SMBC

SMBC Group

SMBC Nikko Capital Markets Limited

Globally connected, rooted in Japan. Your most trusted partner.

Annual report and financial statements
Year ended 31 March 2026

Presentation of information

In this annual report, the terms 'SMBC Nikko', 'the Company', 'we' or 'us' refer to SMBC Nikko Capital Markets Limited. 'The Group' or 'SMBC Nikko Group' refer to SMBC Nikko Capital Markets Limited and its subsidiaries: SMBC Derivative Products Limited (SMBC DP), SMBC Capital Markets (Asia) Limited (CM Asia). The parent companies are Sumitomo Mitsui Banking Corporation (SMBC) and SMBC Nikko Securities Inc (Nikko Tokyo). 'SMBC Group' refers to the corporate group of companies of Sumitomo Mitsui Financial Group Inc, shown as 'SMFG' and of which the Company, SMBC and SMBC Tokyo are a part.

The term 'EMEA' refers to Europe, Middle East and Africa. SMBC Nikko's affiliate company SMBC Bank International plc is shown as 'SMBC BI', the affiliate company SMBC Bank EU AG is shown as 'SMBC EU', and the affiliate SMBC Capital Markets, Inc. is shown as 'CM Inc.'

This annual report contains forward-looking statements that involve inherent risks and uncertainties. Please see Forward-looking statements and sustainability matters on page 92.

Company registration
Registered as a private limited company in England and Wales under company number 02418137.

Regulatory registration
Authorised and regulated by the Financial Conduct Authority

Financial Services Register number: 171935

Registered office
100 Liverpool Street
London EC2M 2AT

Website
www.smbcgroup.com/emea

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Strategic Report

Business overview

The Directors present the Strategic Report of SMBC Nikko Capital Markets Limited for the year ended 31 March 2026.

The Company is a subsidiary of SMBC and Nikko Tokyo, both wholly owned subsidiaries of SMFG, a Tokyo-based financial services holding company. The consolidated subsidiaries and affiliates of SMFG are together known as SMBC Group. Through its subsidiaries and affiliates, SMBC Group provides a broad range of financial services, including commercial banking, leasing, securities, credit card, investment, venture capital and other credit related businesses.

The Company markets and trades an extensive range of over-the-counter derivative contracts and along with its subsidiaries forms the SMBC Nikko Group, which comprised the following consolidated legal entities during the year:

SMBC Nikko Capital Markets Limited, company number 02418137, incorporated in England and Wales. The Company is an IFPRU investment firm authorised and regulated by the Financial Conduct Authority (FCA). It is a derivatives specialist providing hedging solutions to customers, including the wholesale customers of SMBC Group.

SMBC Derivative Products Limited, company number 02988637, incorporated in England and Wales, is a wholly owned subsidiary of the Company. SMBC DP is an IFPRU investment firm, authorised and regulated by the FCA. It is structured as a bankruptcy remote derivative products company and has received a credit rating of Aa1 from Moody's Investors Service Inc. and AA- from Standard & Poor's Ratings Group. SMBC DP's principal activities are the provision of interest rate and foreign exchange risk hedging products to customers seeking a highly rated counterparty and the provision, for a fee, of performance guarantees with respect to its affiliate.

SMBC Capital Markets (Asia) Limited, business registration number 39695688, is incorporated in Hong Kong and is authorised and regulated by the Securities and Futures Commission. CM Asia acted as an agent for the Company and its affiliated entities in offering customers derivatives solutions in Asian markets, outside of Japan, and in Australia. On 1 November 2025, the Company sold CM Asia to a fellow SMBC Group Company (see below/note 33 for further details).

Review of the year

Financial Review

Overall, the financial results were stable and positive compared with the exceptional losses incurred in the last financial year.

Following the transfer of the securities business, which was completed in the previous financial year, the Company's main business activity is the provision of derivatives hedging services to the Group's banking clients. In this regard the Company offers a strong platform for booking derivatives trades, mainly interest rate and cross currency swaps. The Company continues to extend its product range and during the year with the development of a strong framework in conjunction with its affiliates, the Company booked deal contingent hedge trades which we expect to grow in coming years. The Company continues to seek opportunities to offer more products in line with its client demand.

In line with the SMBC Group approach to enhance return on equity measures, the derivatives business is also responding with seeking revenue growth through higher return on equity trades including more restructuring of its existing portfolios and specific client driven restructures.

In addition to the derivatives revenue, the Company earns significant income on its Equity Capital invested largely in high quality liquid assets as part of its overall liquidity management framework.

Sale of SMBC Capital Markets (Asia) Limited

The Company and its minority parent, Nikko Tokyo, are wholly owned subsidiaries within the SMBC Group. In line with the SMBC Group's goal of simplifying its global derivatives offering, the Company sold its wholly owned subsidiary, SMBC Capital Markets (Asia) Limited, to Nikko Tokyo. The transaction completed on 1 November 2025.

Strategic Report continued

Results

Key performance indicators

The Board and management use a range of financial and non-financial key performance indicators (KPIs) to help them understand how the Company is performing and to monitor its compliance with regulatory requirements. Set out below are the key KPIs used.

Financial KPIs

Return on equity	2026	2025
Profit after tax of USD 58.7 million (2025: loss of (USD 22.3 million)) divided by the average equity in the year of USD 1,889.15 million (2025: USD 1,869.5 million).	3.1%	(1.2%)

Own funds ratio	%	%
Total own funds of USD 1,875.9 million (2025: USD 1,826.9 million) divided by Investment Firms Prudential Regime (IFPR) own funds requirement of USD 129.8 million (2025: USD 136.9 million)	1,444.9%	1,334.5%

Cost income ratio	%	%
Net operating expenses of USD 74.7 million (2025: USD 153.3 million) divided by total income of USD 154.6 million (2025: USD 149.1 million)	48.3%	102.8%

Net profit	USDm	USDm
Profit/(loss)after tax	58.7	(22.3)

Gross income	USDm	USDm
Total income	154.6	149.1

Total assets	USDm	USDm
Total assets	12,391.0	15,903.6

Non-financial performance KPIs

– Carbon emissions – page 18
– Supplier payment periods – page 24

Looking ahead

The Company's strategy and business model are focused solely on the provision and marketing of derivatives hedging solutions to its customer base. The Board of Directors continues to regularly review the Company's strategic direction to ensure alignment with its role and positioning within the wider SMBC Group and that the Company remains committed to delivering long-term value to its stakeholders.

Strategic Report continued

Risk management

Principal and emerging risks and uncertainties as at 31 March 2026

Macroeconomic and geopolitical risk

The external environment remained complex and uncertain throughout the year, shaped by geopolitical tensions and ongoing market volatility impacting energy markets and global supply chains. It was further compounded by rapid technological disruption and a continually evolving cyber threat landscape.

Following the substantial global election cycle of 2024, policy shifts across major economies influenced international trade, regulatory and fiscal policies during FY2025. The introduction of new tariffs by the US Administration, alongside corresponding retaliatory measures, added to uncertainty and amplified volatility across global markets. In Europe, economic activity remained sensitive to external pressures, including geopolitical developments, global trade tensions, and fluctuations in energy markets. At the same time, the rise in the scale and sophistication of cyber-attacks contributed to an increasingly challenging operating environment.

Geopolitical risks are expected to remain elevated. A particular area of focus has been the conflict involving the US, Israel and Iran, leading to disruption in key maritime routes, such as the Strait of Hormuz. The resulting volatility in energy markets is expected to amplify inflationary pressures and increase the risk of spillover effects and financial-market instability across Europe.

Stresses in the private credit market are becoming more visible, with investor sentiment weakened by concerns related to asset valuations and transparency, and with some funds implementing withdrawal caps. Meanwhile, technological innovation - particularly in AI - continues to accelerate, offering significant opportunities for productivity and growth. However, these advancements also give rise to new operational, regulatory and ethical challenges that will require careful management.

The Board will continue to monitor the market situation amid the potential for further volatility and deterioration in the credit cycle. The Company manages its positions through careful monitoring, netting agreements with counterparties and the receipt of cash collateral, and should therefore be in a strong position to manage this situation. Nonetheless, the Company will continue to remain vigilant during this period.

Liquidity risk will remain an area that all market participants will endeavour to manage carefully. The Company is exposed to liquidity risk primarily through the exchange of collateral under its derivative contracts. This source of liquidity risk has been (and will likely continue to be) impacted by market volatility, and as such requires prudent management. The Company operates a comprehensive Liquidity Risk Management Framework which is monitored by risk management and supported by Treasury and the Front Office. The Company considers that its current liquid resources and monitoring framework will be sufficient to manage this uncertainty.

Risk management overview

Risk overview

The Board is responsible for setting the Risk Appetite Statement annually and for establishing a framework of controls that enables risk to be managed and assessed in line with its appetite. The risk appetite is developed alongside the corporate strategy and embedded within capital and liquidity planning, including the annual Internal Capital Adequacy and Risk Assessment (ICARA) document, Capital Adequacy Risk Appetite Threshold, Recovery Plan and Solvent Wind Down Plan, all of which were approved by the Board in the year. The Board delegates the ongoing monitoring of the effectiveness of risk management and internal controls to the Audit & Risk Committee and the Executive Committee and receives regular reports from those Committees on the work undertaken.

Audit & Risk Committee (ARC): The ARC oversees a wide range of risk, control, and assurance activities. Its work included reviewing the Company's risk profile against appetite, monitoring principal and emerging risks, and undertaking deep-dive assessments in key areas such as Credit Risk, Operational Resilience, and Third Party Risk Management. The ARC also evaluated the effectiveness of internal financial controls, considered external audit findings, and reviewed internal audit outcomes and progress on related improvements.

Further information on the ARC can be found on page 13.

Executive Committee: The Executive Committee is responsible for the ongoing oversight, monitoring and management of Company-wide risks, including emerging risks and key risk indicators (KRIs), as part of its day-to-day management responsibilities. Throughout the year, the Executive Committee received regular updates on the Company's risk profile and considered the adequacy and effectiveness of the control environment in place. Where control weaknesses or heightened risk exposures were identified, the Executive Committee reviewed and challenged management actions and oversaw the development and implementation of appropriate risk mitigation plans. Significant risk matters, together with progress against mitigation actions, were escalated as appropriate to the ARC.

Strategic Report continued

Risk classification

The way in which the Company classifies the risks and uncertainties it faces are set out below.

Type	Description	How risks are managed
Credit and counterparty credit	Credit risk is the risk of loss from a borrower or counterparty failing to meet its obligations under a credit agreement leading to a reduction or loss in the Bank's value of assets (including off-balance sheet assets). Residual/restructuring risk: The risk that recognised risk measurement and mitigation techniques prove less effective than expected, e.g., guarantees proving ineffective in certain events (restructuring). Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction in cases where there is a bilateral risk of loss (e.g., derivatives, repo, securities borrowing/lending and long settlement transactions).	Credit risk mitigation is a high priority for the Group's management and a variety of measures are employed to mitigate this risk, including: – collateral and netting agreements are both used to mitigate credit and liquidity risks. Collateral is predominantly in the form of cash, mainly in major currencies, and securities collateral is mostly high grade government bonds; – scenario analysis and stress testing; – parent guarantees purchased by the Group to cover specifically identified counterparty credit risk; and – strict credit control procedures and limits monitoring to ensure front office departments incorporate a comprehensive credit assessment in their approach to pricing.
Liquidity	The risk that the Company cannot meet its liabilities, unwind or settle its positions as they become due.	Liquidity risk is mitigated by holding cash and highly liquid securities, including a liquid asset buffer of high quality, unencumbered assets, to cover any unexpected cash outflows. The Group measures and maintains liquidity ratios in accordance with the Individual Liquidity Guidance set by the FCA and the Group's risk appetite.

