SMBC

SMBC Group

SMBC Nikko Capital Markets Limited

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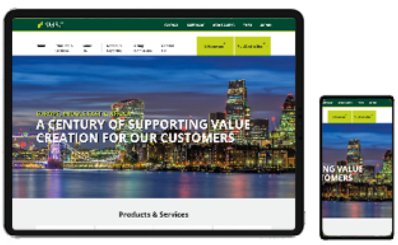
MIFIDPRU disclosure report
Year ended 31 March 2026

Contents



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Document disclaimer

– SMBC Nikko Capital Markets Limited ("the Company") is authorised and regulated by the Financial Conduct

– Authority ("FCA"). The disclosures set out in this document have been provided in accordance with the disclosure requirements set out in Chapter 8 of the FCA's MIFIDPRU Prudential Sourcebook for MiFID Investment Firms ("MIFIDPRU 8")under the UK Investment Firms Prudential Regime ("IFPR"). The IFPR is a single prudential regime for all solo regulated investment firms in the UK ("FCA investment firms") authorised under the UK Markets in Financial Instruments Directive ("MiFID"), which came into effect on 1 January 2022.

– The purpose of the disclosure, as contained within this document, is to provide sufficient information to enable market participants to assess the risks within the Company.

– This document does not constitute any form of financial statement on behalf of the Company.

– This document reflects, where appropriate, information which is contained within the Consolidated Annual Report & Financial Statements of the Company.

– The information contained herein has been subject to internal review but has not been audited by the Company's external auditors.

– Although the disclosures are designed to provide transparent capital disclosure by investment firms on a common basis, the information contained in this particular document may not be directly comparable with that made available by other firms. This may be due to a number of factors such as:

- The mix of approaches allowed under IFPR;
- The mix of exposure types;
- The different risk appetites and risk profiles of firms; and/or
- The different waivers and modifications granted by the FCA.

1. Overview

1.1 Background and scope

Effective 1 January 2022, IFPR is the regulatory framework for the UK market governing the management of risks and capital requirements for investment firms that are authorised and regulated under the MiFID. The prudential regime for FCA investment firms is more aligned to the way that investment firms run their business. This should reduce barriers to entry and allow for increased competitiveness between investment firms in the UK.

The disclosures herein have been prepared in accordance with the disclosure requirements of MIFIDPRU 8. These requirements are designed to promote market discipline by providing market participants with key information on the Company's risk management objectives, governance arrangements, own funds, and own funds requirements. Improved public disclosures of such information leads to increased transparency and should lead directly to more effective market discipline.

1.2 Basis of disclosure

The IFPR disclosure requirements apply to the Company on an individual entity basis. Unless otherwise stated all figures in this document are denominated in millions of US Dollars and are as of 31 March 2026.

1.3 Frequency of disclosure

After due consideration of the size and complexity of the operations, the Company has determined that this disclosure document will be formally updated on an annual basis, to reflect the situation as at the end of each financial year. However, the Company may decide to publish some or all disclosures more frequently than annually if there are future changes in the business that are deemed to be material by the Company's Board of Directors.

1.4 Location and verification

This Disclosure Document has been reviewed and approved by the Company's Board of Directors but has not been subject to external audit. However, where data is equivalent to that included in the Annual Report and Financial Statements, such data has been subject to external audit during the formal review and verification process of the financial statements.

This report is published on the SMBC Group's corporate website for the EMEA region (EMEA – Corporate Disclosures (https://www.smbcgroup.com/emea/about/Notices-and-reporting).

2. Risk management objectives and policies (MIFIDPRU 8.2)

2.1 Overview

As outlined in the Company's Enterprise-Wide Risk Management Framework, the risk framework is designed to ensure effective risk governance and management is in place across all business activities. The Company's Risk Management resource is responsible for implementing a risk management framework that satisfies all applicable laws, regulations, and best practice.

The Risk Management Department (RMD) is independent from the business areas that generate risk and operates within the overall governance framework of the Company which allows the exercise of professional judgement in an effective and impartial manner.

Per the requirements of MIFIDPRU7.2A, Risk Management Department (RMD) is led by the Chief Risk Officer ("CRO") and is independent of operational and business functions, and has sufficient authority, stature, and resources to enact its responsibilities.

The key objectives of the Risk function are therefore:

- To coordinate the implementation of a Board approved Risk Management Framework which ensures effective identification, assessment, measurement, management and reporting of existing key risks and emerging risks,
- To ensure an appropriate Risk Appetite Framework in place which is observed and maintained in the pursuance of the strategic objectives,
- To ensure maintenance of sufficient quality and quantity of capital resources consistent with the level and nature of risks being taken,
- To ensure that prudent levels of liquidity are in place to fund the UK entities even under stressed conditions,
- To assess aggregate risk against risk appetite based on individual assessments provided by subject matter experts in different departments to RMD. This will for instance include Compliance Department ("CPD") undertaking and providing assessments for financial crime and conduct risk or IT Security Department undertaking and providing assessments for IT and Cyber risk.
- To maintain an adequate and effective control environment,
- To ensure adherence to the letter and spirit of laws and regulations governing its business.
- To review and alert the Board regarding aggregate risks across the organisation, and to review and challenge the end-to-end control framework,
- To keep the Board and management informed of the latest development pertaining to Risk Management matters in international standards and practices on Risk Management (in general and specific to financial institutions),
- To provide technical advice and support to the Board and management in improving and advancing the Risk Management system as the legal and regulatory environment, standards and/or the business focus changes; and
- To ensure coverage of both the base case and downside risks that may have implications on the entity's ability to meet its objectives. This encompasses all risks, e.g., on- and off-balance sheet and at a group-wide, portfolio and business-line level. This includes the risks defined under Basel Accord, e.g., credit risk, market risk, liquidity, operational risk and through working with other company departments, compliance, reputational risk, legal risk and cyber risk.

