in this regard.

The Bank faces both employee and third party bribery and corruption risks. The key bribery and corruption risk typologies that the Bank and its employees face are defined in the Bank's anti-bribery and corruption (ABC) policy. These are focused on gifts and entertainment, hiring, donations and sponsorships, third party intermediaries and vendors, and transactions. All departments and employees of the Bank that are exposed to one or more of these risk typologies face an enhanced risk for bribery and corruption. The Bank's Financial Crime Risk Assessment (FCRA) has highlighted that customer-facing departments will inherently face an enhanced bribery and corruption risk compared with other departments due to the nature of their activities. However, it is important to note that all departments and all employees are at risk. The Bank has several procedures in place covering the prevention of bribery and corruption, as well as procedures covering other types of financial crime that mitigate the Bank's exposure to bribery and corruption, such as money laundering, terrorist financing, fraud and sanctions evasion.

A policy for anti-bribery and corruption is in place and has been mapped to the UN Convention against Corruption. The mapping did not show any gaps between the convention and the relevant policy, which means that the Bank is satisfied that all relevant requirements of the UN Convention against Corruption are implemented within the Bank's ABC policy. The Bank conducts risk-based due diligence on its suppliers and associated parties. These third parties are also screened for negative news, sanctions, politically exposed persons and other public positions. High risk suppliers and associated parties that fall outside the Bank's ABC risk appetite will not be accepted.

Gifts and entertainment (G&E), both given to and received by the Bank's employees, are subject to the EMEA Division G&E policy. This policy outlines the requirements for all employees to register all G&E in the Bank's G&E register and to seek the appropriate levels of management pre-approvals where necessary.

The Bank has a whistleblowing procedure in place where all employees can find the appropriate channel to raise their concerns. The procedure also covers how these concerns should be handled and investigated, and the protection for employees from unfair treatment.

The ABC policy outlines the requirement for all employees to escalate bribery and corruption concerns to the relevant Money Laundering Reporting Officer (MLRO).

Independent investigations are carried out in the second line of defence by Compliance, which is fully independent from both an operational and managerial perspective from those business departments that sit in the first line of defence.

Bribery and corruption management information is to be made available to the respective local MLRO, local compliance officer or senior management, on a regular basis or when requested on an ad-hoc basis. This management information will also be reported to the appropriate committees to enable senior management to fulfil its function. The management information will be shared with supervisory bodies upon request. Outcomes of specific cases or incidents are reported ad-hoc to the Executive Board.

If an employee has committed a high risk breach or repeatedly committed low or medium breaches, this will be escalated both to Compliance and to at least the head of the department. All serious or material misconduct must be escalated to the regional chief compliance officer to ensure that any necessary regulatory notification is given.

All policies are available to all employees through the Bank's intranet and central policy and procedure depository. All new policies and updates to existing policies are distributed via email and are addressed in standing calls between the first and second lines of defence. Training is also provided on the relevant policies and their contents.

All new joiners need to complete anti-bribery and corruption training. All employees are also subject to annual refresher training. The trainings cover the expectations set in regulations, policies and procedures, as well as the processes and tools in place to mitigate bribery and corruption risks. Most of the trainings are held online as eLearning. Attendance is monitored, tracked and escalated to relevant management. Non-attendance is not tolerated.

Currently, all employees receive the same training, which means that administrative, supervisory and management bodies of the Bank receive the same training as all other employees. The Bank recognises that appropriate training on bribery and corruption must be provided to all employees at least annually to ensure they are aware of their personal obligations and the relevant regulatory requirements. The Bank will conduct training that covers general risk awareness of ABC for all employees and contractors at induction; additional mandatory refresher training will take place every year. The training will cover the key factors for employees to be aware of, and whom to contact should they identify an issue or require more information.

There have been no convictions for violation of anti-corruption and anti-bribery laws and there have been no fines for violation of anti-corruption and anti-bribery laws in the current reporting period.

There have also not been any breaches during this reporting period, so no actions have been taken. In the event of a breach of policy, procedure or any applicable laws or regulations, the matter will be escalated and investigated in line with the Bank's incident reporting policy or via the Whistleblowing Framework.

The Bank may employ external legal counsel or other external advisors if required and will report any identified crime to the appropriate law enforcement agencies or regulators. Employees found to have infringed policy, procedure, or any law or regulation shall be subject to appropriate disciplinary action, up to and including dismissal, in accordance with applicable employment laws, and may be subject to criminal prosecution.

VII. Additional Disclosures

1. Final Declaration on the Dependency Report in Accordance with Section 312 (3) Sentence 3 of the AktG

The entire share capital of SMBC Bank EU AG is held by Sumitomo Mitsui Banking Corporation, Tokyo, Japan; SMBC Bank EU AG is therefore a dependent company within the meaning of section 17 (1) of the German Stock Corporation Act (AktG). There is no control or profit/loss transfer agreement between SMBC Bank EU AG and SMBC Tokyo. The Executive Board of SMBC Bank EU AG needs to prepare a dependency report on the Company's relationships with affiliated companies in accordance with section 312 of the AktG.

The report issued in this respect concludes with the following statement: "The Management Board declares that SMBC Bank EU AG has received appropriate consideration for each legal transaction with the controlling or other affiliated company in accordance with the circumstances known at the time when the transactions were carried out. No further measures have been taken or omitted which would have been detrimental to SMBC Bank EU AG."

2. Assurance of the Legal Representatives

We hereby confirm that, to the best of our knowledge, the SMBC EU Group's financial statements give a true and fair view of the assets, liabilities, financial position, liquidity and financial performance of the SMBC EU Group in accordance with applicable financial reporting standards, and that the Combined Group Management Report gives a true and fair view of the SMBC EU Group's business development, and also describes significant opportunities and risks related to the SMBC EU Group's anticipated development for the remaining part of the financial year.

Frankfurt am Main, 10 July 2026

SMBC Bank EU AG
Frankfurt am Main

Executive Board

Stanislas Roger **Dr. Niklas Dieterich** **Yosuke Uemura**

Mitsunori Hamada

Consolidated Statement of Comprehensive Income For the period from 1 April 2025 to 31 March 2026

	Notes	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Interest income[1, 2]	V.1	**917,595,534.22**	1,062,189,045.61
Interest expense[3]	V.1	**(571,788,749.82)**	(646,313,459.13)
Net interest income		**345,806,784.40**	415,875,586.48
Fees and commission income	V.2	**227,288,725.34**	198,262,813.95
Fees and commission expense	V.2	**(76,138,725.97)**	(97,144,619.60)
Net fees and commission income		**151,149,999.37**	101,118,194.35
Result from financial instruments measured at fair value through profit or loss (FVTPL)	V.3	**57,899,180.76**	29,623,630.52
Result from hedging relationships	V.4	**(1,025,347.02)**	(3,801,072.78)
Other operating income	V.5	**20,519,363.30**	16,291,525.65
Operating income		**574,349,980.81**	559,107,864.22
General administrative expenses	V.6	**(333,293,475.93)**	(218,706,655.88)
Net result from the derecognition of financial assets measured at amortised cost (AC)	V.7	**5,524,686.47**	(66,997.51)
Depreciation and amortisation	V.8	**(8,159,546.56)**	(4,875,012.71)
Other operating expenses	V.9	**(2,428,242.58)**	(1,648,410.95)
Risk provision	V.10	**(20,395,500.43)**	(2,188,636.34)
Profit before income tax		**215,597,901.78**	331,622,150.83
Income tax charge	V.11	**(81,337,688.53)**	(101,684,419.68)
Profit for the year		**134,260,213.25**	229,937,731.15
Allocations to the statutory reserve		**(5,500,000.00)**	(12,849,881.90)
Net profit		**128,760,213.25**	217,087,849.25
Other comprehensive income			
Items that will never be reclassified to profit and loss		**–**	–
Items that will be reclassified to profit and loss		**(1,373,991.01)**	2,033,677.54
Change in the fair value of financial assets measured at fair value through other comprehensive income (FVOCI)		**(1,834,551.87)**	2,775,006.29
Related tax		**460,560.86**	(741,328.75)
Total other comprehensive income		**(1,373,991.01)**	2,033,677.54
Total comprehensive income for the year		**132,886,222.24**	231,971,408.69

1 All interest income was calculated using the effective interest method.
2 Interest income consists primarily of interest income on financial assets measured at amortised cost.
3 To improve readability, expenses relating to the consolidated statement of comprehensive income and the supplementary disclosures in the notes are consistently presented with a negative sign.

The notes to the consolidated financial statements form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position As at 31 March 2026

EUR	Notes	31.03.2026	31.03.2025
Assets			
Cash	IV.1	**238,279,501.12**	113,781,108.35
Receivables to banks	IV.2	**19,810,147,255.06**	10,594,660,531.02
Receivables to customers	IV.2	**16,013,082,389.02**	13,449,677,429.04
Derivative Assets: Hedge Accounting	IV.5	**25,879,653.33**	25,233,170.28
Trading assets	IV.4	**1,595,736,149.91**	983,276,326.05
Investment and Liquidity Securities	IV.3	**272,795,165.37**	195,333,578.07
Equity instruments		**–**	–
Property and equipment	IV.6	**33,683,387.42**	21,875,224.58
Intangible assets and goodwill	IV.6	**2,129,351.61**	2,193,212.47
Income tax assets	IV.7	**25,829,376.71**	29,920,029.33
Deferred tax assets	IV.8	**87,946,908.24**	83,386,832.77
Other assets	IV.9	**77,604,773.40**	71,679,471.79
Total assets		**38,183,113,911.19**	25,571,016,913.75
Liabilities			
Liabilities to banks	IV.10	**11,892,190,780.55**	7,063,750,670.95
Liabilities to customers	IV.11	**17,723,692,431.88**	11,165,448,280.43
Securitised liabilities	IV.12	**744,036,899.70**	393,344,793.97
Derivative Liabilities: Hedge Accounting	IV.5	**7,137,725.34**	14,461,270.02
Trading liabilities	IV.4	**1,583,994,186.52**	960,277,515.43
Provisions	IV.13	**44,658,048.89**	18,691,283.51
Income tax liabilities	IV.7	**26,503,602.08**	32,484,966.27
Deferred tax liabilities	IV.8	**18,213,358.18**	21,709,436.72
Other liabilities	IV.14	**335,245,841.18**	228,198,222.83
Total liabilities		**32,375,672,874.32**	19,898,366,440.13
Shareholders' equity			
Subscribed capital	IV.15	**5,100,000,000.00**	5,100,000,000.00
Capital reserves	IV.15	**69,723,622.57**	69,723,622.57
Legal reserve	IV.15	**29,371,850.40**	23,871,850.40
Reserves from retained earnings	IV.15	**598,561,305.28**	471,849,862.36
Other reserves	IV.15	**9,784,258.62**	7,205,138.29
Total equity		**5,807,441,036.87**	5,672,650,473.62
Total liabilities and equity		**38,183,113,911.19**	25,571,016,913.75

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity As at 31 March 2026

EUR	Subscribed capital	Retained earnings	Legal reserve	Capital reserve	Other reserve	**Total**
Balance as at 1 April 2025	**5,100,000,000**	**473,728,190**	**23,871,850**	**69,723,623**	**7,205,138**	**5,674,528,801**
Total comprehensive income for the year						
Net profit for the period	–	134,260,213	–	–	–	**134,260,213**
Other comprehensive income, net of tax	–	–	–	–	–	**–**
Actuarial gains/(losses) on defined benefit scheme	–	–	–	–	–	**–**
Changes in fair value of assets classified as FVOCI	–	–	–	–	(1,373,991)	**(1,373,991)**
Effective portion of changes in fair value	–	–	–	–	–	**–**
Effect of changes in tax rates	–	–	–	–	–	**–**
Other changes	–	(9,427,098)	5,500,000	–	3,953,112	**26,014**
Balance as at 31 March 2026	**5,100,000,000**	**598,561,305**	**29,371,850**	**69,723,623**	**9,784,259**	**5,807,441,037**
Balance as at 1 April 2024	5,100,000,000	258,354,244	10,900,000	69,723,623	1,700,816	**5,440,678,682**
Total comprehensive income for the year						
Net profit for the period	–	229,937,731	–	–	–	**229,937,731**
Other comprehensive income, net of tax	–	–	–	–	–	**–**
Actuarial gains/(losses) on defined benefit scheme	–	–	–	–	–	**–**
Change in fair value of assets classified as fair value through other comprehensive income (FVOCI)	–	–	–	–	2,033,678	**2,033,678**
Effective portion of changes in fair value	–	–	–	–	–	**–**
Impact of changes in tax rates	–	–	–	–	–	**–**
Other changes	–	(16,442,113)	12,971,850	–	3,470,645	**383**
Balance as at 31 March 2025	5,100,000,000	471,849,862	23,871,850	69,723,623	7,205,138	**5,672,650,474**

The adjustment of the opening balance of retained earnings as at 1 April 2025 results from the early application of the amendments to IFRS 9 and IFRS 7. Further explanations can be found in Chapter II.4.

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow As at 31 March 2026

EUR	Notes	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Reconciliation of profit before tax to net cash flow from operating activities:			
Profit for the year before tax		**215,597,902**	331,622,151
Adjustments to non-cash items:			
Net impairment loss on financial assets		**20,395,500**	(3,486,006)
Gain/(loss) on sale of investments		**–**	–
Gain/(loss) on sale of tangible assets		**186,879**	2,476
Other non-cash items on non-operating assets and liabilities		**(3,220,186)**	25,678,699
Depreciation and amortisation		**8,159,547**	4,875,013
Changes in operating assets and liabilities:			
Changes in receivables to banks		**1,882,124,948**	(742,620,357)
Changes in receivables to customers		**(2,472,071,397)**	(1,509,311,907)
Changes in derivatives		**(7,970,028)**	41,521,668
Changes in other assets		**(111,846)**	(12,506,995)
Changes in liabilities to banks		**(110,765,427)**	2,431,362,583
Changes in liabilities to customers		**5,996,943,100**	(312,550,713)
Net decrease/(increase) in trading portfolio assets		**(370,690,441)**	273,990,768
Net increase in trading portfolio liabilities		**382,003,406**	(282,484,646)
Change in collateral placed/received		**(16,412,951)**	(121,993,234)
Changes in other liabilities		**23,325,290**	21,976,796
Taxes paid		**(81,241,098)**	(136,423,347)
Net cash from/(used in) operating activities		**5,466,253,198**	9,652,948
Purchase of investment securities		**(424,405,432)**	(306,092,536)
Proceeds from sale or redemption of investment securities		**348,557,271**	288,438,576
Purchase of controlling interest		**–**	–
Cash and cash equivalent on Paris Branch transfer		**2,378,760,406**	–
Purchase of intangible assets		**(698,901)**	(1,286,544)
Proceeds from the sale of intangible assets		**–**	–
Purchase of property and equipment		**(8,092,945)**	(10,578,425)
Proceeds from sale of property and equipment		**–**	6,385
Net cash used in investing activities		**2,294,120,399**	(29,512,543)
Payment of lease liabilities		**(4,537,089)**	(2,694,598)
Proceeds from issue of debt securities		**2,530,930,138**	1,053,139,300
Repayment of debt securities		**(2,169,824,941)**	(656,674,923)
Net cash from financing activities		**356,568,108**	393,769,780
Net decrease in cash and cash equivalents		**8,116,941,705**	373,910,184
Cash and cash equivalents at start of the year		**9,444,000,744**	9,070,757,855
Exchange differences in respect of cash and cash equivalents		**(5,009,329)**	(667,295)
Cash and cash equivalents as at 31 March		**17,555,933,121**	9,444,000,744
Cash and cash equivalents comprise:			
Cash and balances at central banks		**238,279,501**	113,781,108
Cash and balances at other banks		**17,317,653,620**	9,330,219,636
		17,555,933,121	9,444,000,744

The notes form an integral part of these consolidated financial statements.

Notes to the Financial Statements as at 31 March 2026

Notes to the Consolidated Financial Statements

I. Reporting Entity

SMBC Bank EU AG (the 'Bank', together with its subsidiary referred to as 'the SMBC EU Group'), registered in the commercial register of the Frankfurt District Court under number 110214, is a public limited company registered in Frankfurt am Main with branches in Amsterdam, Dublin, Düsseldorf, Madrid, Milan, Paris and Prague.

The SMBC EU Group offers a wide range of wholesale banking products, including: bilateral loans, syndicated loans, project finance, trade finance, other asset finance, cash management, money markets and foreign exchange. As a provider of integrated financial and investment banking solutions, the SMBC EU Group also offers its clients capital market products and derivative financial instruments. Furthermore, it acts as intermediate EU parent undertaking (IPU) of its subsidiary located in Luxembourg. The registered office is at Main Tower, Neue Mainzer Str. 52-58, 60311 Frankfurt am Main.

SMBC Bank EU AG acquired the Paris Branch of SMBC Bank International plc (SMBC BI Paris Branch) on 16 February 2026. The SMBC BI Paris Branch operates primarily as a wholesale corporate banking unit within the SMBC Group, providing services in the areas of corporate finance, trade finance and other bespoke financial solutions for institutional and corporate clients.

SMBC EU's financial year is defined as the period from 1 April to 31 March of the following calendar year.

The parent company of SMBC EU is Sumitomo Mitsui Banking Corporation, Tokyo, Japan (SMBC Tokyo). This company is, in turn, included in the consolidated financial statements of Sumitomo Mitsui Financial Group, Tokyo, Japan (SMFG). The consolidated financial statements of SMFG are available via the following link:

https://www.smfg.co.jp/english/investor/financial/disclosure.html#link2026

II. Basis of Preparation

1. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), which have also been endorsed by the European Union (EU), and also take into account the requirements of section 315a/315e of German GAAP.

2. Basis of Measurement

The consolidated financial statements of the SMBC EU Group have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of derivatives and other financial instruments in accordance with applicable accounting standards.

The Executive Board believes that the SMBC EU Group has adequate financial resources and is well positioned to manage its business risks successfully despite the current uncertain economic environment. In addition, the Executive Board believes the SMBC EU Group is capable of continuing its operations and meeting its obligations in the current economic environment, considering significant risks, for a period of at least 12 months from the date of approval of these consolidated financial statements.

In making this assessment, the Executive Board has considered a wide range of detailed information relating to present and future conditions, including projections of profitability, liquidity and capital requirements and resources. The principal risks currently identified by the Executive Board arise primarily from the ongoing conflicts in the Middle East. These conflicts affect the economic environment through increased volatility in energy prices and continued disruptions to global supply chains, and may have both direct and indirect impacts on business activities and customers.

In addition, significant uncertainties remain in relation to US tariff policy, which could potentially affect international trade and investment decisions, as well as the ongoing Russia–Ukraine conflict, which continues to impact economic stability, energy supply and market conditions in Europe.