Strategic Report continued

Type	Description	How risks are managed
Market	The possibility that fluctuations in interest rates, foreign exchange rates, credit spreads, or equity prices will change the market value of financial products, leading to a loss.	The Company has low market risk limits for its derivatives business, which is predominantly undertaken on the basis that the market risk arising from customer trades is hedged either with a fellow SMBC Group company (CM Inc.) or a market counterparty, which substantially mitigates market risk in the derivatives business. The Company has residual market risk in its XVA position. Market risk limits are reviewed regularly and are approved annually by the Board and are set out in the Group's Risk Appetite Statement.
Conduct	The risk of the Company's actions, inactions or behaviour resulting in poor outcomes for its customers and stakeholders, damaging the integrity of the financial markets or undermining effective competition.	The Company assesses its conduct and culture against its Culture Statements using a suite of targeted metrics.
Operational and other non-financial	The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. There is also an increasing regulatory and Company focus on operational resilience. As a result of the Group's activities, it assumes other potential risk impacts such as reputational, conduct and others, which it manages within the overall policy framework.	Operational risk is managed with a view to maximising resilience and continuity whilst maintaining acceptable levels of residual risk. Example key indicators used to monitor, measure and report operational risk include operational risk losses and an operational risk profile score underpinned by diverse operational risk indicators.
Outsourcing	Outsourcing is an arrangement between a firm and a service provider by which that service provider performs a service or function that the firm would otherwise perform as part of its normal course of business. Third party risk is the potential for losses due to a third parties' poor performance or inability to continue the outsourced services.	Outsourcing is managed through the Third-Party Risk Management Framework and centrally operated by SMBC BI, a key service provider, and upon which the Company places reliance. The Framework includes: Planning, Risk Assessment, Due Diligence (which form part of the onboarding process) and Contract Management through the process of Service Level Agreements (SLAs), Ongoing Monitoring and Exit/Termination. Insufficient governance and oversight remain the main drivers of outsourcing enforcement actions in the industry, and to this end, the Company's Outsourcing Oversight Committee remains an essential governance oversight forum.

Strategic Report continued

Type	Description	How risks are managed
Cyber	The risk of cyber-attack which can result in wide-ranging impacts from information theft to unavailability of systems and services. Any cyber-attack may result in loss of customer confidence, damage to the Company's reputation, financial loss (including recovery costs and increased costs of working) and possible regulatory penalties or intervention.	The Company has implemented technical and procedural controls at multiple levels to detect, prevent, and respond to potential threats and anomalous behaviour. Any incidents are escalated through the Company's incident management process, which is tested regularly. All staff receive comprehensive security awareness training and participate in regular simulated phishing campaigns. A number of themes related to cyber events also feature in the Company's operational risk scenario exercise, which supports the Company's forward-looking resilience planning and are reflected in the operational risk capital assessment.
Model	The risk of loss because of decisions that could be principally based on the output of internal models, due to errors in the development, implementation, or uses of such models.	Model risk is managed through a comprehensive Model Risk Management Framework covering eight key dimensions. These include Governance Structure, Model Inventory, Identification, Tiering, and the Model Lifecycle. Additionally, the Framework includes Ongoing Periodic Assessment, a Post-Model Adjustments Framework, and a Model Risk Appetite Framework.
Sustainability, including climate change	The risk resulting from Environmental, Social and Governance (ESG) issues, events or conditions that have the potential to impact (financially, reputationally, or physically) the Company, its clients, the environment or society.	Management of these risks is articulated in the Sustainability Risk Management Framework which is integrated across the three lines of defence.
Reputational	The potential for adverse impacts on earnings, capital, or strategic position arising from actual or perceived events, behaviours, actions, inactions, or associations – whether internal or external in origin – and can materialise when stakeholder expectations are not met, making it difficult to attract new business or maintain existing relationships. Reputational risk is often interconnected with other risk types and may spread across the organisation globally.	The EMEA Reputational Risk Committee oversees events that could present reputational risks for SMBC across EMEA and assesses reputational risks relating to clients and transactions. It also provides oversight of legal, people, communications and media matters. Enhancements to the Reputational Risk Framework and governance are planned over the coming year, reflecting evolving stakeholder expectations.
Other non-financial	As a result of the Company's activities, other non-financial risk assumes other potential risk impacts such as reputational, conduct and others which it manages within the overall policy framework.	A number of appropriate approaches are used to manage other non-financial risks.

Strategic Report continued

Risk strategy and risk appetite

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

- Business model
  Achieve sustainable business growth and manage earnings volatility by prudent risk taking and appropriate pricing of risk.
- Maintaining solvency and liquidity
  Maintain capital and liquidity resources in surplus over business needs and regulatory requirements.
- Conducting business
  Adhere to the letter and spirit of all applicable legal and regulatory requirements and ensure that actions (or failure to act) do not cause an adverse outcome for the Company, its customers, suppliers and other key stakeholders.
- Managing operational risk and resilience
  Maintain an operational risk framework comprising people, processes and systems to a high standard in order to ensure resilience against both internal and external operational disruptions.

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

Three lines of defence

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

First line of defence

Senior management in the first line of defence is responsible for each of the risks and controls that fall within its area of responsibility and is responsible for ensuring that appropriate controls are in place to mitigate the risks. Each department operates within the risk appetite threshold in the context of its own strategy, taking into account the overall Risk Management Framework and corporate strategy.

Second line of defence

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

Third line of defence

The Internal Audit Department is the third line of defence and comprises an Internal Audit Group and a Credit Review Group. The objective of Internal Audit is to provide reasonable assurance to the Board, management and other stakeholders that an effective internal control environment has been established to protect the Company's assets, reputation and sustainability. To achieve this objective, the Internal Audit Group conducts audits and provides related services using a risk-based approach and through meeting the Global Institute of Internal Auditors Standards and following the Guidance on Effective Internal Audit in the Financial Services Sector issued by the Chartered Institute of Internal Auditors. The Internal Audit Department acts independently of the Company's business units. The two Co-General Managers of the Internal Audit Department report to the ARC at its quarterly meetings.

The Risk Management Department (RMD) supervises all major risks to which the Company is, or could potentially be, exposed and assists the business in identifying risk and developing frameworks to manage, monitor and control those risks. The RMD also oversees the risk appetite and owns the policy framework, limits and guidelines for credit, market, liquidity, sustainability risk, and certain operational risks, including reputational risk.

The Compliance Department is responsible for the formation and execution of Company-wide compliance risk strategies and policies that are consistent with the risk appetite measures and business strategy in the areas of financial crime, conduct risk and regulatory change and therefore is responsible for overseeing that the Company maintains external and internal regulatory compliance in accordance with the policies, rules and regulations for financial crime and conduct as set out by the FCA, the Company and the SMBC Group.

The Credit Department (CD) is responsible for assessment and approval of individual credit transactions/decisions against the Company's Risk Appetite Framework. CD is also responsible for ongoing management of credit exposures including special credits and self-assessment and impairment provisioning.

Executive-level Risk and Control Committees

The Risk and Control Committees have been established to consider specific areas of risk and business activities. These meetings are chaired by a senior executive and typically meet monthly. They report to the Executive Committee and the ARC. During the year, the effectiveness of these Committees was assessed by the Company Secretariat, with the results reported to the ARC. The review resulted in ongoing enhancements to the consistency and quality of meeting materials, clarification of roles and responsibilities and the sharing of good practice between Committee Chairs, a process that is expected to continue in 2026.

Strategic Report continued

Risk Management Steering Committee

Provides governance, challenge, and technical and strategic support for the business's risk management. The Committee reports to the ARC on key risk matters, including market credit, liquidity, operational and conduct risks; performance against risk appetite (with escalation where appropriate) and relevant policies for ARC approval.

Asset & Liability Management Committee

Considers liquidity risk management, asset and liability management, operations and funding policy (including the long-term funding strategy) and risk appetite. It also monitors limits, guidelines and compliance with regulatory requirements.

Compliance & Financial Crime Committee

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

Credit and Counterparty Credit Risk Committee

Considers a range of credit issues including credit and counterparty credit risk KRIs, portfolio analysis, sector analysis and asset allocation, as well as credit risk appetite. It reviews matters such as business origination guidelines and issues arising from the ongoing credit review activity performed by Internal Audit Department's Credit Review Group. It will also carry out deep-dive reviews on specific components of the portfolio as needed, for example, due to an external event and consider any associated lessons learned.

EMEA Reputational Risk Committee

Oversees the Company's reputation and promotes and monitors the effective management of reputational risk. It also reviews and takes decisions on country, sector and customer/business specific reputational risk appetite positions.

Enterprise Risk Management Committee

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

Finance Committee

Provides control, governance, transparency and challenge around finance matters. Key matters overseen include financial and non-financial reporting, external audit, regulatory reporting and taxation.

Market Risk Committee

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

Model Risk Committee

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

Operational Risk and Resilience Committee

Considers general risk management issues, including the overall Risk Management Framework, risks arising from the implementation of new products and services, outsourcing oversight, and the Operational Risk Management Framework and elements thereof, such as information systems issues, information security matters, compliance and regulatory matters and Internal Audit findings.

Sustainability Risk Management Committee

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

Technology & Cyber Resilience Steering Committee

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

Strategic Report continued

Risk Management Framework

The Company maintains a Risk Management Framework which sets out the overarching principles and information for the key areas of risks. The Company understands the importance of establishing and embedding a robust risk management culture across the Company. Therefore, the Framework is designed to ensure that effective risk governance and management are in place across all business activities.

The Framework can be described through seven key components, each outlined below and described in more detail in subsequent sections:

- Risk governance structure – who is responsible for the Company's risk management and what authorities are given.
- Risk identification and assessment – what risks the Company faces and how important each risk is.
- Risk strategy and risk appetite – what level of risk (for each risk type and on an aggregate basis) the Company is prepared to take in the pursuit of strategic objectives of the Company.
- Risk measurement – how risks are individually and collectively measured and recognised.
- Risk monitoring and reporting – how risks are monitored, controlled and reported to the Board, executive management and business owners.
- Stress testing – scenario analysis of potential downside risks.
- Capital, liquidity and funding planning and management – how the Company's capital and liquidity resources should be managed.

Risk identification and assessment

The key purpose of the risk identification and assessment process is to proactively understand all risks the Company is exposed to, to identify the major risks that could impact long-term sustainability and to assess the likelihood and impact of the risks materialising so that these risks can be appropriately managed, mitigated and incorporated into strategic decision making.

The Company has several key processes to ensure its risks are identified and assessed, including:

Enterprise risks:

- Top and emerging risks
- Risk identification.

Operational/conduct risk:

- Scenario analysis
- Product Approval Framework
- Risk Register
- Operational Risk Event reporting
- Risk Issue reporting
- Early Warning Indicators (EWIs) and KRIs
- Third Party Risk Management
- External events and emerging risks
- Post-Implementation Project Impact Assessments.

Credit/market/liquidity risk:

- EWIs and KRIs
- Scenario analysis and stress testing
- Reverse stress testing
- Sustainability risk, including climate change.

Risk measurement

The key principles for risk measurement and monitoring are to:

- measure risk exposure by loss modelling, enterprise-level KRIs and scenarios;
- provide capital methodology and implementation;
- facilitate senior management understanding of the severity of the risk; and
- ensure appropriate reporting to the Board, Audit & Risk Committee and Executive Committee of inherent and post mitigation risk via KRIs to facilitate any mitigation and/or changes to the risk appetite.

Strategic Report continued

Risk monitoring and reporting

The key principles for 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 all material risks are reported and deliver a complete view of the whole range of risks facing the Company.
- The principal risks facing the Company are reported at the appropriate Risk and Control Committee meetings. These Committees have responsibility for the principal risk categories and related risk management matters.
- Delivering a Risk Report that incorporates key risk themes to the Executive Committee each month.

Stress testing and scenario analysis

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

Capital, liquidity and funding planning and management

The Company's capital and liquidity planning is made possible only with a clearly defined risk appetite, a full set of identified risks and effective stress testing. The annual process for budgeting entity-level capital and liquidity needs is part of the ICARA work, which takes place in conjunction with the annual business planning processes.

The Board sets out financial targets and defines financial resource capacity and limits. Resources are then allocated to each business taking into consideration the required return, expected capital usage and strategic importance of each business.