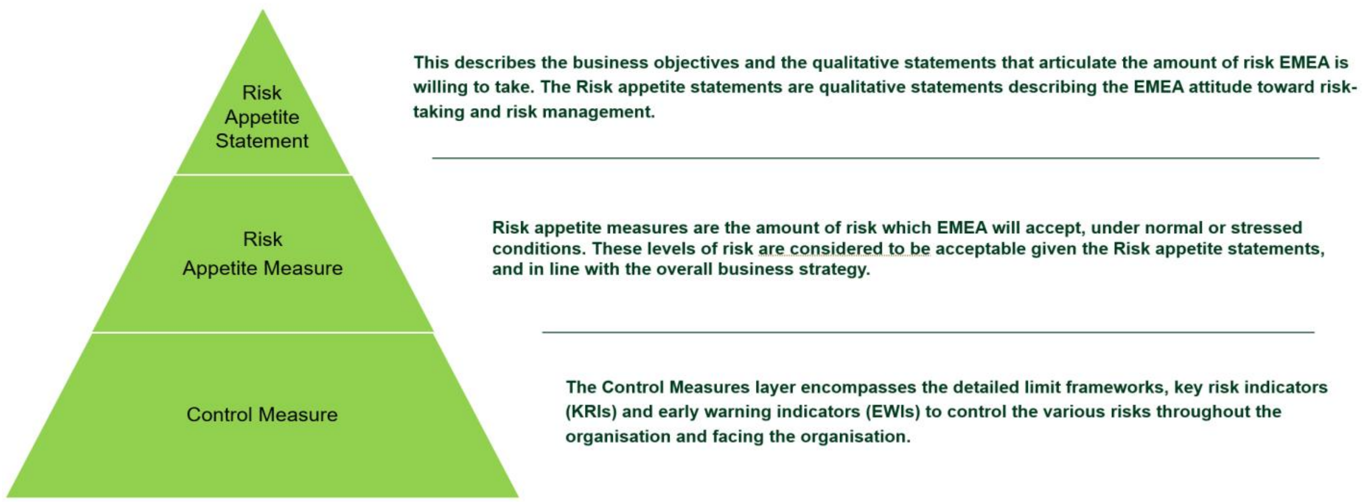
The Company's Risk Management Framework sets out the governance arrangements, roles and responsibilities, appetites, and limits, reporting and policies that are in place across the Company to manage its risks. The following sections provide summaries of the main aspects of this framework (governance arrangements are outlined in detail in section 2). Collectively, these processes meet the requirements of MIFIDPRU 8.2.1 and 8.2.2.

2.2 Risk Appetite Framework

2.2.1 Overview

The purpose of the Company's Risk Appetite Framework ("RAF") is to define and monitor the level of risk (the type and quantum) that the Company is able and willing to undertake in pursuit of its objectives. The RAF ensures formal identification and consensus about the strategic-level risks which the Company faces, and is a key tool for the business, based on the risks that have been identified and assessed. In addition, the RAF provides the structure to enable the monitoring of the Company's risk profile against the limits and metrics agreed through the risk appetite setting.

The Board considers and sets out the Company's Risk Appetite in the context of the Company's strategic objectives and is responsible for ensuring that the RAF is embedded into both the risk management and capital planning processes of the Company at all relevant levels. The Company's RAF is structured as per the below diagram.



The Company's executive management are responsible for fully understanding the Risk Appetite which has been set and conducting the day-to-day business in line with the Risk Appetite. The RAF is re-evaluated at least annually as part of the strategic planning process. The strategic planning process is supported by other key aspects of the Risk Management Framework (namely the Internal Capital Adequacy and Risk Assessment ("ICARA")) to ensure consistency between strategic and risk management objectives, and therefore, the Risk Appetite Framework review has been aligned to the ICARA review schedule.

2.2.2 Risk Appetite Statements

The Company's business model is to engage primarily in derivatives activity, on behalf of investors and clients of the Sumitomo Mitsui Banking Corporation ("SMBC"), its subsidiaries and affiliates (together the "SMBC Group") (predominantly in Japan and Europe).

The RAF is organised under 10 risk categories. The Risk Appetite Measures and Control Measures are linked to strategic outcomes under these corresponding Risk Categories. To define the Risk appetite statements, we identified certain critical categories where the organisational strategy is most inextricably impacted by risk. The EMEA RAF categories are as follows and aligned with Group RAF categories:

- Soundness
- Profitability
- Liquidity
- Credit
- Market
- Climate Related
- Reputational
- Model
- Operational
- Conduct / Compliance

The Risk Appetite Statements provide a clear articulation of the high-level risk-taking approach of the Company in developing its business. Risk appetite statements are developed for all of these categories to ensure comprehensive coverage of all key aspects of the Company's activities. These are approved by Company's Board at least annually.

The Risk Appetite Statements define appetite levels for quantitative metrics which are monitored on a regular basis to assess performance against the Company's Risk Strategy. The Risk Appetite Statements are aligned to the Risk Strategy and are intended to act as a 'hard stop' and constrain risk-taking within the desired levels. Management and Board set and approve qualitative thresholds based on a number of factors, including regulatory requirements, observed behaviour (historical experience) and stressed forecasts. Thresholds are reviewed annually. The Risk Appetite Statements are split into two categories:

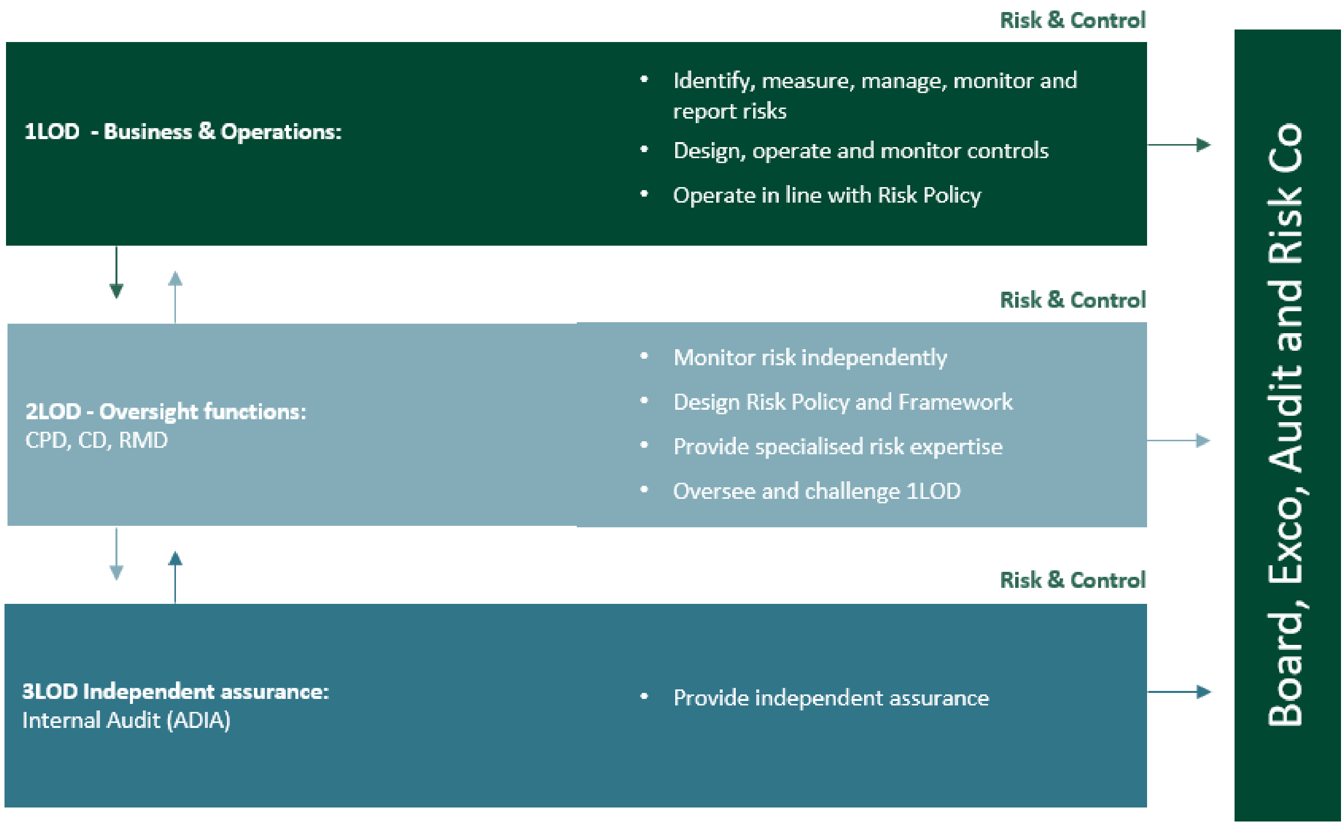
- Level 1 statements are strategic and are intended to act as a 'hard stop' in respect of the generation of incremental risk. Any new or amended Level 1 statements are Board approved.
- Level 2 statements, whilst set and reviewed initially by the Board, have some flexibility in their establishment and therefore are delegated to senior management (Chief Executive Officer ("CEO"), or CRO and notification to the next Risk Management Steering Committee ("RMSC") and Board), where a change is required and appropriate.

On a monthly basis, the Company compiles a Risk Appetite Dashboard ("RAD"), which comprises the Risk Appetite Statements described above, along with their respective agreed thresholds and corresponding monthly results.
The RAD forms a key element in the report by RMD to both the RMSC and to the Executive Committee ("ExCo") on a monthly basis (along with the relevant integrated risk committees). The RAD is also a key part of the reporting suite to the Board/Board Audit & Risk Committee ("ARC") on a quarterly basis. RMD coordinates with the various stakeholders across the business to populate the RAD metrics each month.

The risk appetite metrics are monitored on an ongoing basis by the first and second lines of defence (detailed below), and any breach (or potential to breach) is required to be escalated to senior management (and if necessary, the Board) in a timely manner. In such situations it is expected that an explanation of the circumstances of the breach be provided, along with remediation plans if appropriate (if not, the reasons for this should also be clearly articulated).

2.3 Three Lines of Defence

The Company adopts a Three Lines of Defence ("3 LOD") approach to risk management to ensure adequate oversight. There are many types of risk throughout the Company, and every employee is involved in risk management. It is therefore essential to provide clarity of responsibility over the different elements of risk management. The 3 LOD approach separates the ownership/management of risk from the functions that oversee risk and the function that provides independent assurance, as illustrated below:



2.4 Risk monitoring and reporting

Risk Management of the Company is realised through effective Risk monitoring and reporting. The key principles for effective risk reporting and escalation are as follows:

- Ensuring that senior management is provided with the necessary information regarding the Company's principal risks so that an informed view of the Company's risk profile can be made;
- Ensuring that RMD have properly reported all material risks and delivered a complete view of the whole range of risks facing the Company;
- The principal risks facing the Company must be reported at monthly RMSC meetings. The Risk Committees have responsibility for the principal risk categories and related risk management matters;
- Delivery of a Risk Report that incorporates the key themes/messages from the Risk Committees to the Executive Committee on a monthly basis by RMD;
- An annual (or more frequent) review of the format of the risk reports to ensure these continue to appropriately meet senior management information requirements;
- RMD should provide BAU reporting on a daily basis to the desks and senior management under the formal limit structures. As required ad hoc analysis around specific events is also provided.