This assessment has been made taking into account a broad range of information, although other risks have also been included in the overall evaluation. The Management Board's conclusion is based in particular on:

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

The economic assumptions for the capital stress are:

- **Global recession**: Several geopolitical shocks and the fragmentation of supply chains trigger a severe, inflation-driven global downturn, with Europe being hit particularly hard due to its energy dependence. Inflation remains high despite falling demand, while markets suffer significant losses following the bursting of the artificial intelligence (AI) bubble and companies draw heavily on their liquidity reserves. From the third year onwards, a slow stabilisation sets in, although this remains fragile in the face of persistent structural and geopolitical pressures.
- **EU Recession**: Geopolitical uncertainty, weakened industrial production and fiscal constraints are pushing the EU into recession. Companies are cutting back on investment, banks are under pressure on earnings, and public debt is rising as a result of ongoing support measures and low interest rates. Investors are withdrawing capital from the EU as confidence wanes, which is exacerbating deposit outflows and widening credit spreads.
- **Net zero scenario:** Over the three-year transition period, climate policy shifts from implementation to rigorous enforcement, with higher CO_2 pricing, stricter regulations and the incorporation of climate-related requirements into financial supervision. Initial rises in energy costs and moderate pressure on GDP will be gradually offset by strong growth in renewable energy, grid expansion and low carbon technologies, as markets increasingly favour more climate-friendly companies. By the third year, capital flows are shifting significantly towards climate-compatible assets, credible transition plans are bolstering market confidence, and easing inflationary pressures are helping to stabilise interest rates.

The economic scenarios for the liquidity stress included:

- **Global market scenario**: An initial shock rocks the financial sector worldwide and calls into question the liquidity of all market participants. Refinancing markets dry up due to uncertainty regarding counterparties, and clients draw down committed credit lines. During the stress phase, the rollover of unsecured wholesale refinancing is severely restricted, which significantly impairs the ability to raise additional funds. Banks suffer downgrades to their credit ratings.
- **Idiosyncratic stress on the SMBC Group**: The market perceives an increased credit risk or doubts regarding the solvency of the SMBC EU Group. As a result, the SMBC EU Group's credit ratings are downgraded. The SMBC EU Group is virtually unable to fully roll over its wholesale refinancing.
- **Combined stress scenario**: A macroeconomic shock affecting the customer base occurs in conjunction with a severe idiosyncratic event in which the market perceives an increased credit risk or solvency concerns regarding the SMBC Group. The combined stress scenario brings together the most adverse assumptions from the idiosyncratic scenario and the most severe market-wide stress scenarios.

The liquidity and capital assessments, as well as the stress tests, have shown that the SMBC EU Group remains well capitalised and continues to be able to carry on its business operations.

Based on the above, the Executive Board concludes that the SMBC EU Group has sufficient resources to continue its business operations for a period of at least 12 months from the date of these financial statements, and that the financial statements can be prepared on a going concern basis.

3. Functional and Presentation Currency

These Group financial statements are presented in Euro, which is also SMBC EU Group's functional currency. Euro is SMBC EU Group's functional currency as it is the dominant operating currency of the SMBC EU Group's business. Unless otherwise indicated, all amounts are stated in thousands of Euros (KEUR). Due to rounding, in individual cases it is possible that individual figures do not add up exactly to the total stated. Minor deviations may occur in the totals and percentages due to rounding.

4. Adoption of IFRS

New and amended standards and interpretations

The SMBC EU Group has adopted the amendments to IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments' early. In accordance with IFRS 9.7.1.13(b), the Group has decided to apply only the changes to the 'Application Guidance' in section 4.1 of the IFRS 9 standard.

Within the Group, the amendments to IFRS 9 relate to the section on 'Classification of Financial Assets', in particular 'Contractual Terms Consistent with a Standard Loan Agreement'.

The amendments to IFRS 7 result in disclosure requirements for financial instruments that contain contractual terms which could change the timing or amount of contractual cash flows upon the occurrence (or non-occurrence) of a contingent event.

In accordance with the transitional provisions, the Group has decided not to restate the prior-year comparative information to reflect the application of these amendments.

As at 1 April 2025, the date of initial application of the amendments, the Group reclassified three financial instruments from the FVTPL category to the AC category.

As at 31 March 2025		As at 1 April 2025	
Category	Carrying amount (KEUR)	Category	Carrying amount (KEUR)
Financial assets measured at FVTPL	188,476	Financial assets measured at AC	**190,354**

The difference of EUR 1.9 million between the carrying amounts determined immediately before and after the application of the amendments was recognised as an adjustment to the opening balance of retained earnings at the date of first application.

The amendments to IFRS 9 and IFRS 7 also introduced new mandatory disclosures in the notes regarding cash flow characteristics that affect the timing or amount of cash flows and are not related to a standard loan agreement. These disclosures can be found under IV.2. Receivables to Banks and Customers.

The amendments to IAS 21 'Effects of Changes in Foreign Exchange Rates' are to be applied for financial years beginning on or after 1 January 2025. The amendments clarify how an entity should assess whether a currency is convertible and how it should determine a spot rate where convertibility does not exist. All currencies held and traded by the SMBC EU Group are convertible at a published spot rate. There are no material effects on the consolidated financial statements.

Furthermore, there are no new standards or amendments to standards that must be applied in the current financial year and are expected to have a significant impact on the SMBC EU Group.

Future accounting standards

The following new or amended standards and interpretations, which have been published and are to be applied in future financial years, have not been early adopted and are not expected to have a material impact on SMBC Bank EU AG:

- IFRS 19 'Subsidiaries Without Public Accountability'
- Amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature-dependent Electricity'

The following new standard, which has been published and is to be applied in future financial years, has not been early adopted and may have an impact on the format of the statement of comprehensive income and the notes to the consolidated financial statements of SMBC Bank EU AG:

IFRS 18 'Presentation and Disclosure in Financial Statements': This standard introduces mandatory subtotals in the statement of comprehensive income, prescribes disclosure of management-defined performance measures, and refines aggregation and disaggregation principles to enhance comparability. It replaces IAS 1 and is mandatory for financial years beginning on or after 1 January 2027. Early application is permitted. The SMBC EU Group will not apply IFRS 18 early for the 2025/26 financial year.

The SMBC EU Group has not yet completed its assessment of the impact of IFRS 18 on the presentation and disclosures in the consolidated financial statements. Although an indicative assessment of the principal business activities has been carried out, it has not yet been finalised. In principle, the lending business has been identified as the main business activity. Furthermore, the expected adjustments to the presentation of the statement of comprehensive income have not yet been finalised. The SMBC EU Group does not currently use any management-defined performance measures. Consequently, subject to future changes, no material additional disclosures regarding such indicators are expected.

At the time of preparing these consolidated financial statements, the impact of the initial application of IFRS 18 on the consolidated financial statements cannot yet be reliably estimated. The Group will continue its analysis during the 2026/27 financial year and expand the disclosures regarding the expected impact as soon as relevant information becomes available.

5. Significant Accounting Judgements and Estimates

The preparation of the SMBC EU Group's consolidated financial statements in accordance with IFRS involves the use of assumptions and estimates and requires management to exercise judgement in applying accounting policies. Judgement, assumptions and estimates have been used in the following matters, which have an impact on the presentation:

Impairment losses on receivables and undrawn loan commitments (note VI.3)

Impairment under IFRS 9 involves several areas of judgement, as follows:

- Establishing the criteria for determining whether the financial asset's risk of default has increased significantly since initial recognition.
- Selection and approval of models for estimating expected credit loss (ECL), including the specification of relevant risk parameters, the definition of relevant scenarios by type and scope – considering interdependencies – and the corresponding scenario weights.
- Determining the inputs to the ECL measurement model, including the key assumptions used in estimating the recoverable cash flows and the incorporation of forward-looking information.
- Consideration and calculation of impairment losses for individual significant assets in Stage 3 (see below).

The SMBC EU Group reviews its financial assets held at amortised cost at each at each reporting date to assess whether an impairment loss should be recognised in the statement of comprehensive income. When determining the impairment loss, management is required to define what constitutes a significant increase in credit risk, and to make assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The definition of assumptions and estimates is subjective and sensitive to risk factors. Sensitivity analyses of the ECL under various economic scenarios, as well as further information, are included in note VI.3.

In addition to the credit-impaired financial assets (Stage 3), the SMBC EU Group also recognises impairment allowances for assets based on 12-month expected credit losses (Stage 1) and for assets subject to a significant increase in credit risk over their term, in the form of lifetime expected credit losses (Stage 2).

Fair value of financial instruments (note VI.4)

Where the carrying amounts of financial assets and financial liabilities are not based on quoted prices in active markets, they are determined using a variety of valuation methods, which include the use of mathematical models. The inputs for these models are derived, as far as possible, from observable market data relating to relevant instruments traded in an active market. Where no such market exists, a degree of management judgement is required in determining fair value, depending on the availability of observable market inputs of the instrument or market and the complexity of the instrument.

III. Significant Accounting Policies

This section describes the significant accounting policies of the SMBC EU Group, which apply to the consolidated financial statements and the notes thereto as a whole. Where an accounting policy relates to a specific note, the accounting policy is set out in the relevant note.

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

1. Basis of Consolidation

Subsidiaries are entities over which the Bank exercises control. The Bank 'controls' an investee if it is exposed to, or has rights to, variable returns from the investee and has the ability to affect those returns through its power over the investee. If one or more of the elements of control change, the Bank reassesses whether control can be exercised. In the course of its normal business activities, the Bank grants loans to structured entities in various sectors. The assessment carried out by the SMBC EU Group covers circumstances in which protective rights (e.g. arising from a loan agreement) become substantive and result in the Bank having the power to direct the investee. The financial statements of all subsidiaries are included in the consolidated financial statements from the date on which control is acquired until control ceases.

As at 31 March 2026, the Bank did not control any investees other than its direct subsidiary SMBC Nikko Bank (Luxembourg) S.A. (SNBL), in which SMBC EU holds 100% of the voting rights.

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the fair value at the acquisition date including contingent consideration. Acquisition-related costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred. The identifiable assets, liabilities and contingent liabilities acquired 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 interests and the fair value of the SMBC EU Group's previously held equity interest over the net amounts of the identifiable assets acquired and liabilities assumed.

Business combinations under common control are accounted for using the book value method. Accordingly, the transfer is made at the carrying amounts from the perspective of the selling entity within the Group, as the sub-group financial statements form part of SMFG's consolidated financial statements. Any difference between the net book value of the acquired entity and the cost of the business combination is offset directly against equity. This applies even if equity is exhausted or becomes negative.

On 30 May 2023, the Bank acquired 100% of the voting rights in SNBL. SNBL was previously a wholly owned subsidiary of SMBC Nikko Securities, Inc. SNBL is a custodian bank and conducts banking business with a focus on fund services. SNBL does not engage in proprietary trading. The Bank and SNBL are both part of Sumitomo Mitsui Financial Group Inc. (SMFG) and, from a Group perspective, are wholly owned subsidiaries of SMFG. The acquired entity meets the definition of a business under IFRS 3. As the transaction occurred under common control, it was accounted for using the book value method.

On 16 February 2026, the Bank acquired the SMBC BI Paris Branch. The SMBC BI Paris Branch had previously been a branch of SMBC Bank International plc. The transaction was carried out on the basis of a purchase agreement between SMBC EU AG and SMBC BI plc dated 31 July 2025, under which the Bank acquired substantially all the assets and liabilities of the SMBC BI Paris Branch from SMBC Bank International plc for consideration corresponding to fair value.

The SMBC BI Paris Branch operates primarily as a wholesale corporate banking unit within the SMBC Group, providing services in the areas of corporate finance, trade finance and other bespoke financial solutions for institutional and corporate clients. It does not engage in proprietary trading.

Both the Bank and SMBC Bank International plc are part of Sumitomo Mitsui Financial Group Inc. (SMFG) and, from a Group perspective, are fully consolidated subsidiaries of SMFG. The acquired set of activities and assets meets the definition of a business under IFRS 3, as:

- the concentration test under IFRS 3 is not met;
- the acquired entity meets the definition of a business within the meaning of IFRS 3 (presence of inputs, processes and outputs); and
- control over the entities involved is not of a temporary nature.

The accounting treatment using the book value method is consistent with that applied to comparable transactions under common control in the past.

Economic ownership of all assets and liabilities of the SMBC BI Paris Branch was transferred to the Bank with effect from 16 February 2026. The total consideration for the acquisition amounted to EUR 1.

Transaction costs incurred in connection with the acquisition of the SMBC BI Paris Branch are recognised in the statement of comprehensive income on an accrual basis in accordance with IFRS.

The table below shows the composition of the assets and liabilities acquired from the SMBC BI Paris Branch, as well as their impact on the financial statements at the date of the transfer.

EUR	16 February 2026
Assets	
Cash	2,694,412
Receivables to banks and customers	5,404,010,615
Trading assets	241,769,383
Property and equipment	8,270,765
Intangible assets	260,302
Current tax	4,180,384
Deferred tax assets	2,563,188
Other assets	5,954,281
Total assets	5,669,703,330
Liabilities	
Liabilities to banks and customers	5,339,171,661
Trading liabilities	241,713,265
Provisions	2,204,445
Other liabilities	86,613,960
Shareholders' equity	–
Total liabilities and equity	5,669,703,330

During the financial year, a new lease relating to the business premises of the SMBC BI Paris Branch was recognised in accordance with IFRS 16. As a result, right-of-use assets amounting to approximately EUR 10.93 million and corresponding lease liabilities amounting to approximately EUR 8.76 million were recognised in the balance sheet (see note IV.6).

The acquisition also has an impact on the Bank's earnings position. The consolidated profit and loss account and other comprehensive income include results from the SMBC BI Paris Branch amounting to EUR -6.85 million for the period since the acquisition date.

Of the Bank's total interest income, KEUR 21.56 is attributable to the newly acquired SMBC BI Paris Branch (see note V.1).
Net fee and commission income comprises a contribution from the SMBC BI Paris Branch of EUR 6.35 million (previous year (PY): KEUR 969.87) (see notes under V.2).

Result from financial instruments measured at FVTPL includes a contribution attributable to the SMBC BI Paris Branch of KEUR -795.12 (PY: KEUR Nil) (see notes under V.3).

Other operating income from the SMBC BI Paris Branch amounts to EUR 2.69 million (PY: EUR 2.33 million) (see notes under V.5).

A French income tax rate of 25% applies to the SMBC BI Paris Branch. Further details on the tax rates applied are set out in the notes under V.11 'Income Taxes'.

Further information on the transaction is set out in the disclosures on related parties (VI.2).

2. Interest and Similar Income and Expenses

Interest income and expense are recognised in the statement of comprehensive income for all financial assets and financial liabilities carried at amortised cost, using the effective interest method. The effective interest method is a method for calculating the cost of a financial asset or financial liability and for allocating interest income to the relevant periods. The effective interest rate is the rate at which the estimated future cash payments are discounted over the expected life of the financial instrument – as defined by the contractual terms – or, where applicable, over a shorter period. The application of this method results in the income from the instrument being recognised in proportion to the outstanding amount over the period to maturity or repayment. When calculating the effective interest rate, the SMBC EU Group estimates the cash flows considering all the contractual terms of the financial instrument but excluding future credit losses in the case of financial assets.

Fees arising from loans held at amortised cost, which form an integral part of the effective interest rate, are treated as an adjustment to the effective interest rate and recognised in the statement of comprehensive income as part of net interest income. If a fee is classified as an adjustment to the effective interest rate, it is recognised as interest income over the original term.

3. Fee and Commission Income and Expenses

Fees and commissions for services rendered are recognised in the statement of comprehensive income when the related services are rendered and when the consideration becomes legally enforceable as a receivable. The performance obligations and the timing of their fulfilment are identified and determined at the inception of the contract. The SMBC EU Group's revenue contracts do not contain any multiple performance obligations.

When the SMBC EU Group provides a service to its customers, the consideration is generally due immediately if the service is provided at a specific point in time, or at the end of the contract term for a service provided over time. If the provision of services is point-in-time, it is recognised in the statement of comprehensive income upon completion of the service. If it is over a period of time, it is recognised in the statement of comprehensive income on a pro rata basis.

Fees received from loans held at amortised cost, which are not an integral part of the effective interest rate, are recognised in the statement of comprehensive income as part of commission income and expenses. Where receivables are acquired on the secondary market and there is observable evidence that the fair value is higher than the purchase price, and the fair value is determined exclusively on the basis of observable parameters, the difference is recognised immediately in the statement of comprehensive income.

Commission expenses consist mainly of transaction and service fees, which are recognised as an expense upon receipt of the service.

4. Result from Financial Instruments Measured at FVTPL

Net trading income comprises gains less losses on trading assets and liabilities and includes all realised and unrealised changes in fair value, as well as interest and exchange rate differences.

5. Financial Instruments – Initial Recognition and Subsequent Measurement

Classification, initial recognition and subsequent measurement

Financial assets

Financial assets include receivables to banks and customers, derivatives, as well as securities. Financial assets are initially recognised at fair value plus – in the case of financial assets not measured at FVTPL – any transaction costs that are incremental and directly attributable to the acquisition of the financial asset.

Financial assets are classified into the following measurement categories:

- those to be measured at fair value (either at FVOCI or at FVTPL); or
- those measured at amortised cost.

The classification depends on the business model under which a financial asset is held and the contractual terms of the financial assets' cash flows.

Business model assessment

The SMBC EU Group makes an assessment of the objective of the business model in which a financial asset is held on the basis of the way in which the business is managed and the information made available to management. The information considered includes:

- the established policies and objectives for the portfolio and the application of these policies in practice – this includes whether management's strategy focuses on earning contractual interest income, maintaining a specific interest rate profile, matching the maturity of the financial assets to the duration of the associated liabilities or expected cash outflows, or realising cash flows through the sale of the assets;
- how the portfolio's performance is assessed and reported to the SMBC EU Group's management;
- the risks that affect the performance of the business model, and how these risks are managed;
- how managers are remunerated – for example, whether remuneration is based on the fair value of the relevant assets or on the contractual cash flows received; and
- the frequency, volume and timing of sales of financial assets in previous periods, the reasons for such sales and expectations regarding future sales activity.

The SMBC EU Group has identified three portfolios: Corporate Banking, Treasury and Trading. The SMBC EU Group's corporate banking business primarily comprises loans to customers held to collect contractual cash flows, where sales of loans occur only rarely (business model Hold). An exception to this is the syndication portfolio, where the assets are held as part of a business model whose objective is achieved through the sale of the financial assets (business model Sell).

Investment securities are held either to collect contractual cash flows (business model Hold to Collect) or, as part of liquidity management, to collect contractual cash flows and for sale (business model Hold to Collect and Sell).

The Treasury Division comprises derivatives used to hedge the banking book (business model Sell) and the sub-portfolio for nostro business (business model Hold).

The trading business comprises exclusively financial instruments intended for trading (business model Sell).