The Risk Management Department and Finance Department are responsible for monitoring compliance with agreed solvency and liquidity limits to ensure targets are met. This monitoring includes the following:

- Intra-day monitoring of settlement accounts.
- Daily monitoring of early warning indicator dashboard.
- Daily monitoring of flash liquidity position.
- Weekly calculation of stressed liquidity requirements.
- Monthly calculation of regulatory solvency and liquidity requirements to ensure the Group and other UK regulated entities remain above minimum requirements.
- Periodic analysis of the required capital changes in conjunction with relevant market or any other factors such as interest rates, FX rates and credit spreads that have a material impact on the required capital.
- Incorporation of any regulatory changes which impact capital requirements.
- Monthly reports to the Risk Management Steering Committee to discuss regulatory capital usage and related business developments.

Governance

The Board of Directors

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

		Committees		
Name	Board of Directors	Audit & Risk	Nominations	Remuneration
Non-executive Directors				
James Garvey	C	M	C	C
Maria Turner	M	C	M	M
Bungo Miura	M	M	M	M
Hiroshi Ibaraki	M	M	M	M
Executive Directors				
Antony Yates	M	–	–	–
Mehul Desai	M	–	–	–

C: Chair of Board or Committee

M: Member of Board or Committee

A list of changes to the Board in the year can be found in the Directors' Report on page 26.

Board and Committees

Board of Directors

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

The Board has delegated certain of its responsibilities to its Committees, which provide advice to the Board and recommend matters to it for approval as required under their terms of reference. The Board is responsible for appointing the Chairs of the Committees; with the Nominations Committee responsible for reviewing membership of Committees in consultation with the Committee Chair and recommending any Committee membership changes to the Board for approval.

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

Executive-level meetings

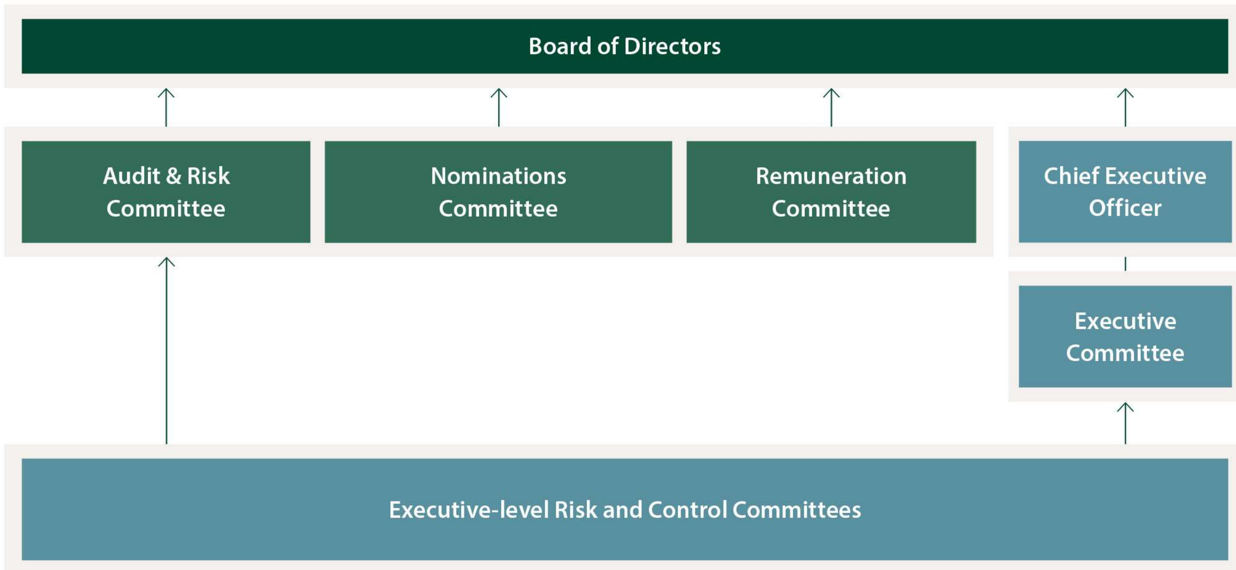
At an executive level, the Chief Executive Officer (CEO) chairs the Executive Committee, which is a monthly meeting attended by members of the senior management team and is responsible for overseeing the execution of the strategy and the overall management of the Company's business activities. The non-executive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

The Executive Committee is supported by a framework of Risk and Control Committees, which are responsible for considering specific areas of risk. These Committees report and escalate matters, as appropriate, to the Executive Committee, and to the relevant Board Committee.

Further information on the responsibilities of the Board Committees and their principal activities in the year can be found as referenced below.

Governance continued

Committee structure



Board activities

During the year, the Board met four times, and considered several matters for approval by written resolution. The Directors have also received briefings and participated in facilitated discussions on a range of key topics. The Chair of the Board and ARC Chair have also received individual briefings on matters relevant to their responsibilities.

Throughout the year, the Board focused on a broad range of strategic and business matters to support the Company's long term development, strengthen governance, and ensure alignment with SMBC Group's priorities across EMEA and globally. Key areas of discussion and decision making included approval of the corporate strategy and budget, the transfer of CM Asia, strategic proposals to reduce the number of derivative transactions requiring SMBC Tokyo to act as guarantor (see note 29), and regular reports on strategic initiatives aimed at optimising management of the derivatives portfolio.

The Board also approved key regulatory and governance documents, including the ICARA, Recovery and Resolution Plan, and Solvent Wind Down Plan, and received regular updates on regulatory engagement, covering supervisory meetings, thematic discussions and ad hoc developments. It also received detailed briefings on AI and cyber risk at Group and EMEA levels, focusing on technological transformation, and digital resilience.

In relation to people and culture, whilst the Company no longer has any employees, the Board continued to receive updates on matters related to Diversity, Equity and Inclusion (DEI) developments within SMBC BI, including progress against diversity targets and initiatives aimed at strengthening the Group's culture and talent pipeline.

Board Committees

The responsibilities of the Board Committees are set out below, and information on some of their activities in the year can be found throughout the Strategic Report. The membership of the Committees is set out on page 11. To maintain the independence of the Board Committees the membership comprises only non-exeutive directors, with executive directors invited to attend where appropriate. Meetings are also attended by relevant executive management on the invitation of the Chair.

Governance continued

Audit & Risk Committee

During the year, the ARC continued to discharge 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, and reviewed the results of audit activity. 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 IICARA 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 Committee met five times during the year, with members holding separate sessions with Internal Audit and the external auditor without executive management present to enable escalation of any concerns. The ARC concluded that KPMG remained independent throughout the period, supported by a formal letter from the audit partner confirming adherence to relevant FRC Ethical Standards.

Further information on the Company's risk management arrangements is provided in the Risk Management section on pages 3 to 10.

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. During the year, the Committee met twice, focusing on appointments, succession planning and diversity considerations relevant to the Board. A number of matters were also considered and approved via Written Resolution.

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. During the year, the Committee met four times, including holding a joint meeting with the Remuneration Committee of SMBC BI.

Section 172(1) Statement

The Directors are committed to discharging their responsibilities under section 172(1) of the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholder, and in doing so have regard to the factors shown in section 172(1) (a) to (f).

The Board applies its duties under section 172(1) through a range of governance practices and considers that this approach supports the Company's reputation, fosters trust with its stakeholders and promotes long-term sustainable growth. The Board does this in several ways, including the following:

- Explicit consideration of stakeholders and section 172(1) factors within Board papers and decision-making, ensuring that the potential impacts of proposals are clearly articulated.
- Assessment of long-term consequences as part of strategy setting, capital and risk planning, and significant business decisions.
- Ongoing monitoring of outcomes through reporting on strategy delivery, business performance, culture and risk, supported by regular engagement between executive and non-executive Directors.
- Continual regard to regulatory expectations and requirements, recognising the importance of maintaining high standards of governance and conduct in a regulated environment.
- Robust management of conflicts of interest, supported by established governance processes to ensure objective and independent decision-making.

The table below sets out examples of how the Directors have had regard to these factors when performing their duty under section 172(1) in the year. This section forms the statement required under section 414CZA of the Companies Act 2006 and should be read alongside the Stakeholder Relationships and Engagement section.

Section 172(1) factor	Further information
(a) likely consequences of any decision in the long term	During the year, the Board approved the legal entity budget and monitored performance against the Company's core business objectives and financial targets. In considering long-term consequences, the Board discussed a number of key strategic matters. A significant decision concerned the approval of the sale of shares in the Company's subsidiary, CM Asia, to Nikko Tokyo. The Board evaluated this proposal within the context of the SMBC Group's long-term strategy in Asia, taking into account the benefits of strengthening Nikko Tokyo's regional capabilities and supporting the Group's objectives to streamline governance, realise synergies, and present a unified proposition to customers across the region. The Board assessed the long-term implications for the Company, ensuring the transaction would not adversely affect the Company's balance sheet or operational resilience, that tax considerations were fully understood, and that all actual or perceived conflicts of interest were clearly documented and managed through appropriate governance structures. The Board also reviewed the long-term strategy for the derivatives business in EMEA. As part of an internal project exploring several potential models, the Board received regular updates, evaluated the options presented, and provided challenge and guidance to ensure the Company's interests were properly reflected. When the final proposals were submitted for approval, the Board confirmed that the recommended approach would support both the Company's future activities and the sustainable development of the broader EMEA derivatives franchise. Further detail on the development of the Company's strategy is provided on page 1.

Section 172(1) Statement continued

Section 172(1) factor	Further information
(b) interests of employees	The Company has no direct employees. It receives services from employees of other SMBC Group entities, including SMBC BI, who carry out activities on its behalf. For the purposes of the Board's decision-making and stakeholder considerations, these individuals are treated as a key stakeholder group, given their central role in delivering the Company's strategy, ensuring operational resilience and maintaining high standards of conduct and customer service. The Board regularly considers matters relating to culture, people and behaviour and receives updates on topics such as employee engagement, talent development, capability building, working conditions and learning initiatives undertaken across the wider SMBC Group. Although these individuals are not legally employed by the Company, the Board recognises the importance of ensuring that they are appropriately supported, that their wellbeing is prioritised, and that they have the skills, tools and environment necessary to deliver high-quality outcomes for customers and stakeholders.
(c) need to foster business relationships with suppliers, customers and others	Suppliers and customers are recognised as key stakeholder groups that are essential to the Company's long-term success. The Board understands the importance of maintaining strong, constructive and transparent relationships with these groups in order to support operational resilience, deliver high-quality services and uphold the Company's purpose of being a trusted partner for the long term. Management engages with customers and suppliers throughout the year, and the Board receives reporting on material interactions, service delivery, operational matters and any issues raised. Further information on how the Company engages with these stakeholder groups, and the outcomes of that engagement, can be found on pages 22 to 25.
(d) impact of the company's operations on the community and the environment	The creation of social value is a key part of the Company's sustainability objectives. Information on the Company's community activities can be found on page 16. Information on the way in which the Company monitors the risks and opportunities arising from climate change can be found on page 16, with the Company's carbon emissions set out on page 18.
(e) desirability of the company maintaining a reputation for high standards of business conduct	The Board recognises the importance of the Company maintaining a strong reputation for high standards of business conduct. Upholding these standards is essential to sustaining trust with customers, regulators, counterparties and the wider SMBC Group. Oversight of conduct is exercised primarily through the ARC and the Executive Committee, both of which receive regular reporting on matters such as regulatory compliance, risk management, operational controls, culture, financial crime, and customer outcomes. Further information on the work of these Committees is set out on pages 12 to 13. The Board also reviews thematic updates on conduct-related matters, including adherence to SMBC Group policies, results of internal audits, regulatory developments, and performance against conduct and culture metrics. Through these processes, the Board ensures that high standards of integrity, professionalism and ethical behaviour are embedded throughout the business and applied consistently in decision-making and day-to-day operations.
(f) need to act fairly as between members of the company	As the Company is a wholly-owned subsidiary of SMBC Group, the Directors consider that this duty applies differently than it would in a company with multiple shareholders. The Directors remain mindful of their duty to act in the best interests of the Company as a whole and to ensure that decisions are taken transparently, with appropriate governance and with due consideration of the interests of the shareholders. Where matters arise that could give rise to potential conflicts of interest within the SMBC Group, these are addressed in accordance with established governance procedures to ensure fairness and proper oversight.