2.5 Risk identification and assessment

2.5.1 Overview

Risk identification and assessment is a key process where the Board and the executive members specify the risks the Company is faced by and share the understanding of them among all the relevant management members of the Company to ensure the effective implementation of risk management across all the businesses that the Company conducts. The risk identification and assessment is based on the following principles, objectives and actual processes.

2.5.2 Key principles and objectives

The key principles for effective risk identification and assessment are:

- To identify the major risks that could impact long term sustainability,
- To assess the likelihood and impact of the risks materialising, and
- To assess the robustness of the controls that mitigate the risks

The main objectives of risk identification and assessment are:

- To help the Board with understanding the nature and size of the risks that the Company faces;
- Determining adequate capital and liquidity requirements on a forward-looking horizon through ICARA processes;
- To ensure effective controls are implemented and maintained; and
- To help the executive management with day-to-day decision making in the Company's business, so such decisions will be in line with the strategic objectives and the risk appetite of the Company.

2.5.3 Required processes

The Company has a number of processes to ensure its risks are correctly identified and properly assessed, which include, but are not limited to:

- An ongoing risk identification process captured in the Company's Risk Identification and Harms assessment that is formally reviewed during the ICARA process. The Risk identification process is reviewed by Heads of the business desks pre-submission to the RMSC and ARC.
- An emerging risk identification process where contemporary and developing risks are identified and their potential impact evaluated. Mitigating actions are considered and then presented to the CRO and BRCC for challenge, review and approval.

A detailed explanation and assessment of the Company's risks must be given to the Board, ARC and the Executive management members. At a minimum the following must be produced and presented to the Board, the ARC and/or RMSC:

2.5.4 Risk Identification

The Risk Identification process documents the key risks and harms faced by the Company which could impact on the primary strategic objectives. It ensures that appropriate controls are in place for those risks that are either most likely to materialise and/or have the greatest impact. This information is then used to identify which areas should be assessed for additional capital.

2.5.5 Harms assessment

The Company, as an IFPR firm, must conduct a harms assessment as part of the ICARA process. The harms assessment considers how the Company's business model could negatively impact or "harm" the Company itself, its clients and the wider financial market. The purpose of the exercise is the identify those harms, articulate what controls are in place to mitigate the harm and assess what additional controls (if any) are necessary.

2.5.6 Top and Emerging risks

The top and emerging risk profile comprises risks identified and assessed by senior management as being particularly relevant to the Company at any particular time. The risk may be a new risk or a specific example of an identified risk. These inform senior management of the most important risks facing the Company and allows for mitigating actions or changes to the risk appetite to occur.

The quarterly process is a proactive part of the risk identification process which promotes debate and challenge and helps prioritise mitigation measures. Additional measures/actions may be required by either RMSC or the Board depending on the identified risk and existing controls.

3. Governance arrangements (MIFIDPRU 8.3)

3.1 Corporate structure

SMBC Nikko Capital Markets Limited, company number 02418137 incorporated in the United Kingdom and registered in England and Wales, is an investment firm authorised and regulated by the FCA. The Company's majority shareholder and controlling entity is SMBC.

The Company and its minority parent, SMBC Nikko Securities Inc ("Nikko Tokyo"), are wholly owned subsidiaries within the SMBC Group. In line with the SMBC Group's goal of simplifying its global derivatives offering, on 01 November 2025, the Company sold its wholly owned subsidiary, SMBC Capital Markets (Asia) Limited, to Nikko Tokyo.

As at the reporting date, the Company has one wholly owned subsidiary, SMBC Derivative Products Limited, company number 02988637 incorporated in the United Kingdom and authorised and regulated by the FCA.

3.2 Business model and strategy

The Company's business model is based on the marketing and trading of over-the-counter derivative contracts, primarily to provide hedging solutions. Its core activity comprises the provision of interest rate, foreign exchange and related risk management services to SMBC Group banking clients.

3.3 Diversity

The Board has in place a Diversity Policy which states that a target of at least 25% of the Board will be made up of women, while also ensuring an appropriate mix of skills, experiences and competencies on the Board. The Board also commits to taking positive action to source applications from under-represented groups. At the end of the year, female representation on the Board was 17% of the Directors. The Board will be mindful of its Diversity Policy target when considering candidates as future board-level vacancies arise. All candidates considered for appointment to Board positions will be evaluated for their competence in relation to diversity, equality and inclusion. In addition, the Nominations Committee considers the level of diversity on senior management succession plans as part of its annual review.

Following the transfer of its securities business and all employees to SMBC Bank International plc ("SMBC BI"), the Company is now reliant on the wider SMBC Group in EMEA's diversity and inclusion initiatives. Further information on these can be found below and in the Annual Report and Accounts of SMBC BI.

SMBC BI 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 Board of SMBC BI recognises the importance of the Company attracting, developing and retaining diverse talent. At an executive level, the diversity and inclusion initiatives are coordinated and overseen by the SMBC Group EMEA Diversity and Inclusion Steering Committee, which includes representation from the Company.

The Company is a proud signatory of the Women in Finance Charter, and the President and CEO of the Company is the accountable executive for the achievement of the Women in Finance Charter targets of SMBC BI.

The SMBC Group in EMEA has adopted the following policies for senior appointments:

- sharing our goals to increase diverse representation with our executive search firms, including our Women in Finance Charter targets and actions being taken by SMBC Group in EMEA to support achieving these goals;

- liaising with search firm to produce a brief that includes emphasis on diversity of skills and background, in addition to career experience and compatibility with values and behaviours;
- encouraging search firms to produce long lists which include female and other diverse candidates.

3.4 Business environment

The Company operates in a highly regulated business environment with significant requirements in respect of reporting, capital and liquidity management, product design, conduct, customer service and other business aspects from multiple regulators in the countries the Company operates. These regulations constantly change and evolve in response to new business practices, economic and political developments and become increasingly stringent in order to promote good practice and stability in global financial markets.