Contractual terms of financial assets' cash flows

For financial assets to be carried at amortised cost, the contractual terms of the financial asset must give rise, at specific points in time, to cash flows that consist solely of principal and interest payments on the outstanding principal amount.

For the purposes of this assessment, the nominal value 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 over a specified period, as well as for other fundamental credit risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

When assessing whether the contractual cash flows consist solely of principal and interest payments, the SMBC EU Group considers the contractual terms of the instrument.

This includes assessing whether the financial asset contains a contractual clause that could alter the timing or amount of the contractual cash flows in such a way that it would fail to meet this condition. The SMBC EU Group carries out this assessment using a checklist at the time the contract is concluded. In this assessment, the SMBC EU Group takes particular account of the following characteristics of potentially onerous contracts:

- contingent events that would alter the amount or timing of cash flows;
- conditions that may alter the contractual coupon rate, including variable interest rates or links to share, foreign exchange or other indices;
- returns that depend on the use, performance or degree of completion of the asset;
- potential conversion options to convert the debt into other classes of assets;
- prepayment and extension features; and
- terms that limit the SMBC EU Group's entitlement to cash flows from certain assets (e.g. non-recourse features).

A prepayment feature meets the criterion of being solely for the payment of principal and interest if the prepayment amount essentially represents unpaid principal and interest on the outstanding principal amount, which may include reasonable additional compensation for the early termination of the contract. Furthermore, for a financial asset acquired at a discount or a premium to its contractual nominal value, a feature that permits or requires an early repayment in an amount that is substantially equal to the contractual nominal value plus accrued contractual interest (including appropriate additional compensation for early termination) is treated as consistent with this criterion if the fair value of the early repayment feature at initial recognition is immaterial.

Furthermore, on initial recognition, the SMBC EU Group may irrevocably designate a financial asset that would otherwise qualify for measurement at amortised cost or at FVOCI as an FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The SMBC EU Group does not currently apply this fair value option.

Financial liabilities

The financial liabilities are deposits that represent the SMBC EU Group's source of debt financing as well as derivatives. Financial liabilities are designated as 'not held for trading', 'held for trading' or 'held at fair value through profit or loss'. Financial liabilities are initially recognised at fair value less – in the case of financial liabilities not measured at fair value through profit or loss – transaction costs that are incremental and directly attributable to the issue of the financial liability. Following initial recognition, non-trading liabilities are carried at amortised cost.

Derecognition of financial assets and liabilities

The SMBC EU Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the SMBC EU Group does not retain control over the financial asset. Upon derecognition of a financial asset, the difference between the asset's carrying amount and the sum of (i) the consideration received, including any newly acquired assets, less any newly assumed liability, and (ii) any cumulative gains or losses recognised in other comprehensive income, is recognised in profit or loss.

Where the SMBC EU Group enters into transactions in which it transfers assets recognised on its balance sheet but does not transfer all the risks and rewards of the transferred assets and retains control over the transferred assets, the transferred assets are not derecognised.

The SMBC EU Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Modifications of financial assets and liabilities

Financial assets

If the terms of a financial asset are modified, the SMBC EU Group assesses whether the cash flows of the modified asset differ substantially. If the cash flows differ substantially, the contractual rights to cash flows from the original financial asset are deemed to have been extinguished. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value.

If the cash flows of a modified financial asset carried at amortised cost or at FVOCI do not differ substantially, the modification does not result in the financial asset being derecognised. In this case, the SMBC EU Group recalculates the gross carrying amount of the financial asset using the asset's original effective interest rate and recognises the amount resulting from the adjustment to the gross carrying amount as a gain or loss on re-measurement in the profit and loss account. If such a modification is carried out due to the borrower's financial difficulties, the gain or loss is recognised together with impairment losses. In other cases, it is recognised as interest income.

Financial liabilities

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

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

Impairment losses on loans and undrawn credit facilities

The SMBC EU Group has not applied the exemption for low credit risks permitted under IFRS 9.

6. Foreign Currencies

The financial statements are prepared in Euro, the functional and reporting currency of the SMBC EU Group. Items included in the financial statements of the individual entities within the SMBC EU Group are measured in their functional currency, i.e. the currency of the primary economic environment in which they operate.

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the time of the transactions. Monetary items denominated in foreign currencies are translated at the exchange rate prevailing at the end of the period. Exchange gains and losses arising from the translation and settlement of these items are recognised in the statement of comprehensive income.

7. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with an original maturity of up to three months, including cash and cash equivalents held with central banks and receivables from banks. These are highly liquid investments that can be readily converted into cash and are subject to an insignificant risk of changes in value.

IV. Explanatory Notes to the Group Balance Sheet

1. Cash and Central Bank Balances

KEUR	31.03.2026	31.03.2025
Cash	–	–
Central bank balances	**238,280**	113,781
Thereof at Deutsche Bundesbank	**169,959**	87,841
Thereof at Banque de France	**65,435**	–
Total cash and central bank balances	**238,280**	113,781

2. Receivables to Banks and Customers

Receivables at amortised cost

Receivables at amortised cost are non-derivative financial assets with fixed or determinable payments and exclude those classified as held for trading and those measured at FVTPL. Following initial recognition, receivables carried at amortised cost are measured net of impairment losses if:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, at specific points in time, to cash flows that consist solely of principal and interest payments on the outstanding principal amount.

Where risk exposures are hedged by derivatives that are designated and qualify as fair value hedges, the carrying amount of the loans hedged includes an adjustment to fair value for the hedged risk (note IV.5).

Receivables at fair value through profit or loss

Receivables measured at FVTPL comprise all receivables classified as held for trading, those irrevocably designated as measured FVTPL upon initial recognition, and those with contractual terms that do not consist solely of principal and interest payments on the outstanding principal amount.

Loans measured at FVTPL are recognised in the balance sheet at fair value, with changes in fair value recognised in profit or loss. Financial instruments are classified as held for trading if they are held with the intention of generating short-term profits.

Receivables to banks

KEUR	31.03.2026	31.03.2025
Receivables to banks at amortised cost	**19,810,433**	10,594,661
Thereof: Cash collateral provided (margins)	**108,033**	10,079
Less allowance for credit losses	**(286)**	0
Total receivables to banks	**19,810,147**	10,594,661

Receivables to banks include interbank lending of EUR 2,536.43 million (PY: EUR 2,804.82 million).

The cash collateral provided constitutes encumbered assets, as it has been pledged as security in derivative transactions.

Receivables to customers

KEUR	31.03.2026	31.03.2025
Receivables to customers at amortised cost	**16,062,679**	13,278,195
Thereof: Cash collateral provided (margins)	**240,107**	159,963
Receivables to customers at FVTPL	**14,702**	228,782
Thereof: Receivables to customers at FVTPL – SPPI fail	**–**	188,477
Less allowance for credit losses	**(64,299)**	(57,300)
Total Receivables to customers	**16,013,082**	13,449,677

Receivables to customers arise primarily from lending activities.

The cash collateral provided constitutes encumbered assets, as it has been pledged as security in derivatives transactions.

Receivables with cash flow characteristics that may influence the amount and timing of payments

The SMBC EU Group grants loans with sustainability-related cash flow characteristics, whereby the amount of interest payments is influenced by the (non-)achievement of sustainability-related targets. Such sustainability-related targets may, for example, include a reduction in CO_2 intensity or emissions, or the proportion of electricity sourced from solar power. These loans are held as part of a business model whose objective is to collect the contractual cash flows.

In principle, interest rate adjustments resulting from the (non-)achievement of sustainability-related targets fall within a market-standard range of nil to 50 basis points and result in a maximum interest payment variability (calculated as the ratio of the maximum interest rate adjustment to the minimum interest margin) of 25%. As in all contractually possible scenarios, the cash flows from the loans would not deviate significantly from those of identical financial instruments – but without the sustainability-related contractual clauses – the SMBC EU Group assesses that the cash flow criterion for these financial instruments is met, which is why they are accounted for at amortised cost.

3. Investment and Liquidity Securities

Investment securities at amortised cost

Securities held as financial investments at amortised cost are non-derivative financial assets with fixed or determinable payments and exclude those classified as held for trading and those classified as measured at FVTPL. Subsequent to initial recognition, securities held as financial investments are measured at amortised cost less impairment losses if:

- the asset is held as part of a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that consist solely of principal and interest payments on the outstanding principal amount.

Investment securities at fair value through other comprehensive income

Investments in debt securities that are measured at FVOCI are recognised where:

- the asset is held as part of a business model whose objective is achieved both by collecting contractual cash flows and by selling financial assets; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that consist solely of principal and interest payments on the outstanding principal amount.

The assets are carried at fair value. Unrealised gains and losses are recognised in other comprehensive income, and only upon disposal is the cumulative gain or loss previously recognised in other comprehensive income recognised as profit or loss.

Investment securities

KEUR	31.03.2026	31.03.2025
Investment securities held at amortised cost	**182,126**	105,151
Investment securities at FVOCI	**90,678**	90,187
Less allowance for credit losses	**(9)**	(5)
Total investment securities	**272,795**	195,334

Securities held at amortised cost exclusively comprise tradable but unlisted money market instruments issued by other issuers that mature within the next financial year. Securities measured at FVOCI comprise fixed income securities with a maximum maturity of 10 years or less.

4. Accounting for Derivatives

Derivatives include interest rate swaps, cross currency swaps, forward foreign exchange contracts and options on interest rates and foreign currencies. Derivatives are recognised at fair value and classified as assets if their fair value is positive, and as liabilities if their fair value is negative.

Derivative instruments that do not meet the criteria for designation as a hedging relationship are treated as held for trading and are measured at fair value, with the resulting gains 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 (OTC) derivatives is determined by calculating the expected cash flows under the terms of each individual contract and then discounting them to their present value. The expected cash flows for each contract are determined either directly by reference to the actual cash flows implied by observable market prices, or by modelling cash flows using appropriate pricing models. The effect of discounting the expected cash flows to their present value is achieved by constructing discount curves derived from the market prices of the most appropriate observable interest rate products, such as deposits, forward rate agreements and swaps.

For OTC derivatives in the trading book, the counterparty's default risk is considered by applying a credit valuation adjustment (CVA), while SMBC EU AG's own default risk is accounted for by applying a debit valuation adjustment (DVA). For a funding valuation adjustment (FVA), the funding cost adjustment and funding benefit adjustment for unsecured derivatives and secured derivatives where collateral is only partially available or cannot be used for funding purposes are recognised at fair value. To determine the fair value, observable market data (such as credit default swap spreads) is used for CVA, DVA and FVA, where available. Changes in the fair value of the trading book are reported on a net basis in net trading income.

Trading assets

KEUR	31.03.2026	31.03.2025
Held for trading	**1,595,736**	983,276
Derivative financial instruments	**1,595,736**	983,276
Total trading assets	**1,595,736**	983,276

Trading liabilities

KEUR	31.03.2026	31.03.2025
Held for trading	**1,583,994**	960,278
Derivative financial instruments	**1,583,994**	960,278
Total trading liabilities	**1,583,994**	960,278

Derivative financial instruments and hedge accounting

The following tables show the nominal values and fair values of the SMBC EU Group's derivatives as at 31 March 2026 and 31 March 2025.

	31.03.2026			31.03.2025		
KEUR	Nominal value	Fair value derivatives (assets)	Fair value derivatives (liabilities)	Nominal value	Fair value derivatives (assets)	Fair value derivatives (liabilities)
Trading derivatives	**121,232,875**	**1,595,736**	**(1,583,994)**	74,503,512	983,276	(960,277)
Interest rate risk	**57,495,040**	**683,375**	**(666,099)**	44,049,399	530,035	(513,823)
Interest rate swaps	**40,179,880**	**593,249**	**(592,064)**	34,418,706	466,963	(467,709)
CAP/FLOOR	**8,648,759**	**42,647**	**(41,879)**	7,530,693	36,999	(36,947)
Swaption	**8,666,400**	**32,156**	**(32,156)**	2,100,000	9,167	(9,167)
Other	**–**	**15,323**	**–**	–	16,905	–
Currency risk	**63,737,836**	**912,361**	**(917,896)**	30,454,114	453,242	(446,454)
Foreign exchange derivatives	**34,752,573**	**266,157**	**(271,508)**	18,531,754	160,824	(152,222)
Currency option	**16,705,663**	**225,851**	**(225,851)**	–	–	–
Cross currency swaps	**12,279,600**	**420,353**	**(420,537)**	11,922,360	292,417	(294,232)
Fair value hedge derivatives	**1,687,499**	**25,880**	**(7,137)**	1,606,997	25,233	(14,461)
Interest rate risk	**1,648,789**	**25,798**	**(6,825)**	1,563,605	24,614	(13,557)
Interest rate swaps	**1,648,789**	**25,798**	**(6,825)**	1,563,605	24,614	(13,557)
Currency risk	**38,710**	**82**	**(312)**	43,392	620	(905)
Cross currency swaps	**38,710**	**82**	**(312)**	43,392	620	(905)
Total derivatives	**122,920,374**	**1,621,616**	**(1,591,131)**	76,110,510	1,008,509	(974,739)

5. Hedge Accounting

Hedge accounting

The SMBC EU Group applies IFRS 9 'Financial Instruments' for the purposes of hedge accounting.

As part of its asset management activities, the SMBC EU Group uses derivatives as fair value hedges to hedge against changes in the fair value of financial assets arising from interest rate movements, as well as to hedge cash flow exposure arising from foreign exchange movements. Derivatives often involve, from the outset, only the assumption of mutual contractual obligations, without any exchange of cash or other assets. These instruments are frequently associated with a high degree of leverage and can be volatile. For this reason, the SMBC EU Group maintains very strict control over their use.

The SMBC EU Group applies hedge accounting to manage interest rate and foreign exchange risks. Further details on how these risks arise and how they are managed by the SMBC EU Group are discussed in note VI.3.

Interest rate swaps and cross currency interest rate swaps are used as hedging instruments to hedge the risks to which the SMBC EU Group is exposed. Swaps are contractual agreements between two parties to exchange cash flows over time based on specific notional amounts in relation to movements in certain underlying indices, such as an interest rate or a foreign exchange rate.

Interest rate swaps refer to contracts entered into by the SMBC EU Group with other financial institutions, under which the SMBC EU Group receives or pays a floating interest rate in return for paying or receiving a fixed or alternative variable interest rate, or vice versa. The cash flows are generally netted against each other, with the difference being paid from one party to the other.

In a cross currency interest rate swap, the SMBC EU Group pays the principal amount in one currency at the start of the transaction and receives the principal amount in the other currency. Upon maturity of the transaction, the principal amounts are paid in the opposite direction. Interim interest flows are then exchanged on the same basis as an interest rate swap, with the SMBC EU Group either receiving or paying a variable interest rate in one currency in exchange for paying or receiving a fixed interest rate in the other currency.

The hedging instruments carry the same risk as the underlying transactions, namely interest rate and currency risk. Prior to applying hedge accounting, the SMBC EU Group determines, on the basis of an assessment of the qualitative characteristics of these underlying transactions (hedged items) and the risk being hedged, whether there is an economic relationship between the hedged item and the hedging instrument, and assesses whether the underlying parameters of the hedged items and the hedging instrument are closely aligned.

The criteria required for a derivative instrument to be classified as a hedging relationship are as follows:

- They must be eligible hedged items and hedging instruments.
- At the inception of the hedge, the SMBC EU Group formally documents the hedging relationship between the hedged item and the hedging instrument, including risk management objectives and strategy, a description of the hedged risk, the method of measuring effectiveness and sources of ineffectiveness.
- The hedge is expected to be highly effective and is assessed on an ongoing basis.
- The ineffectiveness of the hedging relationship (hedged item and hedging instrument) can be reliably measured.
- Credit risk is not dominant.
- There is economic interdependence between the hedged item and the hedging instrument.

The SMBC EU Group applies fair value hedge accounting if the transaction meets the above criteria. Hedge accounting is not immediately discontinued if it is determined that the derivative is no longer effective as a hedging instrument. Only in the case of ongoing prospective ineffectiveness or a fundamental change in the risk management strategy will an existing hedge relationship be terminated. A hedge also ceases to be effective if the derivative or asset is sold or terminated, expires or matures, or if a planned transaction is no longer considered probable.

Movements in the hedged items and hedging instruments are recognised in the statement of comprehensive income under 'Gains and losses on hedging relationships'.

Fair value hedge accounting

For qualifying fair value hedges, the changes in fair value relating to the hedged risk of both the hedged item and the hedging derivative are recognised in profit or loss. Any ineffective portion of the hedging relationship is recognised immediately in profit or loss under 'Hedging gains and losses'. Ineffectiveness may be caused by the multi-curve effect, as different discount curves may be used when valuing the hedged item and the hedging instrument. Further reasons for ineffectiveness may include the timing of interest rate fixings relative to each reporting date, as changes in market interest rates are only passed on to the variable leg of the interest rate swap with a time lag.

If hedging relationships no longer meet the criteria for hedge accounting, or if the hedging derivative is sold, terminated, expires or matures, hedge accounting is discontinued. In the case of fair value hedging of interest rate risk, the fair value adjustment of the hedged item is amortised over the remaining term of the previously designated hedging relationship using the effective interest method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in profit or loss.

Fair value hedges

The financial instruments hedged against interest rate risk consist exclusively of fixed-rate loans. The SMBC EU Group uses interest rate swaps to hedge interest rate risk (including currency swaps). Interest rate risk arises because the SMBC EU Group holds a portfolio of medium- and long-term fixed-rate customer loans, the fair value of which fluctuates due to movements in market interest rates. In such cases, changes in fair value relating to the hedged risk of both the hedging instrument and the hedged item are recognised in profit or loss.

The SMBC EU Group hedges interest rate risk only to the extent of the reference interest rates, as changes in the fair value of fixed-rate loans are significantly influenced by changes in the reference interest rate.