Sustainability and social value

SMBC's Group Mission, shared by the Company, includes contributing to a sustainable society by addressing environmental and social issues. Central to this is the Social Value Creation Strategy, which seeks to balance economic growth with the resolution of social issues to achieve 'fulfilled growth' for the benefit of wider society.

The Company is committed to creating economic value by leveraging its long-standing client relationships and works with clients to identify their most material sustainability-related risks and opportunities, share insights on sector strategies and leading practices, and provide financing and advisory services to support improvements in sustainability performance. The Company has established procedures, employee training and governance processes to facilitate ESG-labelled transactions aligned with market standards.

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

- Governance: enabling management and the Board to effectively oversee sustainability risk management and strategy integration.
- Risk management: development and implementation of risk management policies, processes, and portfolio monitoring.
- Scenario analysis: use of forward-looking scenario analysis to assess the potential impact of sustainability risks on the portfolio under defined stress scenarios.
- Data, tools and reporting: continued enhancement to ensure clear accountability, structured oversight, and effective risk management for sustainability risk.

Social value creation is also reflected in the Company's engagement with its communities, including employee participation in skills based volunteering and charitable initiatives, and in its own operations, where we seek to reduce the environmental impact of our activities, uphold human rights standards and promote inclusion and equality. Progress is monitored through metrics covering workforce diversity, employee engagement and operational emissions.

Further information on the Company's approach to sustainability is available on the Group's website at www.smbcgroup.com/emea/Sustainability.

Human rights and modern slavery

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

People and culture

The Company recognises that equity, fairness and transparency are key to enabling our colleagues to be their most authentic selves at work. The Company has no employees, and therefore people and culture initiatives are progressed by SMBC BI. Further information on this can be found in the annual report of that company. The activities undertaken by the Board and its Committees to oversee and contribute to such initiatives can be found in the Stakeholder Engagement section on pages 22 to 25.

DEI strategy

Our vision is to harness the power of our difference to serve our customers, communities and each other. Information on this can be found in the SMBC BI annual report.

Culture

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

1) Provide an excellent service to customers and colleagues through collaboration, teamwork and a sense of shared purpose.

2) Build the Company's brand by being a reliable and trusted partner to its customers and contribute positively to the societies in which it operates.

3) Protect the Company's customers and markets by conducting its business in a transparent, prudent and compliant manner.

4) Treat each other with respect and integrity and embrace diversity in all its forms.

5) Be focused, creative and proactive in evolving the business to meet new challenges.

Sustainability and social value continued

The Board sets the tone for Company's culture, and the CEO is responsible for it. As the Company has no employees, the Board has maintained an interest in the Group's culture as a whole. Recognising the evolution of regulatory and corporate governance expectations on culture, during the year the Board received updates on the development of the SMBC culture framework applicable to colleagues undertaking work on behalf of the Company.

Communities

The Company and SMBC BI recognise the importance of making a positive contribution to the societies in which they operate. SMBC BI encourages all employees to think about how they can create social value as part of their day-to-day roles. It offers colleagues a variety of ways to support and engage with community activities, including a paid volunteering allowance, matched funding of employee donations (up to a certain limit), and a Give-As-You-Earn salary sacrifice scheme. Further information on these activities can be found in SMBC BI's annual report.

Compliance Policy Framework

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

Prevention of financial crime

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

Sustainability and social value continued

Operational emissions (Streamlined Energy and Carbon Reporting)

The UK Government's Streamlined Energy and Carbon Reporting (SECR) Policy was implemented on 1 April 2019. The Company meets the SECR qualification criteria in the UK and, as in previous years, is reporting emissions from its operations using the operational control approach.

Under the reporting requirements, the Company has measured mandatory Scope 1, 2 and 3 emissions for UK operations of the Company within the financial reporting period of 1 April 2025 to 31 March 2026. This includes energy consumption associated with premises occupied, energy associated with data centres and business travel for UK-based employees (including fuel associated with grey fleet).

Carbon footprint		FY2025	FY2024
Location		UK	UK
Scope			
Scope 1	Gas combustion (tCO_2e) (location-based)	0.0	3.3
	Gas combustion (tCO_2e) (green gas)	0.0	0.0
Scope 2	Purchased electricity (tCO_2e) (location-based)	0.0	32.2
	Purchased electricity (tCO_2e) (market-based)	0.0	0.0
Scope 3	Business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tCO_2e)	0.0	0.0
Total gross emissions (location-based) (tCO_2e)		0.0	35.5
Total gross emissions (green gas Scope 1 and market-based Scope 2) (tCO_2e)		0.0	0.0
Scope 1 - Energy consumption (kWh) – Gas combustion		0	17,942
Scope 2 - Energy consumption (kWh) – Purchased electricity		0	155,575
Scope 3 - Energy consumption (kWh) – Business travel in rental cars or employee-owned vehicles		0	0
Total Energy consumption (kWh)		0	173,517
FTE		0	103
tCO_2e per FTE		0	0.34

The 2025/26 SECR footprint for the Company is reported as 0.0 tCO_2e across Scope 1, 2 and relevant Scope 3 categories. This represents a 100% reduction from the previous reporting period which was 35.5 tCO_2e.

This reduction is not attributed to energy efficiency improvements within the entity. All employees and operational activities were transferred to SMBC BI as part of Project Unity. As a result, the Company no longer has operational control over emissions sources, energy consumption or business activities that would produce greenhouse gas emissions. Consequently, no energy was consumed, and no emissions were generated within the reporting boundary for the Company during the reporting period.

Methodology

The methodology the Company uses to account for its operational emissions aligns with the GHG Protocol Corporate Accounting & Reporting Standard. The Company uses the Operational Control boundary definition to define its carbon footprint boundary. The reporting period for compliance is 1 April 2025 to 31 March 2026. In previous years, emissions were allocated based on a full-time equivalent (FTE) methodology, reflecting the proportion of employees attributed to the Company. For the 2025/26 reporting year, the Company has zero FTEs, following the transfer of all employees to SMBC BI. As a result, the application of the same methodology yields zero energy consumption and zero emissions.

Energy Efficiency Action

During the reporting year, no energy efficiency initiatives were undertaken within the Company as the entity no longer has operational activities or control over energy consumption.

Statement of corporate governance arrangements

The Board is committed to maintaining high standards of corporate governance within the Company, and for the year-ended 31 March 2026 has applied the Wates Corporate Governance Principles for Large Private Companies (Wates Principles). Information on how the Wates Principles have been applied can be found as follows:

Purpose and leadership

The Board is responsible for setting the Company's strategy, at the centre of which sits the purpose: to be a trusted partner for the long term. This purpose guides the Board's decision-making and underpins the Company's long-term direction. The Company has adopted the SMBC Group's Five Values, which provide a clear framework for expected corporate and individual behaviour. These values play a central role in shaping our culture and ensuring that our people act consistently with the principles of integrity, accountability, and sustainable partnership. Further information on how strategy is set, monitored and shared can be found on page 12 and information on the Five pillars and how the Board oversees our culture can be found on page 16.

When submitting matters to the Board for approval, executives are required to explain how the proposal relates to and is consistent with the purpose statement. This helps promote focus on the purpose statement and to demonstrate that this has been considered in key decision making.

Board composition

At the date of signing the financial statements, the Board comprised six Directors: an independent Chair, one independent non-executive Director, two non-executive Group Directors and two executive Directors.

The Board Diversity Policy sets a target that by 2028, at least 25% of Board members will be women, while maintaining an appropriate balance of skills, experience and competencies. At year-end, 17% of Directors were female. The Board remains committed to improving diversity and actively seeks candidates from under-represented groups. These expectations are reflected in the briefs provided to recruiters for external Board appointments.

The Nominations Committee regularly assesses the overall skills and experience of the Board. This evaluation is supported by a Board Skills Matrix, completed individually by each Director, through which they assess their experience across a range of business and competency areas. The findings from these assessments inform Board succession planning and assist in identifying suitable candidates for future vacancies.

The Board also takes tenure into account when reviewing its composition. While non-executive Group Directors hold office for as long as the shareholder determines, it is expected that no non-executive Director will serve more than nine years from the date of appointment. During the year, the Board's succession policy was updated to require the Nominations Committee to conduct an annual assessment for any independent non-executive Director serving beyond six years.

Statement of corporate governance arrangements continued

Director responsibilities

The Company maintains a clear separation of responsibilities between the Board Chair, who leads the Board and ensures its effectiveness, and the CEO, who has executive responsibility for the day-to-day management of the business. The Board has established three Committees, each operating under delegated authority to discharge specific responsibilities and to provide advice, oversight and recommendations for Board consideration and approval. To safeguard independence, executive Directors do not serve on any Board Committees. Where appropriate, the Committees meet without the presence of executive management.

The responsibilities of individual Directors are set out in formal job descriptions and, for those subject to the Senior Managers Regime (SMR), in a Statement of Responsibilities. The Company conducts an annual fit-and-proper assessment to confirm that all Directors, and other individuals within the scope of the SMR, continue to meet the required standards of competence, capability, integrity and financial soundness.

Directors are further supported by the Company's corporate governance documentation, which outlines their statutory and fiduciary duties, as well as the expected operation of the Board and its Committees. The responsibilities and authority of the Board and its Committees are defined within their respective terms of reference, which are reviewed annually to ensure they remain aligned with current governance practice and the effective functioning of meetings.

Director responsibilities can be found in the Committee Structure on page 12. Details of the Board's principal activities during the year are provided on page 12, with information on Committees on pages 12 to 13.

Opportunity and risk

The Company continually evaluates opportunities to better serve its customers and enhance long-term value. Potential avenues for growth—whether through entry into new sectors, products or markets—are assessed in the context of the Company's defined risk appetite. Where opportunities involve the development of new products or services, these are progressed through a structured approval process involving relevant stakeholders across the business and culminating in review and approval by the Product Approval Committee.

Opportunities to develop the business also arise from enhancements to operational processes, systems and support functions. These initiatives aim to improve efficiency, strengthen control environments and enhance the customer experience.

Significant strategic initiatives are presented to the Board for review and approval, ensuring they align with the Company's long-term strategy, risk appetite and the interests of its stakeholders. This approach enables the Board to balance opportunity with responsible and sustainable risk management.

Further information on the Company's risk management arrangements is provided in the Risk Management section on pages 3 to 10.

Statement of corporate governance arrangements continued

Remuneration

SMBC Group employees providing services to the Company are subject to the EMEA Remuneration Policy. SMBC's remuneration approach is designed to support long-term stability and sustainability, particularly in relation to capital preservation, while promoting steady growth and clear risk awareness.

The Board's oversight of remuneration is exercised primarily through the Remuneration Committee. Its responsibilities include the approval of the bonus funding for employees seconded to the Company.

The performance of the most senior individuals is assessed using a balanced scorecard framework designed to drive sustainable business performance. The scorecards incorporate financial objectives, non-financial goals linked to the Group's five cultural pillars (including ESG and DEI priorities), and an evaluation of individual conduct. In addition, the Remuneration Committee reviews and approves both fixed and variable remuneration for all identified Material Risk Takers.

The Company's shareholders take an active role in determining compensation outcomes. Detailed performance information is shared with SMBC Tokyo and Nikko Tokyo, and the Company's non-executive Directors engage in in-depth discussions with both executive Directors and senior management within the parent entities to ensure that Head Office views are fully reflected. Proposals are examined thoroughly, and executive Directors provide further detail or justification where challenged by the non-executive Directors. This robust dialogue ensures that all compensation decisions are fair, evidence-based and aligned with individual, team and Company performance, while taking account of any extraordinary market events before final awards are determined.

The Group also utilises external advisors to analyse market trends and conduct benchmarking against industry peers. The results of this analysis are reported to the Company's Remuneration Committee and are taken into account when determining annual salary and bonus outcomes.

Further information on the remuneration committee and related governance is detailed in Remuneration Committee on page 13.

Stakeholder relationships and engagement

The Board recognises that the Company's long-term success is dependent on strong and effective relationships with its stakeholders, and that the Company's operations and decisions impact stakeholder groups in different ways. The Board considers the interests of stakeholders when setting strategy, overseeing risk and opportunity, and making key decisions, ensuring that these interests are aligned with the Company's purpose and long-term sustainability.