The Company operates in an environment of significant uncertainty with respect to the continuing challenges. The annual report and accounts provide further details for this section and, can be found on the SMBC Group's corporate website for the EMEA region (https://www.smbcgroup.com/emea/about/Notices-and-reporting).

3.5 Governance Structure

The Company recognises that well-defined and transparent risk governance arrangements are imperative to ensure effective overall management and oversight of risk management.

The Company's risk management governance arrangements are comprised of:

1. A Committee structure to oversee and manage the risks of the Company,
2. An organisational structure that utilises a 3LOD model for the management of risks with clearly established responsibilities for the various Lines of Defence, and
3. A policy framework that defines the mandatory minimum requirements for the management of risks across the Company.

3.6 Risk Management Committee Structure

The Company's committee structure is detailed below:

3.6.1 Audit and Risk Committee

The ARC has a wide-ranging remit across financial reporting, audit, risk management and compliance. Its responsibilities included monitoring the integrity of the financial statements and advising the Board on whether the Annual Report and Financial Statements are fair, balanced and understandable; overseeing the external auditor, including their performance, independence and objectivity; and monitoring the effectiveness of internal financial controls. The Committee safeguarded the independence of Internal Audit, reviewed the results of audit activity, and oversaw the Co-General Managers of the Audit Department. It also maintained oversight of the Company's whistleblowing arrangements, tax matters, and dividend payments.

In relation to risk, the ARC reviewed the Company's risk appetite, tolerance and risk profile, challenged the ICARA process, and oversaw key regulatory documentation, including the Recovery and Resolution Plan, Solvent Wind Down Plan and associated stress testing. The Committee also assured itself that the Model Risk Management Framework met regulatory expectations, monitored the adequacy of internal controls and risk management systems, and considered sustainability developments relevant to the Company. Its work further included oversight of compliance risk, fraud detection procedures, and systems and controls for bribery prevention.

The ARC consists entirely of Non Executive Directors ("NEDs") and is chaired by an independent non-executive director.

3.6.2 Nominations Committee

The Nominations Committee is responsible for identifying, assessing and recommending candidates for appointment to the Board, Senior Manager Function roles and selected senior executive management positions. It also oversees matters relating to Board and Committee composition, performance, diversity and skills, and reviews succession plans for both the Board and senior management.

The Nominations Committee consists entirely of NEDs and is chaired by an independent non-executive director.

3.6.3 Remuneration Committee

The Remuneration Committee is responsible for overseeing the development and implementation of the Company's remuneration policies and practices, which includes specific responsibility for recommending the Remuneration Policy to the Board for approval. The Committee also considers other significant remuneration and human resource matters, such as approval of remuneration for Material Risk Takers, the bonus fund calculation and approval of regulatory returns and public remuneration disclosures.

The Remuneration Committee consists entirely of NEDs and is chaired by an independent non-executive director.

3.6.4 Executive Committee

The Board has delegated day-to-day management of the Company to the CEO, who is further supported by the Executive Committee. The Committee meets on a monthly basis and is responsible for the supervision and management of the Company's Business. The Committee reports, via the CEO, to the Board and the NEDs receive a copy of the papers and minutes of all Committee meetings.

The members of the Committee are the Senior Management team, and it is chaired by the CEO.

3.6.5 Directorships

The below table shows the Company's directors as at 31 March 2026 and the number of other executive and non-executive directorships they each held at that date:

Director	Directorships held
James Garvey	1
Maria Francisca Turner	0
Bungo Miura	0
Hideo Kawafune	1
Antony Yates	0
Mehul Desai	0

Executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives and executive and non-executive directorships held within the SMBC Group are not in scope for the number of directorships to be included.

There were no changes to the Board during the year. At the close of business on 31 March 2026 - Mr Hideo Kawafune stepped down from the Board and on the 1 April 2026, Mr Hiroshi Ibaraki was appointed as a Director.

The annual report and accounts set out further information which complements the information that can be found in this MIFIDPRU disclosures document. It can be found on the SMBC Group's corporate website for the EMEA region (EMEA – Corporate Disclosures (https://www.smbcgroup.com/emea/about/Notices-and-reporting)).

4. Key metrics

The key metrics dashboard below provides a summary of the capital adequacy positions of the Company under the IFPR rules.

	31 March 2026 US$m	31 March 2025 US$m
Common equity tier 1 (CET1) capital		
Called up share capital	779.0	779.0
Share premium	165.0	165.0
Retained earnings	575.0	522.7
Other reserves	1.9	3.9
	1,520.9	1,470.6
CET1 regulatory adjustments		
Intangible assets	(3.8)	(5.2)
Cash flow hedges	–	–
Other	(33.9)	(28.9)
	(37.7)	(34.1)
Total CET1 capital	1,483.2	1,436.5
Additional tier 1 (AT1) capital		
Perpetual non-cumulative preference shares	360.0	360.0
	360.0	360.0
Total Own Funds (A)	1,843.2	1,796.5
K-factors requirements (B)	129.6	136.4
Own Funds Ratio (note below)	1,421.8%	1,317.4%

Note: Own Funds Ratio is defined as Own Funds v K-factor Requirement (A/B expressed as a %).

5. Own funds (MIFIDPRU 8.4)

The following tables presents the Company's Own Funds held which is made up of common equity tier 1 capital and additional tier 1 capital.

Under MIFIDPRU8.4, the Company is required to disclose:

1. A composition of the regulatory own funds and the applicable regulatory deductions and applicable filters – see Table 1 below;
2. A reconciliation of 1 (above) with the capital in the balance sheet in the audited financial statements of the Company – see Table 2 below;
3. A description of the main features of own funds instruments issued by the Company – see Table 3 below.