The following table shows the hedging instruments recognised in the SMBC EU Group's balance sheet within the positive and negative market values arising from designated hedging derivatives:

	31.03.2026			31.03.2025		
KEUR	**Carrying amount hedge accounting assets**	**Carrying amount hedge accounting liabilities**	**Change in fair value used as a basis to determine ineffectiveness**	Carrying amount hedge accounting assets	Carrying amount hedge accounting liabilities	Change in fair value used as a basis to determine ineffectiveness
Fair value hedge derivatives	**25,880**	**(7,137)**	**8,937**	25,233	(14,461)	(41,846)
Interest rate risk	**25,798**	**(6,825)**	**8,811**	24,614	(13,557)	(36,367)
Interest rate swaps	**25,798**	**(6,825)**	**8,811**	24,614	(13,557)	(36,367)
Currency risk	**82**	**(312)**	**126**	620	(905)	(5,478)
Cross currency swaps	**82**	**(312)**	**126**	620	(905)	(5,478)

Derivative financial instruments and hedge accounting – Fair value hedges

The following tables show the notional values of the current hedging instruments:

Interest rate risk	**Maturity as at 31.03.2026**			Maturity as at 31.03.2025		
KEUR	**Less than**	**1 to**	**More than**	Less than	1 to	More than
Hedge of receivables to customers	**1 year**	**5 years**	**5 years**	1 year	5 years	5 years
Nominal amount	**401,244**	**743,637**	**353,110**	363,751	890,511	309,343
Average fixed interest rate %	**1.70%**	**2.51%**	**3.42%**	3.06%	3.26%	5.35%

Currency rate risk	**Maturity as at 31.03.2026**			Maturity as at 31.03.2025		
KEUR	**Less than**	**1 to**	**More than**	Less than	1 to	More than
Hedging of receivables to customers	**1 year**	**5 years**	**5 years**	1 year	5 years	5 years
Nominal amount	**4,864**	**26,309**	**0**	4,829	33,955	4,609
Average fixed interest rate %	**7.10%**	**5.02%**	**0.0%**	7.73%	7.13%	3.78%

KEUR Hedged risk	Classification of the hedged item in the balance sheet	31.03.2026 Carrying amount	Accumulated fair value hedge adjustments included in carrying amount	Change in fair value used as a basis to determine ineffectiveness	Accumulated fair value hedge adjustments remaining in statement of financial position
Interest rate risk	Receivables to customers	**1,471,876**	**(26,115)**	**(9,899)**	**–**
Currency risk	Receivables to customers	**31,319**	**146**	**(63)**	**–**
Total		**1,503,195**	**(25,969)**	**(9,962)**	**–**

KEUR Hedged risk	Classification of the hedged item in the balance sheet	31.03.2025 Carrying amount	Accumulated fair value hedge adjustments included in carrying amount	Change in fair value used as a basis to determine ineffectiveness	Accumulated fair value hedge adjustments remaining in statement of financial position
Interest rate risk	Receivables to customers	1,547,389	(16,216)	32,770	–
Currency risk	Receivables to customers	43,602	210	5,275	–
Total		1,590,991	(16,006)	38,044	–

6. Accounting for Intangible Assets and Property and Equipment

Accounting for intangible assets

Intangible assets are stated at capitalised cost less accumulated amortisation and accumulated impairment losses. The carrying amounts of intangible assets are reviewed for impairment at each reporting date and when events or changes in circumstances indicate that the carrying amount may not be recoverable. Expenditure on internally developed software is recognised as an asset when the SMBC EU Group is able to demonstrate its intention and ability to complete the development and to use the software in a manner that will generate future economic benefits and can reliably measure the costs of completing the development. The capitalised costs of internally developed software include all costs directly attributable to the development of the software and are amortised over the useful life of the asset. There are currently no internally generated intangible assets in the portfolio.

Accounting for property and equipment

Fixed tangible assets are stated at capitalised cost less accumulated depreciation and accumulated impairment losses. The carrying amounts of the fixed tangible assets are reviewed for impairment at each reporting date and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The fixed tangible assets are depreciated on a straight-line basis over their estimated useful lives. The useful life is determined using tax tables (afa-tables from the German tax authorities; EStRL) if the corresponding timeframe for the useful life is considered reasonable.

Accounting for leases

At the inception of a contract, the SMBC EU Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset for a specified period in return for consideration. To assess whether a contract transfers the right to control the use of an identified asset, the SMBC EU Group applies the definition of a lease in IFRS 16.

Bank acting as a lessee

At the inception or modification of a contract containing a lease component, the SMBC EU Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

The SMBC EU Group recognises a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability, net of any lease payments made on or before the commencement date, plus any initial direct costs and an estimate of the costs of dismantling and removing improvements to office premises.

The right-of-use asset is subsequently depreciated on a straight-line basis from the start to the end of the lease term. In addition, the right-of-use asset is periodically reduced by any impairment losses and adjusted for certain revaluations of the lease liability.

The lease liability is initially measured at the present value of the lease payments not yet paid at the commencement of the lease, discounted at the interest rate implied by the lease or, if this rate cannot be readily determined, at the SMBC EU Group's incremental borrowing rate. Generally, the SMBC EU Group uses its incremental borrowing rate as the discount rate.

The SMBC EU Group determines its incremental borrowing rate on the basis of covered bond (Pfandbriefe) yields published by the Deutsche Bundesbank and makes certain adjustments using various external sources to reflect the terms of the lease, country risks, the entity-specific financing spread and the type of leased asset. As the covered bonds are issued with an AAA investment grade rating, the SMBC EU Group adjusts the published interest rates by the difference in risk margins between the AAA rating and SMBC's relevant rating. This difference is determined using bond yield curves.

The lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or an interest rate and are initially measured using the index rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the SMBC EU Group is reasonably certain to exercise, lease payments during an optional renewal period if the SMBC EU Group is reasonably certain that it will exercise an extension option, and penalties for the early termination of a lease, unless the SMBC EU Group is reasonably certain that it will not terminate the lease early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured if future lease payments change due to a change in an index or interest rate, if the SMBC EU Group's estimate of the amount expected to be payable under a residual value guarantee changes, if the SMBC EU Group revises its assessment as to whether it will make a purchase or exercise a renewal or termination option, or if there is a revised in-substance fixed lease payment.

In the event of such a revaluation of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset or recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

The SMBC EU Group presents right-of-use assets relating to fixed tangible assets and lease liabilities under 'Other liabilities' in the statement of financial position.

The SMBC EU Group 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 SMBC EU Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

The development in the individual items is shown in the following statement of fixed assets in KEUR:

	Cost				
KEUR	01.04.2025	Additions	Reductions	Reclassifications	**31.03.2026**
Concessions, property rights and similar rights and assets as well as licences to such rights and assets acquired for consideration	8,593	3,291	–	–	11,884
Intangible assets	**8,593**	**3,291**	–	–	**11,884**
Leasehold improvement	7,729	9,317	48	1,157	18,155
Operating and other equipment	7,511	5,268	1,192	588	12,175
Construction in progress	1,754	–	10	(1,744)	–
Property and equipment	**16,995**	**14,585**	**1,250**	–	**30,330**
Properties	24,948	16,254	–	–	41,202
Vehicles	14	–	–	–	14
Right-of-use assets (IFRS 16)	**24,962**	**16,254**	–	–	**41,216**
Total	**50,550**	**34,130**	**1,250**	–	**83,431**

	Amortisation				Net carrying amount	
KEUR	01.04.2025	Additions	Reductions	**31.03.2026**	01.04.2025	**31.03.2026**
Concessions, property rights and similar rights and assets as well as licences to such rights and assets acquired for consideration	6,400	3,355	–	9,755	2,193	2,129
Intangible assets	**6,400**	**3,355**	–	**9,755**	**2,193**	**2,129**
Leasehold improvement	5,521	7,035	–	12,556	2,208	5,599
Operating and other equipment	4,899	4,545	990	8,454	2,612	3,721
Construction in progress	–	–	–	–	1,754	–
Property and equipment	**10,421**	**11,579**	**990**	**21,010**	**6,574**	**9,320**
Properties	9,650	7,189	–	16,839	15,298	24,363
Vehicles	11	3	–	14	3	–
Right-of-use assets (IFRS 16)	**9,660**	**7,193**	–	**16,853**	**15,302**	**24,363**
Total	**26,481**	**22,127**	**990**	**47,618**	**24,069**	**35,813**

During the financial year, a new lease relating to the business premises of the SMBC BI Paris Branch was recognised in accordance with IFRS 16. As a result, right-of-use assets amounting to approximately EUR 10.93 million and corresponding lease liabilities amounting to approximately EUR 8.76 million were recognised in the statement of financial position.

7. Income Taxes

KEUR	**31.03.2026**	31.03.2025
Income tax assets	**25,829**	29,920
Income tax liabilities	**(26,504)**	(32,485)
Total	**(675)**	(2,565)

The table shows income tax assets receivable from and income tax liabilities payable to the tax authorities.

The SMBC Group falls within the scope of the global minimum taxation rules (Pillar 2), which came into force in Germany on 28 December 2023 following the implementation of the Minimum Tax Act (MinStG).

The Minimum Tax Act applies for the first time to tax years beginning after 30 December 2023. Under the Minimum Tax Act, the SMBC Group must pay an additional tax for each jurisdiction in which the effective tax rate is below 15%. During the transitional period from 2024 to 2026, the top-up tax can, upon request, be deemed to be nil for a country in which the requirements of the Country-by-Country Safe Harbour rules are met.

SMBC Bank EU AG and its parent company, Sumitomo Mitsui Banking Corporation, Tokyo, Japan, have launched a global project. In addition, a parallel project is underway within the EMEA region, coordinated with the global project, to continuously analyse and assess the impact of the global minimum taxation rules, with the involvement of external tax advisors. From a German perspective (taking into account only subsidiaries and branches of SMBC Bank EU AG), Ireland is one of the key jurisdictions where exposure to this minimum tax may exist. Any additional burden that may be expected is not material.

SMBC Bank EU AG adopted the amendments to IAS 12 for the first time in the 2023/24 financial year. The IASB amended the scope of IAS 12 to clarify that the standard applies to income taxes enacted to implement the Pillar 2 model rules published by the OECD, including taxes that are considered to be qualifying domestic minimum top-up taxes and are described in those rules.

The amendments introduce a temporary exemption from the accounting requirements for deferred taxes in IAS 12, meaning that an entity neither recognises nor discloses information on deferred tax assets and liabilities relating to Pillar 2 income taxes. SMBC Bank EU AG has applied this temporary exemption from the accounting requirements for deferred taxes relating to income taxes for Pillar 2 under IAS 12, as published by the IASB in May 2023. Accordingly, SMBC Bank EU AG neither recognises nor discloses information on deferred tax assets and liabilities relating to income taxes arising from Pillar 2.

8. Deferred Taxes

The components of deferred tax disclosed on the statement of financial positions are as follows:

KEUR	31.03.2026	31.03.2025
Deferred tax assets	**87,947**	83,387
Deferred tax liabilities	**(18,213)**	(21,709)
Net deferred tax	**69,734**	61,677

Movements on deferred tax balances

Movements on deferred tax assets and liabilities were as follows:

KEUR	Asset/(liability) as at 01.04.2025	Movement through the profit and loss account	Movement through the other comprehensive income	Movement through retained earnings	Movements within the balance sheet	Asset/(liability) as at 31.03.2026
Bonus accrual	**2,101**	3,548	–	–		**5,649**
Derivatives and other FVTPL financial instruments	**(6,140)**	2,404	–	–		**(3,736)**
Fixed assets	**246**	31	–	–		**277**
Goodwill	**6,614**	(1,029)	–	–		**5,585**
IFRS 9 and upfront fees	**58,800**	134	461	–	2,563	**61,958**
other	**55**	(55)	–	–		**–**
Total	**61,677**	5,032	461	–	2,563	**69,734**

For the valuation of deferred taxes in the German unit, a decision was taken on 11 July 2025 to gradually reduce corporation tax from the current rate of 15%, starting from the 2028 tax year, by one percentage point each year, down to 10% in the 2032 tax year. The SMBC EU Group has taken this reduction in corporation tax into account in the calculation of deferred taxes. The effect arising from the reduction amounts to EUR 4.3 million.

During the financial year, all assets and liabilities of the SMBC BI Paris Branch were transferred to the SMBC EU Paris Branch. The aim of this measure was to consolidate business activities within the European unit, both organisationally and operationally.

As part of this transfer, deferred tax assets relating to the transferred loans, amounting to EUR 2.5 million, were also transferred to the SMBC EU Paris Branch. The transaction was accounted with no impact on profit and loss for the financial year.

9. Other Assets

Other assets mainly include:

KEUR	31.03.2026	31.03.2025
Receivables from intra-group clearing	**70,813**	58,943
Other	**6,792**	12,737
Total Other assets	**77,605**	71,679

10. Liabilities to Banks

KEUR	31.03.2026	31.03.2025
Liabilities to banks at amortised cost	**11,892,191**	7,063,751
Thereof: Cash collateral received (margins)	**12,913**	53,879
Total liabilities to banks	**11,892,191**	7,063,751

Liabilities to banks mainly consist of liabilities from time deposits of EUR 2,968.92 million (PY: EUR 1,929.30 million) and EUR 8,895.45 million (PY: EUR 5,063.53 million) in deposits from the SMBC Group (further details in note VI.2).

11. Liabilities to Customers

KEUR	31.03.2026	31.03.2025
Liabilities to customers at amortised cost	**17,723,692**	11,165,448
Thereof: Cash collateral received (margins)	**303,000**	100,536
Total liabilities to customers	**17,723,692**	11,165,448

Liabilities to customers mainly consist of liabilities arising from customer deposits amounting to EUR 15,657.11 million (PY: EUR 9,291.12 million) and current accounts amounting to EUR 603.74 million (PY: EUR 616.29 million).

12. Securitised Liabilities

KEUR	31.03.2026	31.03.2025
Securitised liabilities at amortised cost	**744,037**	393,345
Total securitised liabilities	**744,037**	393,345

Securitised liabilities consist of liabilities arising from the issuance of discounted commercial paper amounting to EUR 744.04 million (PY: EUR 393.34 million).

13. Provisions

KEUR	31.03.2026	31.03.2025
Employee benefits provisions	**2,870**	2,804
Provisions for value adjustments on off-balance items	**30,235**	9,126
Other provisions	**11,553**	6,761
Total provisions	**44,658**	18,691

Other provisions mainly consist of provisions for the audit and other audit services amounting to EUR 2.82 million (PY: EUR 2.25 million), provisions for legal fees amounting to EUR 1.42 million (PY: EUR 0.41 million) and provisions for external consultancy support amounting to EUR 4.62 million (PY: EUR 1.18 million). It is expected that the provisions relating to statutory audits and other audit services and external consultancy support will be utilised in the next financial year.

Some employees are entitled to early retirement benefits depending on their seniority. A corresponding provision of EUR 1.56 million (PY: EUR 1.50 million) is reported in employee benefits provisions.

The following **valuation assumptions and methods** were used for the calculation of the early retirement provision:

	31.03.2026	31.03.2025
Actuarial interest	**3.60%**	3.30%
Salary trend	**1.50%**	1.50%
Health insurance contribution	**0.00%**	0.00%
Social security contributions (flat rate)	**21.150%**	20.950%
Fluctuation	**5 %**	5 %
Utilisation	**100%**	100%
Biometrics	**RT2018 G**	RT2018 G
Valuation method	**PUC**	PUC

KEUR	31.03.2026	31.03.2025
Current early retirement	**123**	247
potential early retirement	**1,441**	1,255
Early retirement obligations	**1,564**	1,501

These early retirement obligations are offset by compensation claims amounting to EUR 0.47 million (PY: EUR 0.48 million) from the SMBC Düsseldorf Branch in respect of early retirement commitments entered prior to the transfer of staff in February 2020. The discounting of the provisions resulted in an expense of KEUR 47.61 for the financial year (PY: KEUR 59.34).

KEUR	Employee benefits provisions	Other provisions
Opening balance on 1 April 2025	**2,804**	**6,761**
Provisions made during the year	**1,959**	**15,446**
Provisions used during the year	**(1,820)**	**(4,929)**
Provisions reversed during the year	**(73)**	**(5,639)**
Other movements	**–**	**(85)**
Closing balance on 31 March 2026	**2,870**	**11,553**

14. Other Liabilities

KEUR	31.03.2026	31.03.2025
Liabilities from intra-group clearing	**197,205**	121,510
Bonus accruals	**42,764**	26,752
Accrual of commitment fees	**27,637**	31,195
Lease liabilities	**26,192**	16,134
Unearned interests from account receivable purchases	**6,991**	11,112
Tax liabilities	**10,312**	7,521
Other	**24,144**	13,974
Total Other liabilities	**335,246**	228,198

Deferred bonus scheme

The SMBC EU Group operates a deferred bonus scheme for certain employees. These employees receive part of their annual bonus as a deferred bonus, 50% of which is paid in cash and 50% of which is linked to the SMFG share price. All deferred bonuses are dependent on future service and are awarded over periods of up to five years. At the end of the year, deferred bonuses totalled KEUR 9,743.7 (PY: KEUR 5,159.7).

Leases

The SMBC EU Group leases various offices under non-cancellable lease agreements to meet its operational business requirements. The SMBC EU Group has no material sub-leasing agreements. The right-of-use assets relate to property leases and a car lease: see note IV.6 for a breakdown of the carrying amount of the right-of-use assets.

KEUR	
As at 31 March 2025	**16,134**
Interest expense on lease liabilities	**500**
New lease	**14,084**
Lease contract modifications	**–**
Disposals	**–**
Cash payments	**(4,525)**
As at 31 March 2026	**26,192**

During the financial year, new lease contracts were recognised for the offices in Düsseldorf and Frankfurt.

Leases – Maturity analysis – Contractual undiscounted cash flows

The undiscounted maturity analysis of lease liabilities as at 31 March 2026 and 31 March 2025 is as follows:

31 March 2026 KEUR	Up to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Lease payments	**1,415**	**4,152**	**5,327**	**4,500**	**3,501**	**2,050**	**8,192**	**29,137**
Finance charges	**(193)**	**(526)**	**(572)**	**(443)**	**(323)**	**(259)**	**(629)**	**(2,945)**
Net present values	**1,223**	**3,626**	**4,755**	**4,057**	**3,178**	**1,790**	**7,563**	**26,192**

31 March 2025 KEUR	Up to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Lease payments	754	2,107	2,635	2,401	1,565	1,579	7,223	**18,264**
Finance charges	(108)	(302)	(350)	(287)	(247)	(213)	(623)	**(2,130)**
Net present values	646	1,805	2,285	2,114	1,318	1,366	6,600	**16,134**

The SMBC EU Group is not exposed to any additional cash flows arising from variable lease payments or extension and termination options. Furthermore, the SMBC EU Group has no significant sale-and-leaseback transactions and no restrictions or covenants imposed by the lessor on its property lease agreements that restrict its business.

15. Equity

KEUR	31.03.2026	31.03.2025
Subscribed capital	**5,100,000**	5,100,000
Capital reserves	**69,724**	69,724
Legal reserve	**29,372**	23,872
Retained earnings	**598,561**	471,850
Other reserves	**9,784**	7,205
thereof other comprehensive income	**2,361**	3,734
Total equity	**5,807,441**	5,671,572

The SMBC EU Group's subscribed capital amounted to EUR 5.10 billion as at the reporting date, divided into 5,100,000,000 registered no-par value shares (notional value of EUR 1.00 per share).

Retained earnings include a restricted reserve of EUR 2 million from the Milan Branch, which was established on 31 March 2024.

In accordance with section 150 of the German Stock Corporation Act (AktG), approximately 5% of the net income for the year, based on the financial statements prepared in accordance with the German Commercial Code (HGB), is allocated to the legal reserve.

In addition, the remaining net income for the year is allocated to retained earnings.