Further information on how the Company has engaged with its stakeholders during the year, and how their views have been considered in Board discussions and decision-making, is provided on pages 22 to 25 of this annual report.

Statement of corporate governance arrangements continued

Stakeholder engagement

The Board delegates to management the authority to run the business on a day-to-day basis and to execute the strategy approved by the Board. As a result, the Company engages with stakeholders in a variety of ways and at all levels of the organisation to understand their needs, priorities and concerns. These interactions take place within the framework of the strategies and policies set by the Board and its Committees, and significant stakeholder matters are reported to the Board or its Committees as appropriate.

The Board also actively seeks opportunities to engage directly with stakeholders to deepen its understanding of their perspectives and to support informed decision-making. Set out below are examples of engagement that took place during the year and the impact of that engagement. This information complements the broader disclosures provided within the Strategic Report.

Stakeholders and why they are important	Methods of engagement	Outcomes and insight
Customers		
Customer First is one of the Bank's core values and we seek to build our brand by being a reliable and trusted partner to our customers, providing quality and innovation through products and services.	The Company's primary engagement with customers is through our relationship managers and product specialists, who maintain close and continuous dialogue. The CEO and other Executive Committee members also meet regularly with key clients to develop strategic partnerships and understand evolving client needs. Updates on significant interactions, customer trends, and notable transactions are provided to the Board as required. In addition, during the year the Company enhanced its governance processes by updating Board and Committee templates to include a mandatory 'Customer Voice' section for all papers submitted by the front line. This provides Directors with insight into client priorities, feedback themes, business development activities, and the expected customer impact of any proposal presented for approval or review. The Group also hosts customer seminars and offers value-added services that promote collaboration, knowledge-sharing, and deeper engagement. Throughout the year, the Company organises roadshows to introduce issuers to potential investors, widening investor recognition and supporting the development of new customer relationships.	Regular and meaningful engagement enables the Company to stay attuned to customer needs and expectations, ensuring our strategy and product offering remain relevant and competitive. The enhanced Customer Voice reporting has improved Board visibility of client perspectives, strengthening decision-making and aligning proposals more closely with customer priorities. Customer events and roadshows have supported increased interaction between issuers and investors and have helped broaden the Company's client base.

Statement of corporate governance arrangements continued

Stakeholders and why they are important	Methods of engagement	Outcomes and insight
Environment and community		
The Company recognises the importance of working towards building and sustaining a better world. We aim to create social value by balancing economic growth with initiatives aimed at tackling social issues.	As the Company has no direct employees, it engages with environmental and community matters primarily through initiatives coordinated at the SMBC EMEA level.	Through continued participation in Group-wide Corporate Social Responsibility (CSR) and sustainability initiatives, the Company helps advance environmental goals and deliver meaningful social impact. Increased visibility of sustainability activities has supported better alignment with customer needs, strengthened community relationships, and enhanced awareness among colleagues of the Company's role in promoting a more sustainable world. The BOOST programme and Shaka-kachi Week have provided tangible benefits to local communities, supporting youth development, fostering social inclusion, and encouraging a culture of volunteerism. These initiatives highlight the Company's commitment to contributing positively to society beyond its core business activities.
Colleagues		
The Company relies on SMBC colleagues who provide services on its behalf. Although these colleagues are employed by other entities within the wider Group, they are a critical asset and central to the Company's ability to achieve its strategic and sustainable growth objectives. Supporting a strong and healthy organisational culture across the Group is therefore essential to the Company's success.	The Board continues to take a proactive interest in culture at the SMBC EMEA level following the transfer of staff to SMBC BI in 2024. During the year, the Board considered a presentation on the EMEA Region's culture vision and priorities, including an overview of culture governance and recommended enhancements to the EMEA culture framework. Directors were invited to provide insight and input, drawing on their own experience. The Board reviewed the results of an externally facilitated culture survey, which provided detailed feedback on staff sentiment, strengths, and potential areas where culture could be further strengthened. In line with the Company's commitment to talent development and employee support, Directors also continued to engage with initiatives supporting female colleagues, which enabled first-hand insights into the approach to Diversity, Equity and Inclusion. These insights deepened the Board's understanding of colleague perspectives and informed subsequent requests for additional information from management.	Board feedback informed enhancements to the culture framework, with a focus on strengthening risk escalation, embedding cultural expectations, and promoting a stronger customer first mindset. The Board also emphasised the importance of using culture survey insights effectively, so that they capture meaningful staff perspectives and key cultural themes such as psychological safety, and considered how survey design and frequency could best support engagement and oversight.

Statement of corporate governance arrangements continued

Stakeholders and why they are important	Methods of engagement	Outcomes and insight
Suppliers		
The Company relies on a range of external suppliers to provide products and services that support the effective operation of its business. Suppliers are engaged for various reasons, including access to specialist expertise and additional resources that complement or enhance the Company's internal capabilities.	Oversight of supplier relationships is exercised through the Board's approval of the Third-Party Risk Management Framework, which sets out the Bank's approach to supplier selection, due diligence, ongoing monitoring and escalation of risks. The Board and its Committees received regular reporting during the year on critical suppliers, third party arrangements and third-party risks, including matters related to operational resilience, information security and compliance with regulatory expectations.	During the year, the Company paid 79% of supplier invoices within 30 days, with an average payment period of 27 days. This reflects the Company's commitment to fair and timely payment practices and supports the financial sustainability of its suppliers. The Board annually reviews and approves the Company's Statement of Compliance with the UK Modern Slavery Act 2015. Anti-slavery and human rights considerations form part of the SMBC Group's supplier due diligence processes, including assessments of the supply chains of vendors and other counterparties. These measures support the Company's objective of maintaining responsible and ethical supplier relationships and aligning supplier practices with Group standards and regulatory requirements.
Regulators		
The Company is required to comply with all applicable regulatory rules and expectations, and to support the integrity of the financial markets in which it operates. The Board recognises that failure to meet these requirements could materially impact the Company's ability to operate effectively and continue serving its customers. Constructive and transparent relationships with regulators are therefore essential to the Company's long-term sustainability.	– During the year, Directors and members of the Executive Committee met with representatives from the regulators at annual strategy meetings, as well as in additional sessions held as part of continuous assessment and other routine supervisory engagements. These interactions provided opportunities to discuss key strategic matters, ongoing initiatives, and emerging regulatory themes. – The Board and its Committees also received regular updates on significant regulatory developments, including updates relating to annual evaluation letters, supervisory priorities, and the evolving sanctions environment. All relevant regulatory communications are formally reported to the Board on a quarterly basis.	The Board and its Committees have overseen the Company's response to matters of significance raised by regulators, including issues relating to the Group's overseas entities and Head Office. These engagements have supported a strong understanding of regulatory expectations and ensured that supervisory feedback is appropriately actioned. Regular reporting and discussions with regulators have helped strengthen the Company's compliance posture and promoted proactive management of regulatory risk. The Company's engagement through SMBC BI's public affairs function has led to early visibility of relevant regulatory changes, supporting timely preparation, alignment with Group-wide initiatives, and ongoing compliance with applicable rules.

Statement of corporate governance arrangements continued

Stakeholders and why they are important	Methods of engagement	Outcomes and insight
SMBC Group		
The Company plays an important role in advancing the Mission and Vision of SMBC Group, particularly through supporting the expansion of the Group's franchise in EMEA and by providing services to other SMBC entities across the region. SMBC Tokyo and Nikko Tokyo are the Company's shareholders, and the Board therefore recognises SMBC Group as a key stakeholder whose strategic priorities and direction are integral to the Company's long-term success.	The Company engages closely with SMBC and Group-affiliated companies at all levels. A representative of the shareholder, Mr Miura, serves on the Board and provides a direct link between the Company and SMBC Group on matters requiring Group involvement or input. Throughout the year, independent non-executive Directors met regularly with senior executives from SMBC Group and participated in EMEA-wide strategic discussions. Senior management from the Company's parent entities visited the London office frequently to meet with SMBC Nikko leadership and business teams, ensuring alignment and a shared understanding of the EMEA operating environment and strategic initiatives. The executive Directors continued to serve on the boards of other key SMBC Group companies in EMEA, including SMBC Derivative Products Limited, SMBC BI, and SMBC Bank EU, further strengthening governance connectivity across the region. During the year, the Board also considered the transfer of CM Asia to Nikko Tokyo. The discussion went beyond assessing the potential impact on SMBC Nikko, focusing also on the expected strategic benefits for Nikko Tokyo through strengthened capabilities in Asia, and how the sale supported SMBC Group's broader global strategy. Further details are provided in the Section 172(1) Statement on pages 14 to 15.	The Company's executives play an active role in EMEA-wide management and business forums where entities report on achievements, challenges and strategic themes. SLA KPIs are reported monthly to the Executive Committee, ensuring transparency and continuous monitoring of performance against Group expectations. These engagement channels have strengthened alignment with Group strategy, enhanced collaboration across EMEA, and ensured that the Company's activities continue to support SMBC Group's broader objectives. They have also enabled the Board to provide informed oversight of matters affecting the Company and other Group entities, ensuring decisions are taken with full consideration of their long-term implications for SMBC globally.

The Strategic Report was approved by the Board of Directors on 15 July 2026 and signed by order of the Board.

Antony Yates
Director
20 July 2026

Directors' Report

The Directors submit their Report and the audited financial statements for the year-ended 31 March 2026.

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

Results and dividends

The Company recorded a profit of USD 52.3 million for the year-ended 31 March 2026 (2025: profit of USD 8.5 million). No dividends have been declared or paid by the Company on either the ordinary or preference shares in the year and the Directors do not recommend the payment of a final ordinary dividend.

Directors

The list of current Directors can be found in the Strategic Report on page 11. Changes to the Directors during the year and up to the signing of this Report are set out below.

Name	Position	Effective date of appointment / resignation
Hideo Kawafune	Non-executive Director	Resigned on 31 March 2026
Hiroshi Ibaraki	Non-executive Director	Appointed on 1 April 2026

During the financial year, the independent non-executive Directors benefitted from qualifying third-party indemnity provisions and these provisions remain in place at the date of this Report. The Company has directors' and officers' liability insurance in place in respect of certain losses or liabilities to which the Company's officers may be exposed in the discharge of their duties.

Political donations

The Company made no political donations or contributions during the year (2025: USD Nil).

Overseas office

At the date of signing this Report, the Company had a dormant branch registration in Hong Kong and no other overseas offices.

Research and development

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

Directors' Report continued

Going concern

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

In making this assessment, the Directors have considered a wide range of detailed information as set out in note 1 to the financial statements and have concluded that the Company has adequate resources to continue operations for a period of at least 12 months from the date of these financial statements, and therefore it is appropriate to adopt the going concern basis.

Disclosure of information to auditor

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

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

Auditor

In accordance with section 487(2) of the Companies Act 2006, KPMG LLP is deemed reappointed as the Company's auditor.

Approved by the Board of Directors on 15 July 2026 and signed by order of the Board.

Antony Yates
Director
20 July 2026

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and Financial Statements

The Directors are responsible for preparing the annual report, Strategic Report, the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors on 15 July 2026 and signed by order of the Board.