Table 1: Composition of regulatory own funds

	Item	31 March 2026 US$m	31 March 2025 US$m	Cross reference to Table 2
1	Own Funds	1,843.2	1,796.5	
2	Tier 1 Capital	1,843.2	1,796.5	
3	Common Equity Tier 1 Capital	1,483.2	1,436.5	
4	Fully paid-up capital instruments	779.0	779.0	a
5	Share premium	165.0	165.0	b
6	Retained earnings	575.0	522.7	c
7	Accumulated other comprehensive income	1.9	3.9	d
9	Adjustment to CET1 due to prudential filters	(32.6)	(28.4)	
11	(-) Total Deductions From Common Equity Tier 1	(37.7)	(34.1)	e (note below)
20	Additional Tier 1 Capital	360.0	360.0	
21	Fully paid up, directly issued capital instruments	360.0	360.0	a

Note: 'e' includes deduction of intangible assets and deferred tax assets for a sum of $5.1million (see table 2). The remaining deduction includes changes in the value of own liabilities as well as additional value adjustments (AVA).

5.1 Common Equity Tier 1 ("CET1") Capital

The Company's CET1 capital is made up of $779 million of fully paid-up ordinary share capital, $165 million share premium, audited reserves, and other reserves.

Ordinary shares carry voting rights and are owned by Sumitomo Mitsui Banking Corporation (85%) and SMBC Nikko Securities, Inc. (15%). Further details of the features of ordinary shares are in Table 3 below.

5.2 Additional Tier 1 Capital ("AT1")

AT1 Capital consists of $360 million of perpetual, non-cumulative preference shares, fully paid-up and compliant with the eligibility criteria under MIFIDPRU 3.4.3 R. Further details of the features of AT1 are in Table 3 below.

5.3 Capital deductions

Our own funds are subject to the following deductions from CET1:

- Deduction of intangible assets
- Deduction of deferred tax assets
- Prudential filters, which include:
  - Reversal of the fair value reserves related to gains or losses on cash flow hedges on projected cash flows,
  - Reversal of the gain or losses on liabilities that result from changes in the own credit standing of the Company, and
  - Application of the additional value adjustments.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), and regulatory own funds are prepared under prudential rules. The financial statement under the regulatory scope of consolidation forms the basis for the calculation of regulatory capital requirements. There is no difference in the regulatory and accounting scope of consolidation.

Table 2: Own funds reconciliation of regulatory own funds to balance sheet in the audited financial statements:

		a Balance sheet as in published financial statements	b Under regulatory scope of consolidation	c Cross reference to Table 1
		31 March 2026 US$m		
Assets - Breakdown by asset class according to the balance sheet in the published financial statements				
1	Cash at banks	304.6		
2	Trading securities	716.3		
3	Derivative assets	8,123.5		
4	Other trading assets, at fair value	32.0		
5	Securities purchased under agreements to resell	1,456.6		
6	Collateral placed	1,429.1		
7	Other debtors	50.3		
8	Investment in subsidiary undertaking	200.0		
9	Intangible assets	3.8		e
10	Property, plant, and equipment	–		
11	Deferred tax asset	1.3		e
	Total assets	12,317.5		
Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements				
1	Trading securities sold, not yet purchased	–		
2	Derivative liabilities	7,958.0		
3	Other trading liabilities, at fair value	114.8		
4	Securities sold under agreements to repurchase	361.7		
5	Collateral received	1,940.7		
6	Other creditors	61.4		
7	Pension scheme liability	–		
	Total liabilities	10,436.6		
Shareholders' Equity				
1	Called up share capital	1,139.0		a
2	Share premium	165.0		b
3	Retained earnings and Current Year P&L	575.0		c
4	Other reserves	1.9		d
	Total shareholders' equity	1,880.9		

Table 3: Main features of own funds issued by the Company

Capital Instruments' main features template

		Common Equity		Additional Tier 1		
1	Issuer	SMBC Nikko Capital Markets Limited				
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	N/A				
3	Governing law (s) pf the instrument	English				
	Regulatory treatment					
4	Transitional CRR rules	Common Equity Tier 1		Tier 1		
5	Post-transitional CRR rules	Common Equity Tier 1		Tier 1		
6	Eligible at solo/ (sub)-consolidated/ solo & (sub)-consolidated	Solo & consolidated				
7	Instrument type (types to be specified by each jurisdiction)	Common shares		Other Tier1 instruments		
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	USD 661 million	USD 118 million	USD 200 million	USD 50 million	USD 110 million
9	Nominal amount of instrument	USD 661 million	USD 118 million	USD 200 million	USD 50 million	USD 110 million
9a	Issue price	USD 1 per security				
9b	Redemption price	N/A				
10	Accounting classification	Shareholders' equity				
11	Original date of issuance	13/03/1990	29/07/2015	28/12/2007	07/10/2010	29/07/2015
12	Perpetual or dated	Perpetual				
13	Original maturity date	N/A				
14	Issuer call subject to prior supervisory approval	No	No	Yes		
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	Any time after the 5th anniversary of issue date and Any time if a Tax Event or Capital Disqualification Event occurs at a price equal to liquidation preference	Any time after the 5th anniversary of issue date and Any time if a Tax Event or Capital Disqualification Event occurs at a price equal to liquidation preference	Any time after the 5th anniversary of issue date and Any time if a Tax Event or Capital Disqualification Event occurs at a price equal to liquidation preference
16	Subsequent call dates, if applicable	N/A	N/A	As above		
	Coupons/ dividends					
17	Fixed or floating dividend/ coupon	Floating	Floating	Fixed	Fixed	Fixed
18	Coupon rate and any related index	N/A	N/A	5.50%	5.50%	5.50%
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary, or mandatory (in terms of timing)	Fully discretionary				