V. Explanatory Notes to the Consolidated Statement of Comprehensive Income

1. Interest Income and Expense and Similar Income and Expense

KEUR	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Interest income	**917,596**	1,062,189
Lending and money market operations	**912,819**	1,056,629
Fixed income securities and book-entry securities	**4,777**	5,560
Interest expense	**(571,789)**	(646,313)
Net interest income	**345,807**	415,876

Interest income of EUR 728.55 million (PY: EUR 895.28 million) is attributable to SMBC EU in Frankfurt, EUR 159.41 million (PY: EUR 158.13 million) to the Milan Branch and KEUR 21.56 (PY: KEUR 63.43) to the Paris Branch. Interest income of EUR 8.08 million (PY: EUR 8.16 million) was generated by the subsidiary SNBL in Luxembourg.

2. Net Fee and Commission Income and Expenses

KEUR	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Commission income	**227,289**	198,263
Loan servicing fees	**158,072**	131,868
Commissions from security business	**38,860**	37,866
Guarantee fees received	**6,378**	5,408
Investment funds fees	**22,048**	20,968
Other	**1,930**	2,151
Commission expense	**(76,139)**	(97,145)
Commissions from security business	**(5,176)**	(7,314)
Guarantee fees paid	**(7,159)**	(5,486)
Interbank commissions	**(56,934)**	(77,919)
Investment funds fees	**(1,351)**	(1,624)
Other	**(5,519)**	(4,802)
Net commission income	**151,150**	101,118

Commission income of EUR 187.86 million (PY: EUR 161.80 million) is attributable to SMBC EU in Frankfurt, EUR 9.88 million (PY: EUR 13.21 million) to the Milan Branch and EUR 6.35 million (PY: KEUR 969.87) to the Paris Branch. EUR 23.28 million (PY: EUR 22.28 million) came from the subsidiary SNBL in Luxembourg.

3. Result from Financial Instruments Measured at FVTPL

KEUR	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Result from financial instruments measured at FVTPL	**57,899**	29,624

Of the result from financial instruments measured at FVTPL, EUR 56.69 million (PY: EUR 27.50 million) relates to SMBC EU in Frankfurt, KEUR -178.79 (PY: KEUR 24) to the Milan Branch, KEUR -795.12 (PY: KEUR Nil) to the Paris Branch and EUR 2.18 million (PY: EUR 2.10 million) to the subsidiary SNBL in Luxembourg.

4. Result from Hedging Relationships

KEUR	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Result from hedging relationships	**(1,025)**	(3,801)

5. Other Operating Income

KEUR	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Income from intra-group clearing	**11,520**	10,121
Gains on sale of loans at FVTPL	**3,228**	4,681
Rental income	**96**	283
Other	**5,675**	1,206
Other operating income	**20,519**	16,292

Of the other operating income, EUR 14.90 million (PY: EUR 13.48 million) relates to SMBC EU in Frankfurt, EUR 2.69 million (PY: EUR 2.33 million) to the branch in Paris, KEUR 384.22 (PY: KEUR 0.22) to the branch in Milan and KEUR 142 (PY: KEUR 125.40) to the branch in Dublin. KEUR 302.62 (PY: KEUR 353.29) is attributable to the subsidiary SNBL in Luxembourg.

6. Administrative Expenses

KEUR	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Wages and salaries	**(105,208)**	(83,998)
Social security costs	**(25,006)**	(19,766)
Other administrative costs	**(203,079)**	(114,943)
Administrative expenses	**(333,293)**	(218,707)

Other administrative expenses consist primarily of expenses arising from intra-group clearing amounting to EUR -95.69 million (PY: EUR -55.43 million), VAT expenses amounting to EUR -27.03 million (PY: EUR -14.78 million), a banking levy of EUR -2.81 million (PY: EUR Nil million), expenditure on temporary agency workers of approximately EUR -8.83 million (PY: EUR -4.06 million) and external consulting services amounting to EUR -27.90 million (PY: EUR -8.8 million).

The item 'Wages and salaries' includes expenses relating to deferred bonuses linked to the SMFG share price amounting to KEUR -3,319 (PY: KEUR -773).

7. Net Result from the Derecognition of Financial Assets Measured at AC

KEUR	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Net result from the derecognition of financial assets measured at AC	**5,525**	(67)

A profit of EUR 10.73 million (PY: EUR 5.99 million) was realised on the sale of loans valued at amortised cost.

8. Amortisation, Depreciation and Write-downs on Intangible Assets and Property and Equipment

KEUR	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Leasehold improvement	**(832)**	(585)
Right-of-use lease	**(4,167)**	(2,106)
Other	**(3,161)**	(2,183)
Amortisation, depreciation and write-downs on intangible assets and property and equipment	**(8,160)**	(4,875)

9. Other Operating Expenses

KEUR	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Other operating expenses	**(2,428)**	(1,648)

10. Risk Provision

KEUR	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Risk provision	**(20,396)**	(2,189)

The movement in the risk provision is largely attributable to transfers from Stage 2 to Stage 1, as well as a transfer from Stage 2 to Stage 3 and model refinements. More detailed information can be found in note VI.3.

11. Income Tax Charge

Accounting for income taxes

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognised in the statement of comprehensive income, unless 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 for the year, using the tax rates in force or substantially in force at the reporting date, together with any adjustment to the tax payable for 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 tax purposes. Deferred tax is measured using the tax rates expected to apply to the temporary differences when they reverse, based on the laws enacted or substantially enacted at 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 reduced to the extent that it is no longer probable that the associated tax benefits will be realised.

Income tax charge

KEUR	**01.04.2025 – 31.03.2026**	01.04.2024 – 31.03.2025
Income taxes	**(81,338)**	(101,684)
Trade tax	**(26,464)**	(45,760)
Corporation tax	**(56,035)**	(66,810)
Deferred tax	**5,032**	13,111
Other	**(3,871)**	(2,225)

Corporation tax comprises the income taxes paid in Germany and in the countries where the branches are located. In Germany, the combined income tax rate is 31.76% (PY: 31.74%). The Italian income tax rate is 33.07% and in France 25.0%. The income tax rate in the Czech Republic is 21% and in the Netherlands 23.87% (PY: 23.5%). In Spain, the income tax rate is 30.0% (PY: 30%) and in Ireland 12.5%. For Luxembourg, the income tax rate is 23.87%.

Income taxes – Amounts recognised in the statement of comprehensive income

KEUR	**01.04.2025 – 31.03.2026**	01.04.2024 – 31.03.2025
Current tax charge	**(86,370)**	(114,795)
Current year	**(80,272)**	(117,567)
Adjustment for prior years	**(6,098)**	2,769
Deferred tax charge	**5,032**	13,111
Origination and reversal of temporary difference	**4,097**	11,998
Adjustment for prior years	**935**	1,113
Other	**0**	0
Total income tax expense	**(81,338)**	(101,684)

Income tax – Amounts recognised in other comprehensive income

KEUR	01.04.2025 – 31.03.2026 Before tax	Tax	Net of tax
Items that will not be reclassified to statement of comprehensive income			
Items that are or may be reclassified subsequently to statement of comprehensive income			
Change in fair value of financial assets at FVOCI	**3,204**	**(843)**	**2,361**
Other unrealised gains (+)/losses (–) recognised in the reporting period, before tax			
Realised gains (–)/losses (+) reclassified to profit or loss in the reporting period, before tax	**–**	**–**	**–**
Total	**3,204**	**(843)**	**2,361**

KEUR	01.04.2024 – 31.03.2025 Before tax	Tax	Net of tax
Items that will not be reclassified to statement of comprehensive income			
Items that are or may be reclassified subsequently to statement of comprehensive income			
Change in fair value of financial assets at FVOCI	(5,033)	1,304	(3,729)
Other unrealised gains (+)/losses (–) recognised in the reporting period, before tax	(5)	–	(5)
Realised gains (–)/losses (+) reclassified to profit or loss in the reporting period, before tax			
Total	(5,038)	1,304	(3,734)

Income tax – Reconciliation of effective tax rate

KEUR	**1.04.2025 – 31.03.2026**	1.04.2024 – 31.03.2025
Profit before tax	**215,598**	331,622
Domestic tax rate	**31.76%**	31.74%
Expected income tax at the domestic tax rate	**(68,464)**	(105,250)
foreign tax rate differentials	**(521)**	304
tax expenses not deductible for tax purposes	**(411)**	(94)
Adjustments of tax base for trade tax	**164**	(40)
non recognised deferred taxes of branches	**(244)**	(126)
Adjustment for prior years	**(4,812)**	3,882
Set-off of tax paid abroad	**(350)**	(111)
Corporate restructuring	**(1,666)**	–
Adjustment relating to the reduction in the corporation tax rate	**(4,367)**	–
Tax provisions current year	**(580)**	–
Other	**(86)**	(248)
Total effective tax expense	**(81,338)**	(101,684)
Effective tax rate	**37.73%**	30.66%

12. Net Income from Financial Assets and Liabilities

KEUR	**1.04.2025 – 31.03.2026**	1.04.2024 – 31.03.2025
Profit or loss from financial instruments – held for trading	**61,559**	57,128
Profit or loss from financial instruments – mandatorily FVTPL	**5,134**	6,282
Profit or loss from financial assets measured at amortised cost	**918,260**	1,034,835
Net gain or loss from financial liabilities measured at amortised cost	**(530,533)**	(612,702)
Net gain or loss from financial assets measured at FVOCI	**965**	674
Total	**455,384**	486,218

VI. Other Explanatory Notes

1. Off-Balance-Sheet Transactions

Contingent liabilities and other obligations

KEUR	31.03.2026	31.03.2025
Contingent liabilities		
Liabilities from guarantees and indemnity agreements	**2,485,859**	2,142,007
Other obligations		
Irrevocable loan commitments	**20,337,253**	13,983,178

Based on past experience, the likelihood of claims arising from guarantees and warranty agreements is considered to be low. Irrevocable loan commitments are regularly drawn down by customers.

As at 31 March 2026, there was only one irrevocable loan commitment to a single borrower, the amount of which, at EUR 571.80 million, which is above the large exposure threshold.

Accounting for contingent liabilities

Contingent liabilities are potential 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 unlikely to arise.

As at the reporting date, no contingent liabilities other than the disclosed liabilities arising from guarantees and indemnity agreements are known.

2. Related Party Transactions

Parent company

SMBC EU is a subsidiary of Sumitomo Mitsui Financial Group Inc., the ultimate parent company based in Japan. SMFG is the ultimate controlling party.

The largest group within which the Company's results are consolidated is the group 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 the results are consolidated is the one headed by Sumitomo Mitsui Banking Corporation, the immediate parent company of SMBC EU. SMBC's consolidated financial statements can be obtained from its registered office at 1-1-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan.

Related parties

Two or more parties are considered to be related if one party exercises 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 business policies of the other party to such an extent that the other party might be prevented from pursuing its separate interests at any time.

Key management personnel are the members of the Company's Executive Board. There were no loans to or deposits from key management personnel (and their related parties) of the SMBC EU Group.

KEUR	31.03.2026	31.03.2025
Short-term employee benefits	**2,968**	3,217
Other long-term benefits	**335**	369
Share-based payments	**558**	616
Total	**3,860**	4,202

Receivables and payables from and to related parties of the SMBC EU Group are as follows:

	Parent company		Other related parties	
KEUR	**2026**	2025	**2026**	2025
Receivables to banks	**2,489,379**	3,014,386	**3,606,809**	122,662
Receivables to customers	**–**	–	**530,839**	520,132
Derivative Assets: Hedge Accounting	**–**	–	**25,880**	25,233
Trading assets	**15,323**	16,905	**1,376,094**	432,357
Remaining assets	**259,308**	204,947	**27,366**	24,524
Total assets	**2,764,010**	3,236,238	**5,566,987**	1,124,908
Liabilities to banks	**11,008,596**	6,275,683	**3,462,048**	254,406
Liabilities to customers	**–**	–	**245,049**	100,088
Debt securities in issue	**–**	–	**–**	–
Derivative Liabilities: Hedge Accounting	**–**	–	**7,138**	14,461
Trading liabilities	**–**	–	**1,384,731**	578,010
Provisions	**–**	184	**–**	–
Remaining liabilities	**9,319**	11,564	**119,693**	86,477
Total liabilities	**11,017,914**	6,287,432	**5,218,659**	1,033,443

Loans and credits are granted to affiliated companies on arm's-length terms as part of the SMBC EU Group's normal business activities.

The SMBC EU Group receives collateral from SMBC in the form of cash (part of the amounts reported in respect of the parent company) amounting to EUR 8,895.45 million (PY: EUR 5,063.53 million) to mitigate large exposures arising from intra-group positions. Deposits are accepted in the ordinary course of business and on the same terms as comparable transactions with third parties.

The guarantees received from or provided to related parties of the SMBC EU Group are broken down as follows:

	Parent company		Other related parties	
KEUR	**2026**	2025	**2026**	2025
Guarantees received	**5,050,159**	919,389	**129,000**	189,725
Guarantees given	**36,331**	12,055	**5,541**	334

The amounts recognised in the statement of comprehensive income for transactions with related parties are as follows:

	Parent company		Other related parties	
KEUR	**2026**	2025	**2026**	2025
Interest income	**72,624**	47,420	**76,812**	79,808
Interest expense	**(216,287)**	(222,283)	**(42,042)**	(30,674)
Fee and commission income	**100,171**	81,018	**18,425**	11,266
Fee and commission expense	**(13,191)**	(11,494)	**(52,443)**	(71,019)
Other income	**151**	7,366	**42**	3,268
Other expenses	**(19,050)**	(17,044)	**(102,155)**	(59,054)
Net trading	**(7,502)**	(22,627)	**157,702**	94,403
Result from hedging relationships	**–**	–	**9,167**	(33,863)
Total	**(83,084)**	(137,643)	**65,508**	(5,866)

3. Financial Risk Management

The risks associated with financial instruments and the way in which the SMBC EU Group manages them are described below.

Credit risk

Credit risk is the risk of losses that may arise for the SMBC EU Group due to a reduction in value or impairment of assets (including off-balance sheet exposures such as issued financial guarantees and loan commitments) as a result of credit events, such as a deterioration in a borrower's financial condition.

Credit assessment

The SMBC EU Group assesses and manages the credit risk of individual loans and loan portfolios on a consistent quantitative basis using an internal rating system.

The assessment system consists of two indicators, namely:

- the obligor grading, which reflects the borrower's creditworthiness; and
- the facility grading, which reflects the probability of repayment of each facility. Facility gradings are determined on the basis of the borrower, the assigned grading and transaction terms such as guarantees, maturity and collateral.

The SMBC EU Group's internal grading and borrower categories are set out in the table below and are used to determine the credit quality of the SMBC EU Group's obligors.

G grade*	J grade*	
Code	**Code**	**Borrower 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	Insolvent borrowers

* G grade – non-Japanese borrowers, J grade – Japanese borrowers.

The internal gradings G7R to G10 and J7R to J10 are recognised as 'default' within the meaning of the EU Capital Requirements Directive IV and in accordance with the regulatory standard definition. These are assigned to Stage 3 and, where they meet the conditions, to the 'impaired' category within the meaning of IFRS accounting standards.

Credit monitoring

Credit monitoring is performed through continuous reassessment of obligor grades, which includes:

- annual monitoring following the disclosure of financial results; and
- ad-hoc monitoring in the event of a deterioration in credit conditions.

If a customer is downgraded or considered a likely candidate for future downgrades below the 'Normal borrower' category, the customer is placed on the special credit borrower list and reported to management.

To minimise potential losses that may arise from model failure and/or inadequate use of models and systems, the SMBC EU Group has appropriate policies in place for the management of its models and grading systems. The SMBC EU Group's Risk Management Department (RMD) conducts a validation of the grading models at least once a year to ensure their adequacy.

The SMBC EU Group regularly monitors credit risks across broader aspects of its business, such as country-specific exposures, products, sectors, etc., on a portfolio basis. The SMBC EU Group also carries out regular stress tests on its portfolio to ensure that adequate capital is held at all times to cover potential losses in the event of extreme events, such as the COVID-19 pandemic.

Expected credit losses

Accounting for impairment provisions

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

- Cash reserves and balances at central banks
- Receivables to banks and customers measured at amortised cost
- Debt instruments measured at amortised cost and at FVOCI
- Loan commitments
- Financial guarantees

The SMBC EU Group has classified its financial instruments into Stages 1, 2 and 3, based on the implied impairment methodology, as described below:

Stage 1: 12-month ECL – For non-impaired (performing) financial instruments where there has been no significant increase in credit default risk since initial recognition, the SMBC EU Group recognises a loss allowance equal to the expected credit losses resulting from possible default events within the next 12 months.

Stage 2: Lifetime ECL – For financial instruments where there has been a significant increase in credit default risk since initial recognition, but which are not considered to be credit-impaired, the SMBC EU Group recognises a credit loss provision equal to the expected credit losses over the entire remaining term (Lifetime ECL).

Stage 3: Credit-impaired – Exposures arising from financial instruments are classified as credit-impaired if one or more events have occurred that have an adverse effect on the estimated future cash flows of the instrument. For financial instruments classified as impaired, the SMBC EU Group recognises a valuation allowance equal to the expected credit losses over the entire remaining life (Lifetime ECL).

Determining the stage for impairment

For loans carried at amortised cost, as well as loan commitments, financial guarantees and debt securities recognised at FVOCI, the SMBC EU Group assesses at each reporting date whether the credit risk on exposures has increased significantly since initial recognition by comparing the default risk at the reporting date with the risk at the time of initial recognition. Credit risk is assessed either individually for financial assets or collectively for a portfolio of similar, homogeneous assets.

Significant increase in credit risk (SICR)

To determine whether the credit risk of a financial instrument has increased significantly since initial recognition, the SMBC EU Group takes into account reasonable and reliable information on past events, current conditions and forecasts of future economic conditions, provided that this information is relevant to the credit default risk of the financial instrument in question and is available without undue cost or time. The SMBC EU Group assesses a significant increase in credit risk on the basis of both quantitative and qualitative information.

Determining whether SICR takes place

The SMBC EU Group follows a clearly structured, event-based approach to identifying a significant increase in credit risk. The SMBC EU Group uses the quantitative factor of changes in the probability of default (PD) based on the respective credit grading, as well as additional factors such as a delinquency of more than 30 days and the inclusion of a customer on the watch list, to determine whether a significant increase in the credit risk of a financial instrument has occurred. The 30-day delinquency criterion is currently taken into account manually outside of the ECL valuation model.

The SMBC EU Group has further developed the staging model and now applies a methodology incorporating a forward-looking approach to determine the appropriate stage. The forward-looking grading takes account of the future economic situation. The SMBC EU Group carries out a grading-based review of each exposure by comparing the quality at the time of lending with the forward-looking assessment as at the reporting date. The SMBC EU Group uses relative and absolute PD thresholds based

on the grading as a quantitative criterion for identifying a significant increase in credit risk. The threshold was determined on the basis of historical default data. The thresholds compare the annualised probability of default at the balance sheet date with the annualised probability of default expected for the respective exposure over the corresponding period up to maturity.