Antony Yates
Director
20 July 2026

Independent Auditor’s Report
To the members of SMBC Nikko Capital Markets Limited

Opinion

We have audited the financial statements of SMBC Nikko Capital Markets Limited (“the Company”) for the year ended 31 March 2026 which comprise the Group statement of profit or loss, Group statement of comprehensive income, Group statement of financial position, Company statement of financial position, Group statement of changes in equity Company statement of changes in equity, Group statement of cash flows, Company statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion:

– the financial statements give a true and fair view of the state of the Group's and of the parent Company’s affairs as at 31 March 2026 and of the Group's profit for the year then ended;
– the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
– the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

In our evaluation of the directors’ conclusions, we considered the inherent risks to the Group’s business model and analysed how those risks might affect the Group and Company’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:
– we consider that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
– we have not identified, and concur with the directors’ assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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

Independent Auditor's Report
To the members of SMBC Nikko Capital Markets Limited continued

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Review of the Group's internal audit reports and Board minutes of the Group
- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition due to the systemized nature of trading revenue streams.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.
- Evaluated the design and implementation and operating effectiveness of relevant internal controls; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent Auditor's Report
To the members of SMBC Nikko Capital Markets Limited continued

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Independent Auditor's Report
To the members of SMBC Nikko Capital Markets Limited continued

Auditor's responsibilities

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

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

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

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

James Voyle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London,
E14 5GL

United Kingdom
Date: 20 July 2026

SMBC Nikko Capital Markets Limited
Group Statement of Profit or Loss

For the year ended 31 March 2026

	Notes	Year ended 31 March 2026 USDm	Year ended 31 March 2025 USDm
Net trading income		94.8	43.2
Fees and commissions income		7.1	81.7
Fees and commissions expense		(0.7)	(34.4)
Net fees and commissions income		6.4	47.3
Interest income	2	141.3	685.5
Interest expense	3	(87.9)	(626.9)
Net interest income		53.4	58.6
Total income		154.6	149.1
Staff costs	4	(22.8)	(52.0)
Depreciation and amortisation	16, 17	(1.2)	(4.1)
Other operating expenses	6	(50.7)	(97.2)
Total operating expenses		(74.7)	(153.3)
Other income and expense (gain on sale of a subsidiary)	33	3.3	–
Profit/(loss) before taxation		83.2	(4.2)
Taxation	7	(24.5)	(18.1)
Profit/(loss) for the financial year, comprising		58.7	(22.3)
Profit/(loss) from continuing operations		58.7	(38.4)
Profit/(loss) from discontinued operations		–	16.1
Company profit/(loss) for the financial year, comprising		52.3	8.5
Profit/(loss) from continuing operations		52.3	(7.6)
Profit/(loss) from discontinued operations		–	16.1

Group profit for the financial year is entirely attributable to the equity holders of the parent.

The notes on pages 41 to 91 form an integral part of these financial statements.

SMBC Nikko Capital Markets Limited
Group Statement of Comprehensive Income

For the year ended 31 March 2026

	Year ended 31 March 2026 USDm	Year ended 31 March2025 USDm
Profit for the financial year	58.7	(22.3)
Other comprehensive income, net of tax, including		
items that will be reclassified to profit or loss:		
– Net gains from cash flow hedges, net of tax	–	0.4
– Net (losses)/gains on financial assets held at fair value through other comprehensive income (FVOCI)	(2.0)	4.6
Total comprehensive income for the financial year attributable to equity holders of the Group	56.7	(17.3)

The notes on pages 41 to 91 form an integral part of these financial statements.

SMBC Nikko Capital Markets Limited
Group Statement of Financial Position

As at 31 March 2026

	Notes	31 March 2026 USDm	31 March 2025 USDm
Assets			
Cash at banks		479.6	698.1
Investment securities	9	806.3	911.1
Derivative assets	10	8,140.3	9,149.8
Other trading assets, at fair value	11	32.0	37.2
Securities purchased under agreements to resell	12	1,456.6	3,026.4
Collateral placed	13	1,429.1	1,987.0
Other debtors	14	42.0	86.9
Intangible assets	15	3.8	5.2
Property, plant and equipment	16	–	1.6
Deferred tax asset	17	1.3	0.3
Total assets	7	12,391.0	15,903.6
Liabilities			
Derivative liabilities		7,974.6	8,968.9
Other trading liabilities, at fair value	11	114.8	130.9
Securities sold under agreements to repurchase	12	361.7	2,208.9
Collateral received	13	1,958.4	2,675.1
Other creditors	18	64.0	59.0
Total liabilities	19	10,473.5	14,042.8
Net assets		1,917.5	1,860.8
Equity attributable to equity holders of the parent			
Called up share capital		1,139.0	1,139.0
Share premium	20	165.0	165.0
Retained earnings		611.6	552.9
Other reserves		1.9	3.9
Total equity		1,917.5	1,860.8

The notes on pages 41 to 91 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 15 July 2026 and were signed on its behalf by:

Antony Yates
Director
20 July 2026
Company number 02418137

SMBC Nikko Capital Markets Limited
Company Statement of Financial Position

As at 31 March 2026

	Notes	31 March 2026 USDm	31 March 2025 USDm
Assets			
Cash at banks	9	304.6	476.5
Investment securities	10	716.3	861.2
Derivative assets	11	8,123.5	9,124.1
Other trading assets, at fair value	12	32.0	37.2
Securities purchased under agreements to resell	13	1,456.6	3,026.4
Collateral placed	14	1,429.1	1,987.0
Other debtors	15	50.3	95.1
Investment in subsidiary undertaking		200.0	202.0
Intangible assets	16	3.8	5.2
Deferred tax asset	7	1.3	0.5
Total assets		12,317.5	15,815.2
Liabilities			
Derivative liabilities	11	7,958.0	8,943.3
Other trading liabilities, at fair value	12	114.8	130.9
Securities sold under agreements to repurchase	13	361.7	2,208.9
Collateral received	18	1,940.7	2,649.4
Other creditors	19	61.4	52.1
Total liabilities		10,436.6	13,984.6
Net assets		1,880.9	1,830.6
Equity attributable to equity holders of the parent			
Called up share capital	20	1,139.0	1,139.0
Share premium		165.0	165.0
Retained earnings		575.0	522.7
Other reserves		1.9	3.9
Total equity		1,880.9	1,830.6

The notes on pages 41 to 91 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 15 July 2026 and were signed on its behalf by:

Antony Yates
Director
20 July 2026
Company number 02418137

SMBC Nikko Capital Markets Limited
Group Statement of Changes in Equity

For the year ended 31 March 2026

	Called up share capital USDm	Share premium USDm	Retained earnings USDm	Other reserves: Cash flow hedges reserve USDm	Other reserves: FVOCI reserve USDm	Total equity USDm
At 1 April 2024	1,139.0	165.0	575.2	(0.4)	(0.7)	1,878.1
(Losses) for the year	–	–	(22.3)	–	–	(22.3)
Net gains arising on cash flow hedges	–	–	–	0.4	–	0.4
Net gains arising on financial assets held at FVOCI	–	–	–	–	4.6	4.6
Total comprehensive income for the year	–	–	(22.3)	0.4	4.6	(17.3)
At 31 March 2025	1,139.0	165.0	552.9	–	3.9	1,860.8
At 1 April 2025	1,139.0	165.0	552.9	–	3.9	1,860.8
Profit for the year	–	–	58.7	–	–	58.7
Net (losses) arising on financial assets held at FVOCI	–	–	–	–	(2.0)	(2.0)
Total comprehensive income for the year	–	–	58.7	–	(2.0)	56.7
At 31 March 2026	1,139.0	165.0	611.6	–	1.9	1,917.5

The notes on pages 41 to 91 form an integral part of these financial statements.

SMBC Nikko Capital Markets Limited
Company Statement of Changes in Equity

For the year ended 31 March 2026

	Called up share capital USDm	Share premium USDm	Retained earnings USDm	Other reserves: Cash flow hedges reserve USDm	Other reserves: FVOCI reserve USDm	Total equity USDm
At 1 April 2024	1,139.0	165.0	514.2	(0.4)	(0.7)	1,817.1
Profit for the year	–	–	8.5	–	–	8.5
Net gains arising on cash flow hedges	–	–	–	0.4	–	0.4
Net gains arising on financial assets held at FVOCI	–	–	–	–	4.6	4.6
Total comprehensive income for the year	–	–	8.5	0.4	4.6	13.5
At 31 March 2025	1,139.0	165.0	522.7	–	3.9	1,830.6
At 1 April 2025	1,139.0	165.0	522.7	–	3.9	1,830.6
Profit for the year	–	–	52.3	–	–	52.5
Net (losses) arising on financial assets held at FVOCI	–	–	–	–	(2.0)	(2.0)
Total comprehensive income for the year	–	–	52.3	–	(2.0)	50.3
At 31 March 2026	1,139.0	165.0	575.0	–	1.9	1,880.9

The notes on pages 41 to 91 form an integral part of these financial statements.

SMBC Nikko Capital Markets Limited
Group Statement of Cash Flows

For the year ended 31 March 2026

	Notes	Year ended 31 March 2026 USDm	Year ended 31 March 2025 USDm
Cash flows from operating activities			
Profit/(Loss) for the financial year		58.7	(22.3)
Adjustments to reconcile net income to net cash from operating activities:			
Adjustments for non-cash items:			
Depreciation and amortisation	16, 17	1.2	4.1
Tax expense	7	24.5	18.1
Gain on disposal of subsidiary	33	(3.3)	–
Changes in operating assets and liabilities:			
Change in investment securities and repurchase contracts	10, 13	(172.6)	1,629.0
Change in trading assets, at fair value	12	5.2	21.9
Change in trading liabilities, at fair value	12	(16.1)	(44.5)
Change in collateral placed	14	557.9	952.0
Change in other debtors	15	31.6	242.9
Change in derivative assets	11	1,009.5	3,115.4
Change in deferred tax assets	7	(1.0)	3.1
Change in derivative liabilities	11	(994.3)	(3,114.9)
Change in collateral received	18	(716.7)	(747.2)
Change in other creditors	19	6.6	(245.6)
Net gains arising on cash flow hedges		–	0.4
Net (losses)/gains arising on financial assets held at FVOCI		(2.0)	4.6
Corporation tax paid	7	(9.9)	(21.6)
Net cash flows from operating activities		(220.7)	1,795.4
Cash flows from investing activities			
Purchase of intangible assets	16	(0.9)	(4.8)
Purchase of property, plant and equipment	17	(0.2)	–
Proceeds from sale of subsidiary	33	9.2	
Less: Net assets disposed	33	(5.9)	
Net cash flows from investing activities		2.2	(4.8)
Cash flows from financing activities			
Net (repayment of)/proceeds from borrowings		–	(2,104.9)
Net cash flows from financing activities		–	(2,104.9)
Net change in cash		(218.5)	(314.3)
Cash and cash equivalents at beginning of year	9	698.1	1,012.4
Cash and cash equivalents at end of year	9	479.6	698.1
Net change in cash		(218.5)	(314.3)

The notes on pages 41 to 91 form an integral part of these financial statements.

SMBC Nikko Capital Markets Limited
Company Statement of Cash Flows

For the year ended 31 March 2026

	Notes	Year ended 31 March 2026 USDm	Year ended 31 March 2025 USDm
Cash flows from operating activities			
Profit for the financial year		52.3	8.5
Adjustments to reconcile net income to net cash from operating activities:			
Adjustments for non-cash items:			
Depreciation and amortisation	16, 17	0.7	3.3
Tax expense	7	22.6	15.4
Gain on disposal of investment	33	(7.2)	–
Dividend income		–	(45.2)
Changes in operating assets and liabilities:			
Change in investment securities and repurchase contracts	10, 13	(132.5)	1,628.9
Change in trading assets, at fair value	12	5.2	21.9
Change in trading liabilities, at fair value	12	(16.1)	(44.5)
Change in collateral placed	14	557.9	952.0
Change in other debtors	15	32.3	245.1
Change in derivative assets	11	1,000.6	3,106.1
Change in deferred tax assets	7	(0.8)	2.9
Change in derivative liabilities	11	(985.3)	(3,105.7)
Change in collateral received	18	(708.7)	(739.4)
Change in other creditors	19	9.3	(249.6)
Net gains arising on cash flow hedges		–	0.4
Net (losses)/gains arising on financial assets held at FVOCI		(2.0)	4.6
Corporation tax paid		(8.5)	(20.5)
Net cash flows from operating activities		(180.2)	1,784.2
Cash flows from investing activities			
Purchase of intangible assets	16	(0.9)	(4.8)
Purchase of property, plant and equipment	17	–	–
Dividend received		–	45.2
Proceeds from sale of subsidiary	33	9.2	
Net cash flows from investing activities		8.3	40.4
Cash flows from financing activities			
Net (repayment of)/proceeds from borrowings		–	(2,104.9)
Net cash flows from financing activities		–	(2,104.9)
Net change in cash		(171.9)	(280.3)
Cash and cash equivalents at beginning of year	9	476.5	756.8
Cash and cash equivalents at end of year	9	304.6	476.5
Net change in cash		(171.9)	(280.3)

The notes on pages 41 to 91 form an integral part of these financial statements.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements

For the year ended 31 March 2026

1. Material accounting policies

Reporting entity

These financial statements are prepared for SMBC Nikko Capital Markets Limited (the Company) and its subsidiaries, SMBC Derivative Products Limited and SMBC Capital Markets (Asia) Limited (together, the Group), under section 399 of the Companies Act 2006. The Group sold out of its investment in SMBC Capital Markets (Asia) Limited effective 31 October 2025, completed on 1 November 2025. The Company is a private limited company incorporated, domiciled and registered in England and Wales, the registered number is 02418137 and the registered office is 100 Liverpool Street, London, EC2M 2AT.