		Common Equity		Additional Tier 1		
20b	Fully discretionary, partially discretionary, or mandatory (in terms of amount)	Fully discretionary				
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative				
23	Convertible or non-convertible	Non-convertible		Convertible		
24	If convertible, conversion trigger(s)	N/A	N/A	If Common Equity Tier 1 Capital Ratio falls below 64%		
25	If convertible, fully or partially	N/A	N/A	Fully		
26	If convertible, conversion rate	N/A	N/A	Ordinary shares		
27	If convertible, mandatory, or optional conversion	N/A	N/A	Mandatory		
28	If convertible, specify instrument type convertible into	N/A	N/A	Common Equity Tier 1		
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	SMBC Nikko Capital Markets Limited		
30	Write-down features	No	No	No	No	No
31	If write-down, write-down trigger(s)	No	No	N/A	N/A	N/A
32	If write-down, full, or partial	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent, or temporary	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Preference shares		Subordinated liabilities		
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

6. Own funds requirements (MIFIDPRU 8.5)

6.1 Components of the assessment

The Company's own funds requirements are determined as the highest of the following three requirements under MIFIDPRU 4.3.2 R:

1. Permanent Minimum Capital Requirement ("PMR") – £750,000 (MIFIDPRU 4.4.2R).
2. Fixed Overheads Requirement ("FOR") – $13.5 million, one quarter of the Company's annual fixed overheads (MIFIDPRU 4.5.1.R).
3. K-factor requirements – Total K-factor requirements are $129.6 million, a breakdown of which is provided in Table 4 below.

The Company's Own Funds Requirements are therefore determined by the K-factor requirements, i.e., $129.6 million, which is the highest of these three.

6.2 K-Factor requirements breakdown

The 'K-factor' approach is a new approach introduced by the IFPR to determine the minimum own funds requirements of an investment firm that is not an SNI. The aim of the K-factors is to provide a tailored and more appropriate method for setting a risk-based minimum own funds requirement for all types of investment firm compared to the Capital Requirements Regulation ("CRR").

The K-factors relevant to the Company's business model include the following:

- K-factor requirement calculated on the basis of the Daily Trading Flow ("K-DTF") – designed to capture the operational risks relating to the value of trading activity a firm conducts throughout each business day. First component is 'cash trades' which includes both outright security purchase/sales and securities financing transactions ("SFTs"). Second component are derivative trades. DTF is measured as a rolling average over the previous 9 months but excluding the 3 most recent months.
- K-factor requirement calculated on the basis of the Net Position Risk ("K-NPR") – this approach carries forward the market risk requirements under the UK CRR.
- K-factor requirement calculated on the basis of the Trading Counterparty Default risk ("K-TCD") – captures the risk of the Company's exposure to the default of its trading counterparties. This includes derivative, long settlement transactions, SFTs and securities lending/borrowing designated as trading book.

Table 4: Breakdown of K-factor requirements

K-factor requirement: (Sum of)	31 March 2026 US$m	31 March 2025 US$m
K-DTF	0.9	5.3
K-NPR + K-TCD	128.7	131.1
Total K factor assessment	129.6	136.4

6.3 Overall financial adequacy

The Company utilises a number of approaches to ensure that it remains compliant with the overall financial adequacy rule under MIFIDPRU7.4.7R, both in terms of own funds and liquidity resources.

Foremost is the annual assessment of own funds and liquidity adequacy conducted during the ICARA process, which considers the Company's resource requirements under 'business as usual' and a variety of severe yet plausible stressed scenario contexts.

- In the case of own funds, these requirements are forecast over a three-year time horizon and test a number of the key sensitivities of the Company's business lines and balance sheet. The Company then ensures that its current level of financial resources is adequate to remain a going concern during this period under all scenarios considered.
- In the case of liquidity, these requirements are based on a cumulative net cash outflow, which represent a severe yet plausible liquidity crisis. The Company then ensures that its current level of liquid asset resources is adequate to remain a going concern during this period under all scenarios considered.

A Solvent Wind Down Plan ("SWDP") is additionally maintained to assess the resources and actions required in order to achieve an orderly wind down of the Company and its subsidiaries (and as a final step, the closure of its regulated business). The SWDP has been structured in accordance with key regulatory expectations and industry practices, such as the guidance set-out in the FCA handbook (MIFIDPRU 7.5).

The Company assesses its solvency against the higher of the wind down costs (fixed and calculated on a stressed basis) or a multiple of the underlying (IFPR) K-factor requirement (recognising the Company's ICARA harms assessment). This is monitored on an ongoing basis as part of the risk monitoring and reporting process outlined in section 2.

The above requirements represent the Company's 'threshold requirements' for solvency and liquidity as per the requirements of MIFIDPRU 7.6 and 7.7 respectively.

7. Remuneration policy and practices (MIFIDPRU 8.6)

CM Ltd is classified as a large non-SNI MIFIDPRU firm and is subject to the FCA's MIFIDPRU Remuneration Code.

CM Ltd has a Remuneration Committee (RemCo) comprising two independent Non-Executive Directors (one of whom is Chair) and two Group Non-Executive Directors.

The RemCo has had 4 meetings during the performance year.

CM Ltd has no employees, but has individuals employed by other SMBC group entities who are seconded to CM Ltd. While these seconded employees remain employed by other SMBC group entities and are subject to its remuneration policies and governance structures, the CM Ltd Remuneration Committee retains responsibility for the approval of the overall bonus fund allocated to these seconded individuals, and the compensation package of MRTs for CM Ltd.

SMBC Group applies a consistent set of principles across its entities and these are reflected in the principles used to determine the remuneration of those employees and members of staff of other SMBC Group entities who provide their services to CM Ltd.

The principles that guide and support remuneration policies and practices are intended to ensure that these are operated in line with business philosophy, aims and objectives, are in line with all relevant regulations, and promote effective risk management.

The principles support the operation of gender neutral policies with male and female employees being paid equal pay for equal work or work of equal value.