For new business from March 2024 onwards, the SMBC EU Group uses point-in-time PDs (PiT PDs) to determine the probability of default at the balance sheet date. The transition from through-the-cycle PDs (TTC PDs) to PiT PDs for new business constitutes a change in an accounting estimate in accordance with IAS 8.32 et seq. and is applied prospectively. Based on an analysis as at 31 March 2025, a slight positive staging effect was observed, which led to a reduction in the ECL; however, the overall impact was not material. The threshold applied depends on the grading and is defined for 'very good' to 'good' grading classes as an absolute change in PD (0.1% for 'very good' and 0.3% for 'good' grading classes). For grading classes G4–G6, a relative change in PD of 50% is defined as significant.

The SMBC EU Group also applies a 30-days-past-due backstop in determining a significant increase in credit risk. Furthermore, inclusion on the watch list for customers with G/J 5 and G/J 6 gradings is an indicator of a significant increase in credit default risk. This applies to customers who are classified as 'normal borrowers' but identified for enhanced monitoring due to a deterioration in credit quality. It has also been stipulated that a significant increase in credit risk is to be assumed if the lifetime PD of an exposure at the reporting date exceeds the lifetime PD at initial recognition by more than 200%. An exposure is considered to have experienced a significant increase in credit risk if at least one of the above criteria is met.

Recognition of financial assets as impaired (Stage 3)

Exposures to financial instruments are considered to be impaired if one or more events have occurred that have an adverse effect on the estimated future cash flows of the instrument. For financial instruments classified as sub-investment grade, the SMBC EU Group recognises a provision for lifetime ECLs.

An exposure is classified as defaulted if a default has occurred in accordance with the definition below.

Definition of default

The definition of default for the purposes of determining ECLs has been aligned with the definition of default in Article 178 of the Capital Requirements Regulation to ensure a consistent approach with IFRS 9 and the associated regulatory guidelines. The following events generally provide objective evidence of a default:

- The governing bodies of the borrower or group of borrowers resolve to reorganise or liquidate the borrower, and/or insolvency proceedings or an involuntary liquidation of the borrower are initiated (either by the borrower itself or by third parties), and/or an external administrator, provisional administrator, liquidator or commissioner is appointed.
- The obligor is past due by more than three months. Delinquency may arise from a deterioration in business conditions or constrained cash flows (including cases where only interest payments are not made, while principal repayments are not overdue).
- The loan is restructured on terms more favourable to the borrower, without which the borrower would be unable to properly meet its obligations to the SMBC EU Group.
- A breach of financial covenants which, in the reasonable opinion of the SMBC EU Group, may lead to the borrower's failure to fulfil its obligations properly.
- Any other event occurring in relation to the borrower/group of borrowers which, in the opinion of the SMBC EU Group, may lead to the borrower failing to fulfil its obligations properly.

An exposure migrates through the ECL stages as the quality of the assets deteriorates. If the quality of the assets improves in a subsequent period and also reverses a previously assessed significant increase in credit risk since the loan was granted, the impairment loss/provision reverts from lifetime ECL to 12-month ECL.

The SMBC EU Group writes off exposures when it concludes that there is no reasonable expectation of further recovery, generally upon liquidation of the counterparty.

Improvement of credit quality

If a Stage 2 financial asset shows an improvement in credit quality, that asset may be reclassified as Stage 1. No probation period is applied, as the latest grading reflects the customer's current financial creditworthiness, considering all short-term factors that could affect the customer grading already taken into account.

The transition from Stage 3 to Stage 2 or 1 depends on individual assessment. All relevant factors relating to the customer's creditworthiness are considered before a customer is upgraded and moved out of Stage 3. Stage 3 exposures subject to forbearance measures must, in addition to the above requirements, undergo a minimum recovery period of two years as a performing exposure before they can be moved out of Stage 3.

Grades (credit ratings)

The SMBC EU Group assigns appropriate grades to each exposure based on data used to predict the risk of default and by applying expert judgements on credit quality. Gradings are determined on the basis of qualitative and quantitative factors, as well as indicators of default risk. These factors vary depending on the type of borrower and the specific exposure.

Each exposure is assigned a grading at initial recognition based on available information. These exposures are subject to ongoing monitoring. Consequently, the grading assigned to the exposure may have changed since the date of initial recognition. Monitoring generally involves the analysis of the following data:

- Information obtained as a result of regular analysis of borrowers: audited financial statements, management accounts, budgets, forecasts and business plans
- Data from rating agencies, publications and information on changes to external ratings
- Bond and credit default swap prices, where such information is available
- Actual and expected significant changes in the political, regulatory and technological environment that could affect the borrower

Creation of provisions

The calculation of ECL is based on the following key risk parameters:

- PD
- Loss given default (LGD)
- Exposure at default (EAD)

Probability of default

The PD is a key input for determining expected credit losses. It is modelled using rating migration matrices based on both internal and external historical data. These matrices depict the expected transitions of borrowers between different grading classes over defined time periods.

To forecast PD, the SMBC EU Group uses two sets of migration matrices: one for borrowers with parent companies based in Japan and another for borrowers with parent companies in other countries, in order to take account of structural differences in their respective risk profiles.

As part of the ECL methodology, the SMBC EU Group distinguishes between the 12-month PD and the lifetime PD. The 12-month PD measures the probability of default within the next 12 months and is used for Stage 1 financial instruments. The lifetime PD, on the other hand, reflects the probability of default over the entire remaining maturity of a financial instrument and is decisive for the valuation of Stage 2 and Stage 3 financial instruments.

PD estimates are adjusted to take forward-looking information into account. In particular, macroeconomic forecasts are factored in, including trends in gross domestic product and the performance of equity markets. To quantify the relationship between macroeconomic factors and default rates, the SMBC EU Group uses statistical models based on a single-factor model (credit cycle index).

The underlying data includes information on debt service quality and historical default rates, which are analysed separately by region, product type, borrower segment and risk assessment. On this basis, statistical methods are used to derive PD estimates for the remaining maturity of credit-risk-exposed positions and their expected future performance.

Loss given default

The LGD model is based on the Frye-Jacob approach. This approach assumes that default rates and loss given default change simultaneously in response to systemic risk. Against this background, LGD is modelled as a function of PD and its change, so that LGD can be consistently derived from the modelled PD. Accordingly, the LGD model takes into account the same macroeconomic factors as the PD model.

Exposure at default

The EAD model is used to estimate the expected utilisation of credit facilities. For Stage 1 financial instruments, the estimate is based on a 12-month time horizon, whilst for Stage 2 financial instruments, the entire remaining term is considered.

The modelling takes into account both the utilisation of existing facilities and the potential future utilisation of credit lines that have not yet been drawn down. The latter is estimated using the Credit Conversion Factor (CCF). Furthermore, the contractually agreed repayment and drawdown schedule is taken into account when determining the amounts actually utilised.

The CCF is estimated on a scenario-specific basis using historical data. The CCF is derived from the annualised historical distribution using appropriate quantiles. The selection of the applicable quantile depends on the underlying macroeconomic scenario and its probability of occurrence.

Macroeconomic forecasts

For each relevant macroeconomic factor, the SMBC EU Group estimates four scenarios: a base-case scenario, an optimistic scenario, a moderately pessimistic scenario and a severe stress scenario. The base-case scenario is based on forecasts by external experts and serves as the basis for the internal parameterisation of the optimistic and pessimistic scenarios. To improve the accuracy of the estimates, idiosyncratic risks for countries and sectors have been taken into account when preparing the respective scenarios since the reporting year. These adjustments serve to reflect risk effects – particularly those related to geopolitical developments – which are not fully captured in the underlying macroeconomic models. This adjustment results in an impact of EUR 21.7 million on the loss allowance as at 31 March 2026.

Each scenario is assigned a probability of occurrence as follows:

- **Optimistic**: 18% (PY: 16%)
- **Base**: 42% (PY: 44%)
- **Moderately pessimistic**: 24% (PY: 23%)
- **Severely pessimistic**: 16% (PY: 17%)

Measurement of expected credit losses

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

- **Financial assets that are not credit-impaired at the reporting date**: the present value of expected shortfalls arising from potential default events within the next 12 months, discounted at the effective interest rate for assets classified as Stage 1, or the present value of expected cash shortfalls over the entire remaining life of the financial asset, discounted at the effective interest rate for assets classified as Stage 2.
- **Financial assets that are credit-impaired at the reporting date**: the difference between the gross carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.
- **Undrawn loan commitments**: as the present value of the difference between the contractual cash flows to which the SMBC EU Group is entitled if the facility is drawn down, and the cash flows that the SMBC EU Group expects to receive.
- **Financial guarantee contracts**: the expected payments to reimburse the holder of the guarantee less any amounts that the SMBC EU Group expects to receive.

Movements in ECLs are recognised as an impairment loss in the statement of comprehensive income and, for financial assets measured at amortised cost, as a deduction from the respective gross carrying amount. For debt securities measured at FVOCI, no impairment loss is recognised in the statement of financial position, as the carrying amount equals fair value. However, the SMBC EU Group recognises the corresponding impairment in the statement of comprehensive income. For undrawn loan commitments and financial guarantees recognised off-balance sheet, impairment is recognised in the statement of comprehensive income, with a corresponding amount recorded as other provisions in the statement of financial position.

Forward-looking information

The SMBC EU Group incorporates forward-looking information both into the assessment of whether the default risk of an instrument has increased significantly since initial recognition and, beyond the forward-looking estimation of PD and LGD, into the measurement of ECL.

Methods for estimating and recognising provisions for credit losses

The SMBC EU Group estimates credit loss provisions at transaction level for all financial instruments.

ESG-related risks are taken into account through a post model adjustment based on external climate scenarios, in order to capture risks that are not yet fully reflected in the model. As at the reporting date, climate risk has been incorporated to an immaterial extent.

Expected lifetime

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

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

Purchased or originated credit-impaired financial assets

As at 31 March 2026, the SMBC EU Group holds no financial assets that were acquired or originated with impaired credit quality (PY: none).

Governance

The ECL models are subject to the SMBC EU Group'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. The external scenarios are critically reviewed and challenged by internal subject matter experts. The macroeconomic factors are submitted to the Credit Risk Management Committee (CRMC) for review and approval and are subsequently forwarded to the Executive Board for review and final approval. The CRMC and the Management Board also review and consider the weightings for each scenario.

Financial risk management – Credit risk – Credit quality and stage per rating class of financial assets

The following tables show the gross exposure and the related impairment allowance by stage and grading as at 31 March 2026 and 31 March 2025.

		Gross carrying amount			ECL			Net exposure
As at 31 March 2026 **KEUR**	Internal grading	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	
Cash and balances at central banks at amortised cost		**238,279.5**	–	–	–	–	–	**238,279.5**
Normal borrowers – investment grade	1–3	**238,279.5**	–	–	–	–	–	**238,279.5**
Normal borrowers – non-investment grade	4–6	–	–	–	–	–	–	–
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–
Receivables to banks at amortised cost		**19,810,433.2**	–	–	**285.9**	–	–	**19,810,147.3**
Normal borrowers – investment grade	1–3	**19,810,433.2**	–	–	**285.9**	–	–	**19,810,147.3**
Normal borrowers – non-investment grade	4–6	–	–	–	–	–	–	–
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–
Receivables to customers at amortised cost		**14,881,094.1**	**1,116,540.3**	**64,992.8**	**19,884.8**	**23,698.1**	**20,716.1**	**15,998,328.1**
Normal borrowers – investment grade	1–3	**13,148,294.5**	**98,197.3**	–	**10,275.7**	**163.4**	–	**13,236,052.7**
Normal borrowers – non-investment grade	4–6	**1,732,799.6**	**725,766.3**	–	**9,609.1**	**12,584.9**	–	**2,436,371.9**
Borrowers requiring caution	7A, 7B	–	**292,576.7**	–	–	**10,949.8**	–	**281,626.9**
Substandard borrowers and below	7R, 8–10	–	–	**64,992.8**	–	–	**20,716.1**	**44,276.6**
Investment securities at amortised cost		**182,126.3**	–	–	**9.0**	–	–	**182,117.3**
Normal borrowers – investment grade	1–3	**182,126.3**	–	–	**9.0**	–	–	**182,117.3**
Normal borrowers – non-investment grade	4–6	–	–	–	–	–	–	–
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–
Investment and Liquidity Securities at FVOCI		**90,677.9**	–	–	–	–	–	**90,677.9**
Normal borrowers – investment grade	1–3	**90,677.9**	–	–	–	–	–	**90,677.9**
Normal borrowers – non-investment grade	4–6	–	–	–	–	–	–	–
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–
Off-balance sheet loans and commitments and financial guarantee contracts		**21,873,829.5**	**916,842.0**	**32,440.7**	**11,348.3**	**9,981.2**	**8,905.4**	**22,792,877.4**
Normal borrowers – investment grade	1–3	**20,474,165.3**	**300,000.0**	–	**4,829.2**	**578.6**	–	**20,768,757.6**
Normal borrowers – non-investment grade	4–6	**1,399,664.2**	**447,160.5**	–	**6,519.1**	**6,671.3**	–	**1,833,634.4**
Borrowers requiring caution	7A, 7B	–	**169,681.5**	–	–	**2,731.3**	–	**166,950.2**
Substandard borrowers and below	7R, 8–10	–	–	**32,440.7**	–	–	**8,905.4**	**23,535.3**

In addition to the ECL above, there are EUR Nil ECL in relation to other financial assets.

As at 31 March 2025 KEUR	Internal valuation	Gross carrying amount Stage 1	Gross carrying amount Stage 2	Gross carrying amount Stage 3	ECL Stage 1	ECL Stage 2	ECL Stage 3	Net carrying amount
Cash and balances at central banks at amortised cost		113,781.1	–	–	–	–	–	113,781.1
Normal borrowers – investment grade	1–3	113,781.1	–	–	–	–	–	113,781.1
Normal borrowers – non-investment grade	4–6	–	–	–	–	–	–	–
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–
Receivables to banks at amortised cost		10,594,660.6	–	–	0.1	–	–	10,594,660.5
Normal borrowers – investment grade	1–3	10,594,660.6	–	–	0.1	–	–	10,594,660.5
Normal borrowers – non-investment grade	4–6	–	–	–	–	–	–	–
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–
Receivables to customers at amortised cost		12,015,187.6	1,200,999.7	62,008.1	8,764.2	32,204.9	16,330.6	13,220,895.7
Normal borrowers – investment grade	1–3	10,749,504.5	228,939.6	–	4,953.4	267.2	–	10,973,223.5
Normal borrowers – non-investment grade	4–6	1,265,683.1	842,432.6	–	3,810.7	25,819.3	–	2,078,485.7
Borrowers requiring caution	7A, 7B	–	129,627.4	–	–	6,118.4	–	123,509.0
Substandard borrowers and below	7R, 8–10	–	–	62,008.1	–	–	16,330.6	45,677.5
Investment securities at amortised cost		105,151.5	–	–	4.5	–	–	105,146.9
Normal borrowers – investment grade	1–3	105,151.5	–	–	4.5	–	–	105,146.9
Normal borrowers – non-investment grade	4–6	–	–	–	–	–	–	–
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–
Investment and Liquidity Securities at FVOCI		90,186.7	–	–	–	–	–	90,186.7
Normal borrowers – investment grade	1–3	90,186.7	–	–	–	–	–	90,186.7
Normal borrowers – non-investment grade	4–6	–	–	–	–	–	–	–
Borrowers requiring caution	7A, 7B	–	–	–	–	–	–	–
Substandard borrowers and below	7R, 8–10	–	–	–	–	–	–	–
Off-balance sheet loans and commitments and financial guarantee contracts		15,782,673.0	340,890.2	1,622.4	3,913.0	5,068.5	145.0	16,116,059.1
Normal borrowers – investment grade	1–3	14,694,576.3	–	–	2,444.1	–	–	14,692,132.3
Normal borrowers – non-investment grade	4–6	1,088,096.7	198,089.4	–	1,468.9	3,190.8	–	1,281,526.3
Borrowers requiring caution	7A, 7B	–	142,800.8	–	–	1,877.7	–	140,923.1
Substandard borrowers and below	7R, 8–10	–	–	1,622.4	–	–	145.0	1,477.4

In addition to the ECL stated above, there is EUR Nil ECL in respect of other financial assets.

Financial risk management – Credit risk – Sensitivity analysis of ECL due to staging

The measurement of ECL involves increased complexity and judgement, including the estimation of the PD, the LGD, the range of unbiased future economic scenarios, the estimation of the expected useful life, the estimation of the EAD and the assessment of significant increases in credit risk.

The following table shows the ECL assuming that each scenario has been weighted at 100%, in order to illustrate the impact of alternative scenarios. The increase in the highly pessimistic scenario in risk provisioning is driven by the idiosyncratic risks considered in this financial year-end.

31 March 2026 **KEUR**	**Weighted ECL**	**Severe pessimistic**	**Moderately pessimistic**	**Base**	**Optimistic**
Original model results	**64,116.30**	**176,927.00**	**65,928.32**	**37,816.06**	**22,791.33**

31 March 2025 KEUR	Weighted ECL	Highly pessimistic	Moderately pessimistic	Base	Optimistic
Original model results	45,293.24	65,014.32	52,119.65	39,974.28	29,153.80

Financial risk management – Credit risk – Macroeconomic scenarios and sensitivity analysis of the key sources of estimation uncertainty

Macroeconomic scenarios

The SMBC EU Group has used a four-scenario model to calculate the ECL at year-end. The base-case forecast was sourced externally, and two downside scenarios and one upside scenario were derived from this. An overview of the four scenarios used at year-end is as follows:

Optimistic scenario – internally developed, based on the following assumptions:

- The conflicts in Ukraine and the Middle East are gradually moving towards lasting ceasefires, restoring stability on key shipping routes and significantly improving global energy and food supplies.
- Trade tensions between the US and China ease, brightening the international trade climate, stabilising supply chains and supporting a gradual recovery in industrial production and cross-border investment.
- Despite initially higher inflation driven by strong demand, central banks succeed in steering price trends back towards their target levels in a controlled manner through a prolonged period of restrictive monetary policy.
- Improved energy security, easing supply bottlenecks and ongoing reform and investment programmes will bolster confidence, promote sustainable economic growth and ensure stable financial markets and rising corporate investment.