The Group financial statements consolidate those of the Company and its subsidiaries. The parent company financial statements present information about the Company as a separate entity and not about its Group.

Basis of consolidation

The Group consolidates all entities it controls. Control exists where the Group has the power to direct the relevant activities of an entity so as to obtain variable returns from its activities. In assessing control, the Group takes into consideration any potential voting rights that are currently exercisable.

Consolidation presents the financial position and results of operations of the Group as those of a single economic entity. On consolidation, intercompany balances and transactions are eliminated in full; investments in subsidiaries are written off against pre-acquisition reserves, giving rise, if required, to goodwill and non-controlling interest.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow and profitability forecasts for three years from the reporting date which indicate that, taking account of reasonably possible downsides on the operations and financial resources, the Group and Company will have sufficient funds to meet its liabilities as they fall due.

As discussed in the Strategic Report, the current global landscape is dominated by prolonged conflict involving the US, Israel, and Iran, with ongoing disruption in the Strait of Hormuz, a key maritime route. The resulting volatility in energy markets will amplify inflationary pressures and increase the risk of spillover effects and financial-market instability across Europe. These risks may be further compounded by retaliatory trade measures and heightened uncertainty surrounding a potential escalation in US–China tensions.

In addition, stresses in the private credit market are becoming more visible, with investor sentiment weakened by concerns related to asset valuations and transparency, and with some funds implementing withdrawal caps. Technological innovation – particularly in artificial intelligence (AI) – continues to accelerate, offering significant opportunities for productivity and growth. However, these advancements also give rise to new operational, regulatory, and ethical challenges that will require careful management.

The Directors will continue to monitor the market situation amid the potential for further volatility and for deterioration in the credit cycle. The Group manages its positions through careful monitoring, netting agreements with counterparties and the receipt of cash collateral, and so should be in a strong position to manage this situation. Nonetheless, it will continue to remain vigilant.

The Group's latest ongoing ICARA process demonstrates that, even under a severe stress scenario, the Group maintains adequate capital and liquidity. The considered scenarios comprise the following:

a) Confrontations intensify between the US, Israel, and Iran, and the Russia-Ukraine war grinds on. By Year 3, tensions ease as US–Iran and Russia–Ukraine conflicts reach frozen or lower-intensity states;

b) Multiple overlapping conflicts damage UK–EU sentiment, resulting in a sharp decrease in demand. Risks persist through Year 2 before gradually easing by Year 3 as diplomatic engagement increases and hostilities stabilise;

c) Rising Japan–China tensions over Taiwan, continued Russia–Ukraine war and heightened Middle East risks drive sustained global uncertainty. Trade friction with the US and China pressures Japan's economy.

The Group uses reverse stress testing (RST) to identify and monitor the factors and stress levels which could make its business model unviable. RST is an important part of the overall Risk Management Framework and assists

SMBC Nikko Capital Markets Limited
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management in understanding potential business model vulnerabilities.
The ICARA RST analysis demonstrates that business failure due to capital erosion or liquidity exhaustion would require highly severe events (such as multiple client defaults) to drive loss figures of a sufficient magnitude, coupled with unavailability of capital support from SMBC Group, in order to reach the capital and liquidity breaking points. The liquidity RST scenario demonstrates that a crisis which exceeds the magnitude of the Lehman Brothers failure would need to occur at the same time as the collapse of the SMBC Group, for the SMBC Nikko Group to reach liquidity exhaustion.

While it is prudent to continue monitoring key Early Warning Indicators and ensure suitable credit risk mitigation is in place, the Directors consider the likelihood of such events occurring simultaneously to be extremely low and do not propose any additional actions to mitigate the risk of this scenario crystallising.

The Group is well capitalised, as disclosed in note 26, with regulatory capital ratios far above the minimum requirements. It has access to a number of borrowing facilities, described in note 30, all of which have significant spare capacity. Therefore, the Group can draw down significant additional funding at short notice.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Statement of compliance

Both the Group financial statements and the Company financial statements have been prepared and approved by the Directors in accordance with UK-adopted IFRSs in conformity with the requirements of the Companies Act 2006 and applicable law. Prior year reclassifications are recorded where applicable to conform to changes in current year presentation.

Company profit and loss account

On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s.408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. The profit dealt with in the financial statements of the Company was USD 52.3 million in the year ended 31 March 2026 (2025: Profit of USD 8.5 million).

Functional and presentational currency

The Directors consider the functional currency of the Group's activities to be US Dollars since the majority of the Company's income is generated in this currency. The Directors have chosen to use US Dollars as the presentational currency. All financial information is presented in USD millions and has been rounded to one decimal point unless indicated otherwise.

New accounting standards

There were no new accounting standards coming in force during the year which would have a material effect on these financial statements.

Foreign currency translation

Foreign currency assets and liabilities are translated into US Dollar equivalents at rates of exchange ruling at the balance sheet date. Gains and losses resulting from re-measurement into US Dollar equivalents are reflected in the Group income statement within net trading profit.

Cash and cash equivalents

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

Segmental analysis

Segmental analysis is mandatory for businesses whose debt or equity is publicly traded and optional for all others, including the Group. Accordingly, the Group has elected not to prepare such analysis.

SMBC Nikko Capital Markets Limited
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For the year ended 31 March 2026

Net trading income

Net trading income includes all gains and losses on trading financial instruments, including Day 1 profit or loss on newly entered derivative contracts, related fees, interest, dividends and foreign exchange differences.

Day 1 profit or loss equals the fair value of new derivative contracts upon initial recognition less transaction price (usually nil or negligible) of entering into such contracts.

Booking fees

Booking fees are earned on booking securities transactions on behalf of the customers and included within the quoted prices. For such fees, the main performance obligation is the execution of the customer's order. It is substantially satisfied upon completion of the transaction, which is when the revenue is recognised. These fees are reported in net trading income.

Intermediation fees

Intermediation fees are earned from an affiliate entity, SMBC Capital Markets, Inc. (CM Inc.), for derivative transactions registered through SMBC DP, as a percentage of their notional amount and maturity. The main performance obligation, acceptance of the trade risks by SMBC DP, is satisfied on the trade date and is the point in time when the revenue is recognised in net trading income.

Fees and commissions income and expense

Fees and commissions relate to fee-generating activities: underwriting or arrangement of securities issuances and advisory services for business transactions such as mergers and acquisitions. Fees and commissions income and expenses are shown on a gross basis in the statement of profit or loss.

For underwriting and arrangement fees, the main performance obligation is to secure an equity or debt issuance within an agreed price range. This performance obligation is substantially satisfied upon completion of the deals, which is the point in time when the revenue is recognised.

For advisory services, performance obligations relate to both ongoing support and specific events such as completion of business transactions. Accordingly, some fees, e.g. retainer fees, are recognised over a period of time and some are recognised at a point in time when performance obligations are substantially satisfied.

Interest income and expense

Interest income is earned on collateral placed, liquidity securities, securities purchased under agreements to resell and cash at banks. Interest expense is incurred on collateral received, securities sold under agreements to repurchase, borrowings and lease liabilities. Both interest income and expense are calculated at the effective interest rate, which exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability or a shorter period, where appropriate, to its net carrying amount.

Fees charged by affiliates

The Group pays fees to related companies for support services, which include trade support, product control, marketing, risk management, planning, system development and others. The fees are recognised within operating expenses when incurred.

Financial instruments

Financial instruments at the reporting date are accounted for under IFRS 9, except for hedging arrangements where the Group has elected to keep the rules of International Accounting Standard (IAS) 39.

Financial instruments are also governed by IFRS 7, IFRS 13 and IAS 32 which define their disclosures, fair value measurement, classification as debt or equity and offsetting.

i) Categories

The following categories of financial instruments held by the Group are within the scope of IFRS 9:

- cash and cash equivalents;
- investment securities and investment securities sold, not yet purchased;
- derivative instruments, including credit guarantees;
- other trading assets and liabilities;
- securities purchased under agreements to resell and sold under agreements to repurchase;
- collateral placed and received; and
- other debtors and creditors.

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Notes to the Financial Statements continued

For the year ended 31 March 2026

ii) Classification and measurement

Under IFRS 9, financial assets are classified into three categories, measured at:

a) amortised cost;
b) fair value through other comprehensive income (FVOCI); or
c) fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if both of the following conditions are met:

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

All other assets are classified as measured at FVTPL.

IFRS 9 permits designation of any financial assets at FVTPL if it eliminates or significantly reduces an accounting mismatch.

Financial liabilities are classified as measured at:

a) FVTPL (either designated or held for trading); or
b) amortised cost.

At the reporting date, financial instruments measured at amortised cost included:

- cash at banks;
- securities purchased under agreements to resell and sold under agreements to repurchase;
- collateral placed and received; and
- other debtors and other creditors.

Instruments measured at fair value through other comprehensive income comprised investment securities held for liquidity purposes.

Instruments measured at FVTPL comprised:

- investment securities held for trading;
- derivatives; and
- other trading assets and other trading liabilities.

iii) Recognition and derecognition

Under IFRS 9, an entity shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

The standard permits a choice between trade date and settlement date accounting for recording regular way transactions. When applying settlement date accounting it is still required that any movements in fair value between trade date and settlement date are reflected as they occur. The movement in fair value is taken to profit and loss or to other comprehensive income depending upon the classification of the asset. Expected settlement date is used for transactions with investment securities and repurchase transactions. Trade date is used for derivatives.

Assets are derecognised when the entity transfers its contractual rights to receive the cash flows and substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation is either discharged or cancelled or expires.

The Group enters into transactions whereby it transfers or receives assets without a transfer of all or substantially all of the risks and rewards of their ownership. In such cases, the transferred assets are not derecognised and received assets are not recognised in the statement of financial position. Examples of such transactions are securities collateral, borrowing and sale-to-repurchase agreements.

iv) Fair value

Fair value is the price to sell an asset or settle a liability (exit price) in an orderly transaction between market participants at the measurement date under current market conditions which takes place either: (a) in the *principal market* for the asset or liability; or (b) in the absence of a principal market, in the *most advantageous market* for the asset or liability.

The Group makes adjustments to the valuation of its derivatives by calculating credit, debit and funding valuation adjustments consistent with IFRS 13.

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For the year ended 31 March 2026

v) Impairment

The Group recognises an impairment allowance for expected credit losses for financial assets carried at amortised cost and FVOCI.

IFRS 9 establishes three impairment categories:

a) low risk assets (Stage 1);
b) instruments whose credit risk has significantly increased since initial recognition (Stage 2); and
c) credit-impaired (Stage 3).

Impairment provision of assets in Stage 1 is measured for the 12-month future expected credit losses. Impairment provision for assets in Stages 2 and 3 is calculated over the lifetime of the asset. IFRS 9 sets criteria for classification as low, significantly increased risk and credit-impaired. The criteria include rebuttable presumptions of a significant increase in credit risk for instruments over 30 days in arrears and credit impairment for instruments over 90 days in arrears.

At the reporting date, the Group had no assets in Stages 2 or 3. Where the Group's assets in scope have a life span of less than 12 months, the impairment provision is calculated for the shorter of the asset lifetime and 12 months.

vi) Hedging

As permitted by IFRS 9, the Group retained hedge accounting of IAS 39.