Incentives are intended to reflect:

- financial performance including capital requirements
- current and future financial and non-financial risk exposures with information provided by the risk function to ensure all relevant financial and non-financial risk exposures are taken into account
- adherence to applicable risk and control frameworks
- conduct behaviours

Core performance criteria include: Customer Focus, Diversity and Inclusion, Enterprise Leadership, Trust & Integrity, Risk, Judgement & Decision Making, Driving Results, Driving Change and Being Strategic and Visionary.

Remuneration components include:

- Fixed remuneration - salary, benefits and allowances
- Variable remuneration - annual incentive awards

Salary levels are assessed using the following factors and reviewed annually:

a. the market rate for the function;
b. the consistency of the market rate with internal peer groups;
c. the knowledge, experience and competencies of the individual;

Annual incentives are discretionary and performance based and are awarded based on group, firm and departmental results and individual performance

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Guarantees are used only in exceptional circumstances, only in the case of new hires and only in their first 12 months of service.

Severance payments can be made on termination of employment. Severance payments are not made where there is evidence of poor performance or poor conduct behaviours.

Variable remuneration awarded to MRTs of CM Ltd is subject to malus and clawback that can be applied in situations that include: a deliberate or malicious act, error, accident or negligence. Grounds for performance adjustment of variable pay can also reflect a responsible person's failure to act either to prevent a risk event or where timely action would have mitigated the effects of a risk event. Performance adjustment seeks to take account of matters that were not apparent at the time of the original variable award and may result in the loss of bonus.

7.1 Regulation

The Company is committed to the maintenance of robust remuneration arrangements that are in accordance with regulatory requirements including the Code.

Here are some of the ways in which the Company fulfils this commitment:

a. Scope and Application – a clear process and set of guidelines is established to identify employees whose professional activities could have a material impact on the firm's risk profile or of the assets that the firm manages, in accordance with the MIFIDPRU Remuneration Code. Such employees are designated as Material Risk Takers ("MRT") and are notified of the requirements of their status;
b. Governance – the Company is categorised as a large non-SNI firm. In line with FCA proportionality guidelines, it has constituted a Remuneration Committee to strengthen remuneration governance. The committee is primarily responsible for the approval of senior management compensation, review of MRT compensation, bonus pool funding for seconded employees and employee conduct outcomes. Human Resources will seek review of the Remuneration Policy Statement and this disclosure from external consultants from time to time as deemed appropriate and necessary to confirm compliant approach to remuneration and the required disclosure. Advice in connection with the preparation of this remuneration disclosure has been provided by PricewaterhouseCoopers LLP (PwC).
c. Capital – the aggregate total of variable remuneration in FY 2025 was considered in the context of the Company's overall capital resources;
d. Guarantees – the policy is that guarantees are used only in exceptional circumstances, only in the case of new hires and only in their first 12 months of service;
e. Risk–focused Remuneration Policies – the policies, procedures and practices promote sound risk management. This is an important part of the policy which links risk and remuneration through the governance process, the performance evaluation process, deferral structures and performance adjustment provisions;
f. The Company has a top-down bonus affordability test performed by the Risk Management department. This uses multiple risk and financial metrics to assess the affordability of bonus funding and the impact of paying bonus funding on the Company.
g. The Company also adjusts the bonus awards of seconded employees and MRTs if their behaviours are deemed to be incompatible with the organisation's values and culture.

7.2 Material Risk Takers

The Company has identified MRTs in accordance with SYSC19G from the FCA's MIFIDPRU Remuneration Code for the definition of Material Risk Takers for remuneration purposes. The Company has developed and applied internal guidelines against the defined criteria to identify those individuals that have a material impact upon the Company's risk profile.

Remuneration of SMBC Nikko Capital Markets Limited in performance year 2025

	Total amount of remuneration awarded to all staff in USD million	
1	Total remuneration	11.5
2	Total fixed remuneration	7.0
3	Total variable remuneration	4.5
	MRTs	
4	Total number of MRTs	21

	Remuneration of all staff	Senior Management	Other MRTs	Other staff
5	Total remuneration awarded	7.7	3.8	–
6	Total fixed remuneration awarded	4.8	2.2	–
7	Total variable remuneration awarded	2.8	1.6	–

	Special payments	Senior Management	Other MRTs	Other staff
8	# of MRTs receiving guaranteed variable remuneration	–	–	–
9	Total amount of guaranteed variable remuneration awarded	–	–	–
10	# of MRTs receiving severance payments	1	1	–
11	Total amount of severance payments awarded	0.3	0.4	–
12	The amount of highest severance payment awarded to an individual MRT	0.3	0.4	–

	Variable remuneration of MRTs	Senior Management	Other MRTs
13	Variable remuneration	2.8	1.6
14	– of which, awarded in cash upfront	1.2	0.8
15	– of which, awarded in cash deferred	0.5	0.3
16	– of which, awarded in non-cash upfront	0.6	0.2
17	– of which, awarded in non-cash deferred	0.5	0.3
18	Deferred remuneration awarded for previous performance periods	2.3	1.2
19	– of which, due to vest in the financial year	0.9	0.2
20	– of which, due to vest in subsequent years	1.4	0.9
21	Deferred remuneration due to vest in the financial year	0.9	0.2
22	– of which, is or will be paid out	0.9	0.2
23	– of which, was due to vest but have been withheld due to performance adjustments	–	–

Senior Management includes Board Directors and members of the CM Ltd Executive Committee. Other MRTs includes all other MRTs.

No guarantees were made in the relevant time period.

The figures above are in respect of the financial period ending 31 March 2026 - including 12 months of fixed pay to 31 March 2026, and the bonus awards paid in June 2026 for the performance year FY 2025.

The Executive Directors and Group Non-Executive Directors all receive remuneration for their respective roles and do not receive any further remuneration for their role in CM Ltd.

Independent Non-Executive Directors receive a fixed fee for their services, but do not receive any variable remuneration.

SMBC