Base scenario – externally sourced and checked by internal experts, based on the following assumptions:

- Ongoing geopolitical tensions between the US and Iran, as well as the continuing Russia-Ukraine conflict and recurring instability in the Middle East, continue to cause disruptions in energy, shipping and supply chain markets, without triggering a full-scale escalation.
- Energy price shocks occur in the short term, temporarily pushing inflation above target levels, whilst prices stabilise in the medium term; central banks initially adopt a restrictive stance and only gradually normalise monetary policy.
- Global economic growth initially slows and shows divergent trends across regions and sectors, with defence- and energy-related sectors outperforming relatively, whilst trade- and energy-import-dependent economies remain under pressure.
- Governments permanently shift fiscal priorities towards defence, resilience and strategic security of supply, which affects productivity, public finances and capital allocation in the long term.

Moderately pessimistic scenario – externally sourced and checked by internal experts, based on the following assumptions:

- Ongoing military tensions between the US/Israel and Iran, as well as the continuing Russia-Ukraine war, are causing geopolitical uncertainty, recurring attacks on infrastructure and increasing uncertainty in trade and supply chain relationships.
- Energy and commodity prices rise significantly as a result of supply bottlenecks and temporary closures of key shipping routes, which further fuels inflation and forces central banks to tighten monetary policy.
- High inflation, rising financing costs and uncertainty are weighing on investment, consumption and labour markets, thereby entrenching a global recession and preventing a recovery in the equity markets.
- As time goes on, energy markets and supply chains gradually stabilise, inflation falls and global growth slowly returns, albeit within a permanently more restrictive trade policy framework.

Severely pessimistic scenario – externally sourced and checked by internal experts, based on the following assumptions:

- A direct confrontation between the US/Israel and Iran, as well as the ongoing Russia-Ukraine war, leads to massive geopolitical tensions, escalating trade conflicts and significant disruptions to energy, trade and infrastructure systems.
- Energy and commodity prices rise sharply as a result of supply bottlenecks, driving global inflation well above target levels, causing inflation expectations to become unanchored and forcing central banks to adopt restrictive monetary policy.
- The combination of high inflation, rising interest rates and increasing protectionism is weighing heavily on consumption, corporate margins and credit markets, leading to a global recession, sharply falling stock markets and tighter financing conditions.
- Over time, geopolitical conflicts stabilise into a state of stalemate, energy and supply chains gradually normalise and inflation eases, whilst global growth recovers only slowly and under structurally less favourable conditions.

Scenario weightings

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

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

As at 31 March 2026 **Percentage**	**Severe pessimistic**	**Moderately pessimistic**	**Base**	**Optimistic**
Scenario probability weightings	**16**	**24**	**42**	**18**

As at 31 March 2025 Percentage	Severe pessimistic	Moderately pessimistic	Base	Optimistic
Scenario probability weightings	17	23	44	16

As at 31 March 2026 Percentage		Key macroeconomic variables Severe pessimistic	Moderately pessimistic	Basis	Optimistic
Economic and Monetary Union GDP Real	2026	**(1.4)**	**(0.2)**	**1.0**	**1.1**
	2027	**(3.9)**	**(1.6)**	**1.3**	**1.6**
	2028	**(1.3)**	**(0.3)**	**1.5**	**1.7**
	2029	**0.7**	**1.2**	**1.5**	**1.7**
Economic and Monetary Union Equity	2026	**2.9**	**5.4**	**9.8**	**12.2**
	2027	**(23.5)**	**(13.1)**	**(2.9)**	**17.2**
	2028	**(9.3)**	**(6.5)**	**(2.5)**	**9.6**
	2029	**(7.6)**	**(2.5)**	**0.0**	**8.0**
Japan Nominal GDP	2026	**4.4**	**4.4**	**4.4**	**4.4**
	2027	**1.9**	**2.8**	**4.0**	**4.7**
	2028	**2.2**	**2.6**	**3.3**	**3.8**
	2029	**2.0**	**2.6**	**3.7**	**3.2**

As at 31 March 2025 Percentage		Key macroeconomic variables Severe pessimistic	Moderately pessimistic	Base	Optimistic
Economic and Monetary Union Real GDP	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	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
Japan Nominal GDP	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

Financial risk management – Credit risk – Movement in impairment provisions

The following tables show a reconciliation of the opening and closing balances of the exposure and the risk allowance for financial assets measured at amortised cost. Transfers between stages have been presented in the tables as if they had taken place at the beginning of the year. Movements are measured over a 12-month period.

Financial assets at amortised cost and FVOCI:

As at 31 March 2026	Gross carrying amount				Impairment allowance			
KEUR	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	**22,828,780.8**	**1,200,999.7**	**62,008.1**	**24,091,788.6**	**8,768.8**	**32,204.9**	**16,330.6**	**57,304.3**
Transfers from Stage 1 to 2	**(176,907.1)**	**176,907.1**	**–**	**–**	**(998.3)**	**998.3**	**–**	**–**
Transfers from Stage 2 to 1	**510,518.9**	**(510,518.9)**	**–**	**–**	**20,170.9**	**(20,170.9)**	**–**	**–**
Transfers to Stage 3	**–**	**(26,016.6)**	**26,016.6**	**–**	**–**	**(465.6)**	**465.6**	**–**
Transfers from Stage 3	**–**	**17,497.9**	**(17,497.9)**	**–**	**–**	**1,732.3**	**(1,732.3)**	**–**
Paris transfer	**5,170,016.6**	**244,736.7**	**–**	**5,414,753.3**	**2,273.2**	**5,775.1**	**–**	**8,048.3**
New business	**4,411,196.2**	**–**	**–**	**4,411,196.2**	**7,421.9**	**–**	**–**	**7,421.9**
Net drawdowns, repayments and movements due to exposure and risk parameter changes	**6,657,789.3**	**81,637.3**	**(3,284.3)**	**6,736,142.3**	**(14,475.3)**	**4,899.9**	**7,901.9**	**(1,673.6)**
Financial assets derecognised	**(4,198,783.9)**	**(68,702.9)**	**–**	**(4,267,486.8)**	**(2,981.5)**	**(1,275.9)**	**–**	**(4,257.4)**
Write-offs	**–**	**–**	**(2,249.7)**	**(2,249.7)**	**–**	**–**	**(2,249.7)**	**(2,249.7)**
Balance at end of year	**35,202,610.9**	**1,116,540.3**	**64,992.8**	**36,384,144.0**	**20,179.7**	**23,698.1**	**20,716.1**	**64,593.9**

The above risk provisions and movements relating thereto concern receivables from banks and customers as well as securities.

The change in gross carrying amounts between the beginning and end of the period relates to the recognition and derecognition of loans in the normal course of business, with no changes arising from modifications.

The main drivers of the movements between the categories can be summarised in two points:

- In connection with the transfer of the SMBC BI Paris Branch, credit exposures, including the associated risk provisions, were taken over. In total, receivables measured at amortised cost amounting to EUR 5.4 billion, as well as loan commitments amounting to approximately EUR 7.0 billion, were taken over. This led to an increase in risk provisions in Stage 1 of EUR 3.6 million and in Stage 2 of EUR 6.6 million.
- In addition, the following significant changes occurred at individual customer level during the financial year: one customer was reclassified from Stage 2 back to Stage 1, resulting in a reduction in risk provisions in Stage 2 of EUR 17 million. Furthermore, one customer was transferred to Stage 3, leading to an increase in risk provisions in Stage 3 of approximately EUR 16 million.

As at 31 March 2025	Gross carrying amount				Impairment allowance			
KEUR	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	21,016,681.6	280,244.0	70,127.6	21,367,053.2	9,097.7	18,960.0	20,093.6	48,151.2
Transfers from Stage 1 to 2	(694,504.6)	694,504.6	–	–	(2,069.4)	2,069.4	–	–
Transfers from Stage 2 to 1	–	–	–	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–	–	–	–
Transfers from Stage 3	2,205.9	16,911.8	(19,117.6)	–	253.7	1,944.8	(2,198.5)	–
New business	6,509,721.7	–	–	6,509,721.7	5,964.1	–	–	5,964.1
Net drawdowns, repayments and movements due to exposure and risk parameter changes	1,985,636.1	258,025.0	10,998.1	2,254,659.2	(901.3)	10,172.1	(1,564.5)	7,706.3
Financial assets derecognised	(5,990,959.9)	(48,685.7)	–	(6,039,645.6)	(3,576.0)	(941.4)	–	(4,517.4)
Write-offs	–	–	–	–	–	–	–	–
Balance at end of year	22,828,780.8	1,200,999.7	62,008.1	24,091,788.6	8,768.8	32,204.9	16,330.6	57,304.3

The following tables show a reconciliation of the opening and closing balances of the exposure and impairment allowance for loan commitments and financial guarantees.

The effects described above relating to the recalibration of macroeconomic model parameters apply in the same way to off-balance-sheet items.

Loan commitments and financial guarantees:

As at 31 March 2026 KEUR	Gross carrying amount				Impairment allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	**15,782,641.0**	**340,890.2**	**1,622.4**	**16,125,153.6**	**3,913.0**	**5,068.5**	**145.0**	**9,126.5**
Transfers from Stage 1 to 2	**(631,160.7)**	**631,160.7**	**–**	**–**	**(632.9)**	**632.9**	**–**	**–**
Transfers from Stage 2 to 1	**149,504.9**	**(149,504.9)**	**–**	**–**	**2,958.3**	**(2,958.3)**	**–**	**–**
Transfers to Stage 3	**–**	**(29,035.0)**	**29,035.0**	**–**	**–**	**(498.9)**	**498.9**	**–**
Transfers from Stage 3	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Paris transfer	**6,965,705.3**	**53,375.1**	**–**	**7,019,080.4**	**1,337.1**	**867.4**	**–**	**2,204.4**
New business	**3,952,056.8**	**–**	**–**	**3,952,056.8**	**4,745.8**	**–**	**–**	**4,745.8**
Net drawdowns, repayments and movements due to exposure and risk parameter changes	**(563,645.0)**	**103,616.5**	**1,783.2**	**(458,245.2)**	**(171.4)**	**6,912.3**	**8,261.5**	**15,002.5**
Financial assets derecognised	**(3,781,272.7)**	**(33,660.6)**	**–**	**(3,814,933.3)**	**(801.6)**	**(42.8)**	**–**	**(844.4)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at end of year	**21,873,829.5**	**916,842.0**	**32,440.7**	**22,823,112.2**	**11,348.3**	**9,981.2**	**8,905.4**	**30,234.8**

As at 31 March 2025 KEUR	Gross carrying amount				Impairment allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	14,842,599.3	76,428.8	35,329.6	14,954,357.7	5,180.9	3,280.0	13,304.7	21,765.6
Transfers from Stage 1 to 2	(306,944.1)	306,944.1	–	–	(515.3)	515.3	–	–
Transfers from Stage 2 to 1	272.7	(272.7)	–	–	3.4	(3.4)	–	–
Transfers to Stage 3	–	–	–	–	–	–	–	–
Transfers from Stage 3	–	–	–	–	–	–	–	–
New business	5,676,671.1	–	–	5,676,671.1	1,931.4	–	–	1,931.4
Net drawdowns, repayments and movements due to exposure and risk parameter changes	(1,644,256.0)	(584.6)	(33,707.2)	(1,678,547.9)	(2,084.1)	1,365.6	(2,076.2)	(2,794.8)
Financial assets derecognised	(2,785,702.0)	(41,625.3)	–	(2,827,327.3)	(603.2)	(89.0)	(11,083.5)	(11,775.7)
Write-offs	–	–	–	–	–	–	–	–
Balance at end of year	15,782,641.0	340,890.2	1,622.4	16,125,153.6	3,913.0	5,068.5	145.0	9,126.5

Financial risk management – Analysis of concentration credit risk

The commitment of the most important industrial sectors can be analysed in the following table. The four sectors with the highest exposure are shown separately to identify the concentration risks.

As at 31 March 2026 KEUR	Financial institutions and insurance	Manufacturing	Real estate and leasing	Transport, communications and other public enterprises	Others	Total
Cash and balances at central banks	**238,279.5**	**–**	**–**	**–**	**–**	**238,279.5**
Receivables to banks	**19,810,147.3**	**–**	**–**	**–**	**–**	**19,810,147.3**
Receivables to customers	**1,539,371.4**	**2,872,872.6**	**2,056,891.9**	**6,132,825.7**	**3,411,120.8**	**16,013,082.4**
Investment and Liquidity Securities	**262,843.8**	**–**	**–**	**–**	**9,951.4**	**272,795.2**
Derivative Assets: Hedge Accounting	**25,879.7**	**–**	**–**	**–**	**–**	**25,879.7**
Trading assets	**818,124.4**	**440,013.8**	**27,823.7**	**229,066.8**	**80,707.5**	**1,595,736.1**
Total assets	**22,694,646.0**	**3,312,886.3**	**2,084,715.6**	**6,361,892.5**	**3,501,779.7**	**37,955,920.1**
Loan commitments and financial guarantees	**1,006,188.4**	**5,892,842.5**	**1,527,998.3**	**9,969,176.2**	**4,426,906.9**	**22,823,112.2**
Total	**23,700,834.4**	**9,205,728.8**	**3,612,713.9**	**16,331,068.7**	**7,928,686.6**	**60,779,032.4**

As at 31 March 2025 KEUR	Financial institutions and insurance	Manufacturing	Real estate and leasing	Transport, communications and other public enterprises	Others	Total
Cash and balances at central banks	113,781.1	–	–	–	–	113,781.1
Receivables to banks	10,594,660.5	–	–	–	–	10,594,660.5
Receivables to customers	1,303,420.0	2,544,192.9	1,922,945.8	5,120,177.5	2,558,941.3	13,449,677.4
Investment and Liquidity Securities	173,457.4	–	–	–	21,876.2	195,333.6
Derivative Assets: Hedge Accounting	25,233.2	–	–	–	–	25,233.2
Trading assets	455,750.0	214,005.7	34,037.1	186,370.5	93,113.1	983,276.3
Total assets	12,666,302.2	2,758,198.5	1,956,982.9	5,306,548.0	2,673,930.6	25,361,962.1
Loan commitments and financial guarantees	485,034.9	3,798,579.2	827,853.2	7,746,120.1	3,267,598.1	16,125,185.6
Total	13,151,337.1	6,556,777.8	2,784,836.1	13,052,668.2	5,941,528.7	41,487,147.8

The following table analyses the geographical distribution of financial assets based on the counterparty's country of residence. The SMBC EU Group's business is heavily concentrated in Europe; therefore, for a detailed breakdown, the four European countries with the highest exposure are shown separately. Following the acquisition of the SMBC BI Paris Branch, France is listed as a separate column and is no longer included in the 'Rest of Europe' total. Further details on the acquisition of the branch can be found in Chapter III.1. In the previous year, France accounted for approximately EUR 1,680 million of the balance sheet total and EUR 746 million in loan commitments and financial guarantees.

As at 31 March 2026 **KEUR**	**Germany**	**France**	**Italy**	**Netherlands**	**Rest of Europe**	**Japan**	**Rest of World**	**Total**
Cash and balances at central banks	**169,958.6**	**65,435.4**	**–**	**–**	**2,885.6**	**–**	**–**	**238,279.5**
Receivables to banks	**14,205,633.2**	**919,649.5**	**303,389.9**	**50,838.4**	**2,361,441.8**	**1,787,255.5**	**181,938.9**	**19,810,147.3**
Receivables to customers	**1,234,070.8**	**3,151,425.9**	**2,755,731.8**	**1,969,800.0**	**6,465,415.4**	**71,938.1**	**364,700.4**	**16,013,082.4**
Investment and Liquidity Securities	**–**	**–**	**–**	**–**	**272,795.2**	**–**	**–**	**272,795.2**
Derivative Assets: Hedge Accounting	**–**	**–**	**–**	**–**	**25,879.7**	**–**	**–**	**25,879.7**
Trading assets	**49,269.3**	**205,702.4**	**17,929.4**	**209,232.2**	**1,094,909.5**	**11,887.4**	**6,806.0**	**1,595,736.1**
Total assets	**15,658,931.9**	**4,342,213.1**	**3,077,051.2**	**2,229,870.5**	**10,223,327.1**	**1,871,081.0**	**553,445.3**	**37,955,920.1**
Loan commitments and financial guarantees	**1,316,707.6**	**7,542,458.5**	**3,975,891.9**	**1,934,960.0**	**7,749,433.7**	**469.8**	**303,190.7**	**22,823,112.2**
Total	**16,975,639.5**	**11,884,671.6**	**7,052,943.1**	**4,164,830.5**	**17,972,760.8**	**1,871,550.8**	**856,636.0**	**60,779,032.4**

As at 31 March 2025 KEUR	Germany	Italy	Netherlands	Rest of Europe	Japan	Rest of World	Total
Cash and balances at central banks	87,841.5	–	–	25,939.6	–	–	113,781.1
Receivables to banks	6,025,782.6	300,916.4	50,896.5	1,202,705.5	2,930,138.6	84,220.9	10,594,660.5
Receivables to customers	1,175,959.8	2,252,072.7	2,178,765.3	7,121,326.5	186,564.7	534,988.5	13,449,677.4
Investment and Liquidity Securities	–	–	–	195,333.6	–	–	195,333.6
Derivative Assets: Hedge Accounting	–	–	–	25,233.2	–	–	25,233.2
Trading assets	68,401.9	12,725.0	254,065.0	638,799.3	–	9,285.1	983,276.3
Total assets	7,357,985.8	2,565,714.1	2,483,726.8	9,209,337.6	3,116,703.3	628,494.5	25,361,962.1
Loan commitments and financial guarantees	1,460,419.5	4,001,110.9	1,925,501.3	8,482,922.6	290.8	254,940.5	16,125,185.6
Total	8,818,405.3	6,566,825.0	4,409,228.1	17,692,260.2	3,116,994.1	883,435.0	41,487,147.8

Financial risk management – Maximum exposure to credit risk for the line items of the statement of financial position, including derivatives

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

KEUR	31.03.2026	31.03.2025
Cash and balances at central banks	**238,279.5**	113,781.1
Receivables to banks	**19,810,147.3**	10,594,660.5
Receivables to customers	**16,013,082.4**	13,449,677.4
Investment and Liquidity Securities	**272,795.2**	195,333.6
Derivative Assets: Hedge Accounting	**25,879.7**	25,233.2
Trading assets	**1,595,736.1**	983,276.3
Financial guarantees	**2,485,858.9**	2,142,007.3
Loan commitments	**20,337,253.3**	13,983,178.3
Total	**60,779,032.4**	41,487,147.8

Financial risk management – Collateral received

KEUR	31.03.2026	31.03.2025
Financial guarantees received	**11,546,094.6**	5,413,289.0
Other collateral	**1,022,936.2**	–
Collateral held	**12,569,030.7**	5,413,289.0
Thereof: collateral that may be sold, pledged, delivered or otherwise utilised	**1,022,936.2**	–

The item 'Other collateral' comprises securities used as collateral for the new reverse repo product from the current financial year.

Other collateral, such as ships, aircraft and property, is not recognised for regulatory purposes.

Liquidity risk

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

Analysis of liquidity risk

The contractual maturity of financial assets and liabilities is an important source of information used by management for the management of liquidity risk.

Financial risk management – Liquidity risk

The following table provides details of the contractual maturities of financial assets and financial liabilities. Expected credit losses on receivables to banks and customers are included in the 'Up to 3 months' column.

As at 31 March 2026 **KEUR**	**Up to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Total financial assets	**21,573,664.0**	**3,336,975.4**	**9,998,637.5**	**3,046,643.2**	**37,955,920.1**
Cash and balances at central banks	**238,279.5**	**–**	**–**	**–**	**238,279.5**
Receivables to banks	**18,044,804.2**	**879,823.6**	**885,519.5**	**–**	**19,810,147.3**
Receivables to customers	**2,713,691.3**	**2,031,807.4**	**8,594,966.7**	**2,672,616.9**	**16,013,082.4**
Investment and Liquidity Securities	**114,074.3**	**78,045.4**	**80,675.4**	**–**	**272,795.2**
Derivative Assets: Hedge Accounting	**179.2**	**4,218.6**	**12,383.1**	**9,098.8**	**25,879.7**
Trading assets	**462,635.4**	**343,080.4**	**425,092.8**	**364,927.5**	**1,595,736.1**
Total financial liabilities	**18,672,749.7**	**2,587,242.1**	**7,080,016.1**	**3,611,044.2**	**31,951,052.0**
Liabilities to credit institutions	**1,831,509.9**	**161,950.5**	**6,645,212.1**	**3,253,518.3**	**11,892,190.8**
Liabilities to customers	**16,203,516.9**	**1,520,175.6**	**–**	**–**	**17,723,692.4**
Derivative Liabilities: Hedge Accounting	**–**	**3,372.1**	**1,068.8**	**2,696.8**	**7,137.7**
Trading liabilities	**271,128.3**	**524,301.7**	**433,735.2**	**354,829.0**	**1,583,994.2**
Debt securities in issue	**366,594.6**	**377,442.3**	**–**	**–**	**744,036.9**
Cumulative gap financial assets less financial liabilities	**2,900,914.3**	**749,733.3**	**2,918,621.5**	**(564,401.0)**	**6,004,868.1**

As at 31 March 2025 KEUR	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Total financial assets	9,737,680.7	2,037,229.5	11,082,538.4	2,504,513.5	25,361,962.1
Cash and balances at central banks	113,781.1	–	–	–	113,781.1
Receivables to banks	9,346,150.6	202,310.1	1,046,195.8	4.0	10,594,660.5
Receivables to customers	103,211.4	1,654,905.2	9,498,501.8	2,193,059.0	13,449,677.4
Investment and Liquidity Securities	83,659.4	53,393.4	49,630.3	8,650.5	195,333.6
Derivative Assets: Hedge Accounting	172.8	1,565.4	11,690.1	11,804.9	25,233.2
Trading assets	90,705.4	125,055.4	476,520.4	290,995.1	983,276.3
Total financial liabilities	12,115,503.5	1,060,672.3	4,691,892.8	1,729,213.9	19,597,282.5
Liabilities to banks	1,310,353.4	84,586.6	4,236,641.0	1,432,169.7	7,063,750.7
Liabilities to customers	10,387,706.1	777,348.8	393.4	–	11,165,448.3
Derivative Liabilities: Hedge Accounting	–	2,003.4	6,689.5	5,768.3	14,461.3
Trading liabilities	99,301.2	121,531.6	448,168.9	291,275.8	960,277.5
Debt securities in issue	318,142.9	75,201.9	–	–	393,344.8
Cumulative gap financial assets less financial liabilities	(2,377,822.8)	976,557.2	6,390,645.6	775,299.6	5,764,679.6

The following table shows the cash flow analysis of the contractual maturities of interest and principal balances for liabilities, financial guarantees issued and off-balance-sheet loan commitments, based on undiscounted cash flows.

As at 31 March 2026 **KEUR**	**Up to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Liabilities to banks/customers	**18,624,195.3**	**1,740,265.7**	**7,852,221.3**	**3,225,103.1**	**31,441,785.4**
Debt securities in issue	**462,698.9**	**287,394.3**	**–**	**–**	**750,093.2**
Financial guarantees	**429,569.4**	**1,057,865.0**	**919,323.0**	**79,073.9**	**2,485,831.2**
Loan commitments	**1,022,318.6**	**1,249,570.7**	**15,902,735.9**	**2,162,628.0**	**20,337,253.3**
Total	**20,538,782.3**	**4,335,095.7**	**24,674,280.2**	**5,466,804.9**	**55,014,963.2**
Derivative liabilities	**376,138.7**	**526,485.4**	**445,714.3**	**166,784.7**	**1,515,123.1**
Total liabilities, financial guarantees and loan commitments	**20,914,921.0**	**4,861,581.1**	**25,119,994.6**	**5,633,589.6**	**56,530,086.3**

As at 31 March 2025 KEUR	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities to banks/customers	12,390,784.8	994,893.1	4,717,879.6	1,411,250.0	19,514,807.5
Debt securities in issue	348,869.6	46,232.1	–	–	395,101.7
Financial guarantees	86,719.0	183,929.5	496,735.6	1,374,623.2	2,142,007.3
Loan commitments	562,237.5	383,079.8	10,531,859.1	2,506,001.9	13,983,178.3
Total	13,388,610.9	1,608,134.5	15,746,474.3	5,291,875.1	36,035,094.8
Derivative liabilities	87,528.0	178,444.0	572,186.8	628,746.7	1,466,905.5
Total liabilities, financial guarantees and loan commitments	13,476,138.8	1,786,578.5	16,318,661.1	5,920,621.8	37,502,000.3

Market risk

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

Financial risk management – Market risk – VaR exposures

The SMBC EU Group's VaR exposures amounted to the following during the year:

	Up to 31.03.2026				Up to 31.03.2025			
KEUR **99.9%, 250 days**	**Maximum**	**Minimum**	**Average**	**31 March**	Maximum	Minimum	Average	31 March
Trading	**5,478.1**	**4,377.6**	**5,051.8**	**4,377.6**	5,995.9	5,418.8	5,817.7	5,418.8
Banking	**49,659.8**	**2,794.4**	**23,359.4**	**28,490.6**	60,437.5	7,891.3	33,053.5	49,659.8
Total	**55,137.9**	**7,172.0**	**28,411.2**	**32,868.2**	66,433.4	13,310.1	38,871.2	55,078.6

The income sensitivity below shows the extreme case of six possible scenarios for shifts in the yield curve, including 'Steepening', 'Flattening' and 'Parallel' shifts. The table shows the loss under the 'Parallel up' scenario.

Income sensitivity to changes in interest rates:

EURm	**31.03.2026**	31.03.2025
Profit and loss impact	**34.5**	41.1

4. Fair Value of Financial Instruments

The SMBC EU Group's accounting policies regarding fair value are disclosed in note III.5.

The SMBC EU Group measures fair values using the following fair value hierarchy, which reflects the significance of the input factors used in the valuation:

- **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 comprises instruments that are measured using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets considered to be less active; or other valuation techniques in which all significant input factors are directly or indirectly observable from market data.
- **Level 3**: Valuation techniques using significant unobservable input factors. This category comprises all instruments where the valuation technique includes input factors that are not based on observable data, and where the unobservable input factors have a significant impact on the valuation of the instrument. This category includes instruments that are valued on the basis of quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair values of financial assets and financial liabilities traded on active markets are based on quoted market prices. Where these are not available, valuation is carried out using recognised valuation methods. A fair value model taking into account the yield curve and the Black-Scholes model for options are used.

The assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used to estimate discount rates, bond prices, exchange rates, as well as expected price volatilities and correlations. All observable data is sourced directly from Bloomberg or Reuters. The aim of the valuation techniques is to arrive at a fair value that reflects the price of the financial instrument as at the reporting date, as would have been determined by arm's-length market participants.

The SMBC EU Group uses widely recognised models to determine the fair value of common and simpler financial instruments, such as interest rate and currency swaps, which rely solely on observable market data and require little judgement or estimation. Observable prices and model inputs are generally available in the market for listed debt securities, exchange-traded derivatives and simple over-the-counter derivatives. The availability of observable market prices and model inputs reduces the need for management judgement and estimates, and reduces the uncertainty associated with determining fair value. The availability of observable market prices and inputs varies depending on the product and the market, and is subject to change due to specific events and conditions in the financial markets.

If the fair value of a financial instrument differs from the transaction price at the time of recognition, unrecognised differences (day-one profit or loss) arise on the initial recognition of these instruments, if the fair value cannot be substantiated either by the price quoted in an active market for an identical asset or liability, or by valuation models that use only observable market data. For such transactions, the fair value plus the unrecognised difference between the transaction price and the fair value is recognised in the balance sheet. This unrecognised difference is recognised in profit or loss either over the term of the instrument or when all parameters used in the valuation become observable.

Fair value of financial instruments – Assets and liabilities measured at fair value on a recurring basis

The following table shows the SMBC EU Group's financial assets and liabilities held at fair value, categorised by the level of the fair value hierarchy to which the fair value measurement is assigned:

As at 31 March 2026 **KEUR**	**Level 1**	**Level 2**	**Level 3**	**Total**
Receivables to customers	**–**	**–**	**14,702**	**14,702**
Derivative Assets: Hedge Accounting	**–**	**25,880**	**–**	**25,880**
Trading assets	**–**	**1,595,736**	**–**	**1,595,736**
Investment and Liquidity Securities	**90,678**	**–**	**–**	**90,678**
Total financial assets	**90,678**	**1,621,616**	**14,702**	**1,726,996**
Negative fair values from designated hedging derivatives	**–**	**7,138**	**–**	**7,138**
Trading liabilities	**–**	**1,583,994**	**–**	**1,583,994**
Total financial liabilities	**–**	**1,591,132**	**–**	**1,591,132**

There have been no movements between level 1, level 2 or level 3.

As at 31 March 2025 KEUR	Level 1	Level 2	Level 3	Total
Receivables to customers	–	–	228,782	228,782
Derivative Assets: Hedge Accounting	–	25,233	–	25,233
Trading assets	–	983,276	–	983,276
Investment and Liquidity Securities	90,187	–	–	90,187
Total financial assets	90,187	1,008,509	228,782	1,327,478
Negative market values arising from designated hedging derivatives	–	14,461	–	14,461
Trading liabilities	–	960,278	–	960,278
Total financial liabilities	–	974,739	–	974,739

Level 3 assets consist exclusively of Receivables to customers. These receivables have been classified as level 3 because the credit risk inherent in these loans is not observable on the market. Internal credit ratings were therefore used to assess the credit risk for the purpose of measuring fair value. Should the credit risk, as indicated by the internal credit assessment, decrease significantly, this could lead to a significant decline in fair value. In addition to credit risk, other observable and unobservable parameters relating to the risk-adjusted discount rate are incorporated into the valuation model for the valuation of financial instruments classified in level 3. The risk-free yield curve is the main observable parameter used in the valuation. The unobservable parameters primarily include liquidity spreads, tenor basis spreads, cross currency basis spreads, the cost of equity (profit margin and compensation for unexpected losses) and administrative costs. The ranges of variation in the unobservable parameters, excluding credit risk, are immaterial.

Of the intra-year gains and losses on level 3 assets amounting to KEUR 10,908 (PY: KEUR 7,685), KEUR 9,558 (PY: KEUR 10,886) relates to interest income, commission income and gains on disposal. The remaining KEUR 1,359 (PY: KEUR -3,201) relates to changes in valuation, which are recognised in the profit or loss from financial instruments measured at FVTPL. The following table shows the reconciliation of level 3 assets from 31 March 2025 to 31 March 2026:

KEUR	Loans and credits
As at 31 March 2025	**228,782**
Changes in the portfolio:	(215,328)
Issue	13,453
Sale	(40,305)
Reclassification (see notes II.4).	(188,477)
Change in valuation	1,249
As at 31 March 2026	**14,702**

Fair value of financial instruments – Assets and liabilities measured 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 to which the fair value measurement is assigned:

As at 31 March 2026 KEUR	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and balances at central banks	**238,280**	**238,280**	**–**	**238,280**	**–**
Receivables to banks	**19,810,147**	**19,812,131**	**–**	**14,677,110**	**5,135,021**
Receivables to customers	**15,998,380**	**16,099,158**	**–**	**240,106**	**15,859,051**
Investment and Liquidity Securities	**182,117**	**182,125**	**–**	**182,125**	**–**
Financial liabilities					
Liabilities to banks	**11,892,191**	**13,406,613**	**–**	**12,913**	**13,393,701**
Liabilities to customers	**17,723,692**	**17,724,407**	**–**	**303,000**	**17,421,407**
Securitised liabilities	**744,037**	**744,037**	**–**	**744,037**	**–**

As at 31 March 2025 KEUR	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Financial assets					
Cash and balances at central banks	113,781	113,781	–	113,781	-
Receivables to banks	10,594,661	10,595,283	–	6,403,946	4,191,337
Receivables to customers	13,220,896	13,269,143	–	159,963	13,109,180
Investment and Liquidity Securities	105,147	105,149	–	105,149	–
Financial liabilities					
Liabilities to banks	7,063,751	7,080,470	–	53,879	7,026,591
Liabilities to customers	11,165,448	11,165,692	–	100,536	11,065,157
Securitised liabilities	393,345	468,553	–	468,553	–

There were no positions that were classified as designated at fair value through profit or loss at inception.

The following describes the methods and assumptions used to determine the fair value of those financial instruments that are not already recognised at fair value in the financial statements.

Assets for which fair value approximates their 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 their fair value. This assumption also applies to demand deposits, savings accounts with no specified maturity and variable-rate financial instruments.

Fixed-rate financial instruments

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

VII. Other Information

1. Average Number of Employees – Branches

Number	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Annual average	**678**	557
Düsseldorf	**134**	126
Back office	**97**	91
Front office	**37**	35
Frankfurt	**295**	234
Back office	**196**	128
Front office	**99**	106
Milan	**18**	16
Back office	**8**	7
Front office	**10**	9
Amsterdam	**18**	17
Back office	**3**	3
Front office	**15**	14
Prague	**12**	12
Back office	**2**	2
Front office	**10**	10
Madrid	**10**	8
Back office	**2**	2
Front office	**8**	6
Dublin	**14**	14
Back office	**4**	3
Front office	**10**	11
Paris	**86**	42
Back office	**23**	6
Front office	**63**	36
Luxembourg	**93**	88
Back office	**65**	60
Front office	**28**	28

2. Auditor's Fees

KEUR	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Auditor's fees	**3,030**	2,911
Audit services	**2,892**	2,576
Other assurance services	**138**	231
Other services	**–**	103

The item 'Audit services' for the current financial year includes an amount of KEUR 217 relating to the previous year.

The item 'Other assurance services' for the current year includes an amount of KEUR 10 relating to the previous year.

3. Governing Bodies

Members of the Executive and the Supervisory Board

Executive Board
Stanislas Roger Member of the Executive Board – CEO and, from 1 April 2026, Chair
Dean Uemura Member of the Executive Board – CRO and Deputy CEO
Dr Niklas Dieterich Member of the Executive Board – CFO and Deputy CEO (COO until 31 March 2026)
Naoki Okubo Member of the Executive Board and Chair of the Executive Board until 31 March 2026
Isabelle Saadjian Member of the Executive Board until 31 December 2025
Mitsunori Hamada Member of the Executive Board since 1 April 2026

Supervisory Board
Hideo Kawafune Chair
Antony Yates Deputy Chair of the Risk and Remuneration Control Committee
Glenn Swanton Chair of the Risk Committee, Deputy Chair of the Nomination Committee
Bungo Miura Member of the Supervisory Board, Deputy Chair of the Audit Committee
Karin Elisabeth Katerbau Member of the Supervisory Board, Chair of the Audit Committee

4. Remuneration of the Executive and Supervisory Board

KEUR	01.04.2025 – 31.03.2026	01.04.2024 – 31.03.2025
Executive Board	**3,744**	3,976
Members of the Executive Board	**3,744**	3,934
Former members of the Executive Board or their surviving dependants	**–**	42

No details of the Supervisory Board's remuneration have been provided, in accordance with section 286(4) of the HGB in conjunction with section 315e(1) of the HGB and section 314(3) of the HGB, as only Karin Elisabeth Katerbau receives remuneration from SMBC EU.

5. Events after the Reporting Date

There are no material events after the reporting date.

Frankfurt am Main, 10 July 2026

SMBC Bank EU AG
Frankfurt am Main

The Executive Board

Stanislas Roger **Dean Uemura**

Dr Niklas Dieterich **Mitsunori Hamada**

Country-by-Country Reporting

In accordance with the requirements of the EU Directive 2013/36/EU Article 89 on country-by-country reporting, which has been incorporated into German law with section 26a (1) Sentence 2 of the German Banking Act (KWG), the SMBC EU Group is required to prepare country-by-country reporting.

In this country-by-country reporting, SMBC Bank EU Group discloses the information listed below in accordance with section 26a (1) nos. 1 to 6 of the KWG as at 31 March 2026:

- Name, type of business and geographical location of branches
- Revenue
- Number of employees in full-time equivalents
- Profit or loss before tax
- Taxes on profit or loss
- Public aid received

The report includes the information relating to the SMBC EU Group's branches included in the annual group financial statements. The figures included in the report have been calculated on an unconsolidated basis.

Revenues are the sum of net interest, commission income, trading income and other operating income. The number of employees is provided as at 31 March 2026. Taxes present the income taxes of the branch. The branches received no public aid in the financial year.

Name	Type of business	Registered office	Country
SMBC Bank EU AG	Financial institution	Frankfurt	Germany
SMBC Bank EU AG, Milan Branch	Financial institution	Milan	Italy
SMBC Bank EU AG, Prague Branch	Financial institution	Prague	Czech Republic
SMBC Bank EU AG, Amsterdam Branch	Financial institution	Amsterdam	Netherlands
SMBC Bank EU AG, Madrid Branch	Financial institution	Madrid	Spain
SMBC Bank EU AG, Dublin Branch	Financial institution	Dublin	Ireland
SMBC Bank EU AG, Paris Branch	Financial institution	Paris	France
SMBC Nikko Bank (Luxembourg) S.A., subsidiary in Luxembourg	Financial institution	Luxembourg	Luxembourg

Country	Revenues in KEUR	Profit or loss before tax in KEUR	Tax on profit or loss in KEUR	Public aid received in KEUR	Number of employees
Germany	430,091	142,698	(55,814)	–	453.23
Italy	71,230	69,766	(23,835)	–	18
Czech Republic	4,180	1,556	(166)	–	11
Netherlands	5,412	706	(60)	–	18
Spain	2,990	493	(119)	–	11.15
Ireland	5,345	702	(100)	–	15
France	33,776	(7,101)	253	–	171.30
Luxembourg	29,025	6,778	(973)	24	88.65