Hedge accounting under IAS 39 requires formal designation, documentation and ongoing effectiveness assessment of the hedging relationship. IAS 39 requires hedges to be highly effective, within a range of 80% to 125%, at inception and, at a minimum, at each reporting date. For cash flow hedges, it also requires the hedged forecast transactions to be highly probable and ultimately affect profit or loss.

The Group uses derivatives to hedge its exposure to variability in forecast operating expenses expressed in foreign currencies. These derivatives are designated as cash flow hedges. The effective portion of the fair value changes of the hedging derivatives is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The amounts accumulated in other comprehensive income are recycled to profit or loss when the hedged forecast transactions take place or are no longer expected to occur.

vii) Collateral placed and received

Cash received as collateral is recognised in the statement of financial position with a corresponding liability in collateral received if the Group has the right to re-use it for own purposes (re-hypothecation). Accordingly, cash transferred to other entities as collateral with re-hypothecation rights is derecognised as cash and reclassified to collateral placed. Cash transferred without re-hypothecation rights does not transfer the risks and rewards of ownership and therefore remains in the transferor's statement of financial position.

Non-cash collateral received, such as debt or equity instruments, is accounted for depending on the right to re-use and whether the transferor has defaulted. If the Group has the right to re-use and sells the collateral received, it recognises proceeds from the sale and a liability measured at fair value for its obligation to return the collateral, with any subsequent value changes included in net trading profit within profit or loss. If the transferor defaults under the terms of the contract and is no longer entitled to redeem the collateral, the Group recognises the collateral as its asset at fair value or, if it has already sold the collateral, derecognises its obligation to return it. In all other instances, the Group does not recognise the non-cash collateral received and does not derecognise non-cash collateral placed in its statement of financial position.

viii) Borrowed securities

Similar to non-cash collateral, borrowed securities are not recognised in the statement of financial position, unless these are sold to third parties, at which point the obligation to repurchase the securities is recorded at fair value as investment securities sold, not yet purchased. Any subsequent gains or losses are included in net trading profit within profit or loss.

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For the year ended 31 March 2026

ix) Securities sold under agreement to repurchase and securities purchased under agreement to resell

In the ordinary course of business, the Group sells securities under agreements to repurchase them at a predetermined price (repos or direct repos). Since substantially all the risks and rewards are retained by the Group, such transfers fail derecognition criteria. Therefore, the securities remain on the consolidated statement of financial position and a liability is recorded in respect of the consideration received. On the other hand, the Group buys securities under agreements to resell them at a predetermined price (reverse repos). Since the Group does not obtain substantially all the risks and rewards of ownership, these transactions are treated as collateralised loans and the securities are not included in the Group statement of financial position. These collateralised loans are measured at amortised cost.

x) Credit guarantees

The Group has unconditional guarantees with its parent Sumitomo Mitsui Banking Corporation (SMBC), acting through its Cayman and Tokyo branches (the Guarantor), which guarantees the prompt and complete payment when due of any net termination payment payable to the Group under any of the International Swaps and Derivatives Association (ISDA) Master Agreements of specific guaranteed counterparties. Having such an agreement in place means that any required credit valuation adjustment is calculated based upon the probability of the double-default of both the counterparty and the Guarantor. A fee is payable based on the fair value and expected life of the guaranteed transactions.

The Group recognises that the intra-group guarantees do not cover all scenarios for potential loss for the Company, specifically where the financial instruments are reset due to restructuring of the counterparties' financial arrangements. Under such circumstances, the Group does not take any provisions for losses until details of restructuring are available for management to reliably make such provision estimates.

Intangible assets

Intangible assets comprise computer software and are stated at capitalised cost less accumulated amortisation and accumulated impairment losses. The carrying values of intangible assets are reviewed for impairment at each reporting date and when events or changes in circumstances indicate that the carrying value may not be recoverable.

External expenditure on intangible assets is capitalised as incurred, per supplier invoices including non-recoverable VAT. Internal expenditure is capitalised when there is an ability and intention to complete the asset for intended use and comprises the share of employees' salaries directly attributable to the asset development.

Assets under construction are not amortised until ready for use. Completed intangible assets are amortised on a straight-line basis over five years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any losses for impairment. Cost includes the original purchase price of the asset and the costs directly attributable to bringing the asset into its working condition.

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. The depreciable amount is the gross carrying amount less the estimated residual value at the end of its useful economic life. The Group and the Company use the following annual rates in calculating depreciation:

Leasehold assets:

Leasehold property	Over the remaining life of the lease
Costs of adaption of leasehold property	Over the remaining life of the lease

Other

Computers and similar equipment	3–5 years
Fixtures, fittings and other equipment	5 years

When deciding on useful economic life, the principal factors taken into consideration are the expected rate of technological change and the expected pattern of usage and replacement of the assets.

Leases

The Group acts as a lessee in a number of lease arrangements, which include office space, other space and IT equipment. In accordance with IFRS 16 'Leases', most leases are capitalised in the statement of financial position as right-of-use (ROU) assets and lease liabilities.

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Both ROU assets and lease liabilities are initially measured as the present value of the future lease payments. Lease assets are adjusted for any additional payments, lease incentives, initial costs and expected decommissioning costs at the end of the lease.

Subsequent to initial recognition, ROU assets are depreciated on a straight-line basis. Lease liabilities are amortised on an effective interest rate basis.

Leases lasting 12 months or less and those for low-value underlying items continue to be treated as operating leases, with rental payments being expensed as incurred.

Taxation

Income tax comprises current and deferred tax. It is recognised in profit or loss or other comprehensive income, consistently with the recognition of items it relates to.

Current tax is the expected tax charge or credit on the taxable income or loss in the year and any adjustments in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amounts of assets or liabilities for accounting purposes and carrying amounts for tax purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, management has exercised judgement and estimates, gauged in accordance with industry best practice, when determining the amounts recognised in the financial statements in relation to the fair value of derivative assets and liabilities and credit guarantees.

i) Judgements

Judgements do not usually directly address measurement. Management exercises judgements when accounting standards allow a range of possible measurement methods. A different judgement might lead to a materially different accounting treatment and valuation.

Judgement is exercised in respect of the methodology for valuing the Group's collateralised derivative contracts. Management has chosen to use, in line with market practice, the Overnight Indexed Swap curve in order to more consistently manage the associated interest rate and funding risks.

Judgement is exercised as to whether unobservable inputs constitute a significant part of the total value of derivative instruments and therefore the level at which the instruments should be classified in the fair value hierarchy.

Judgement is exercised to determine whether the sale of assets classified as held for sale is highly probable and expected to complete within one year of classification. The probability of shareholders' and regulatory approvals in the UK and Japan is considered as part of the assessment of whether the sale is highly probable. This judgement is applied continuously to ensure that the classification remains appropriate.

ii) Estimates

Estimates use uncertain information and sometimes subjective assumptions to measure carrying values. As a result, estimates bear a risk of material adjustments to the carrying amounts in subsequent accounting periods.

Estimates are used where the fair value of derivative assets and liabilities cannot be derived from active markets and is determined using a variety of valuation techniques that employ mathematical models. The inputs to these models use observable market data where possible but, where observable market data is not available, unobservable inputs are used. The estimates include considerations of liquidity and model inputs such as volatility for longer-dated derivatives.

Credit Valuation Adjustments (CVAs) and Debit Valuation Adjustments (DVAs) are incorporated into derivative valuations to reflect the value of counterparty and own credit risk. CVAs, calculated on a counterparty exposure basis across instrument type, are derived from market data and management estimates of exposure at default, probability of default and recovery rates. The DVA is an adjustment to the value of the Group's derivative liabilities that seeks to reflect the Group's own default risk and involves similar estimates of exposure at default, probability of default and recovery rates.

The Funding Value Adjustment (FVA) is calculated by applying future market funding spreads to the expected future funding exposure of any uncollateralised component of the over-the-counter (OTC) derivative portfolio. This includes the uncollateralised component of collateralised derivatives in addition to derivatives that are wholly uncollateralised. The expected future funding exposure is calculated by a simulation methodology, where available. The expected future funding exposure is adjusted for events that may terminate the exposure such as the default of the Company or the counterparty. The FVA, CVA and DVA are calculated independently of each other.

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2. Interest income

	Year ended 31 March 2026 USDm	Year ended 31 March 2025 USDm
Interest on collateral	54.8	121.6
Interest on reverse repo/repo transactions	30.6	464.7
Interest on securities	37.8	68.3
Interest on deposits	18.1	30.9
	141.3	685.5

All measured at amortised cost, except for securities which are measured at FVOCI.

3. Interest expense

	Year ended 31 March 2026 USDm	Year ended 31 March 2025 USDm
Interest on collateral	78.6	158.0
Interest on repo transactions	9.3	399.1
Interest on borrowings	–	69.8
	87.9	626.9

All measured at amortised cost.

4. Staff costs

	Year ended 31 March 2026 USDm	Year ended 31 March 2025 USDm
Wages and salaries	16.8	40.0
Social security costs	2.5	4.2
Pension costs	1.5	2.6
Other staff costs	2.0	5.2
	22.8	52.0

The average number of Group and Company employees during the year was 10 (2025: 88) and nil (2025: 73) respectively. Under the UK Universal Bank, all Company employees and accrued employee benefits were transferred to SMBC Bank International plc in October 2024. About 45 employees were subsequently seconded to the Company. Their costs continue to be reported within staff costs.

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5. Directors' emoluments

During the year, the employment contracts of the executive directors were transferred to SMBC Bank International plc. The executive directors were subsequently seconded back to the Company. Their emoluments are apportioned between the two entities based on the time spent on each entity.

	Year ended 31 March 2026 USDm	Year ended 31 March 2025 USDm
Directors' emoluments	1.7	2.3
Post-employment benefits	0.1	0.1
	1.8	2.4

Emoluments of the highest paid Director are presented below:

	Year ended 31 March 2026 USDm	Year ended 31 March 2025 USDm
Directors' emoluments	0.7	1.2
	0.7	1.2

Directors' emoluments comprise salaries and bonuses, some of which are deferred. During the year, two Directors received a bonus (2025: two Directors).

Directors received no pension contribution in the year. Two Directors received cash in lieu of pension of USD 14,800 and USD 40,800 (2025: USD 29,000 and USD 43,000) respectively.

No other benefits, long-term incentives or pension contributions were paid to Directors during the year (2025: nil).

6. Other operating expenses

Other operating expenses include:

	Year ended 31 March 2026 USDm	Year ended 31 March 2025 USDm
Auditor remuneration:		
Audit of these financial statements	0.4	0.8
Audit of financial statements of subsidiaries of the Company	0.1	0.2
Audit-related assurance services	0.2	0.1
Other assurance services	0.5	0.4
	1.2	1.5
Operating lease rentals	–	0.9
Outsourced services from related parties	30.9	46.7

Audit fees relate to the audit of the financial statements payable to KPMG LLP. Audit-related assurance services include CASS assurance and quarterly financial reviews payable to KPMG LLP. Other assurance services relate to fees payable to KPMG LLP's US affiliate for agreed-upon procedures relating to credit agency ratings.

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7. Taxation

	Year ended 31 March 2026 USDm	Year ended 31 March 2025 USDm
Current tax		
Current year UK tax	23.4	17.2
Adjustments for prior years	1.3	(0.3)
Foreign tax suffered	–	0.1
Current tax charge	24.7	17.0
Deferred tax		
Origination and reversal of temporary differences	0.6	1.1
Adjustments for prior years	(0.8)	–
Deferred tax credit	(0.2)	1.1
Total tax charge in income statement	24.5	18.1

Disclosure of tax in other comprehensive income

	Year ended 31 March 2026		Year ended 31 March 2025	
	Before tax USDm	Net of tax USDm	Before tax USDm	Net of tax USDm
Investment securities at FVOCI	(2.8)	(2.0)	6.3	4.6
Cash flow hedges	–	–	0.6	0.4
	(2.8)	(2.0)	6.9	5.0

Reconciliation of effective tax rate

The tax charge on profit for the year differs from the nominal amount that would arise at the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 March 2026		Year ended 31 March 2025	
	USDm	Effective tax rate	USDm	Effective tax rate
Profit before taxation	83.2		(4.2)	
Tax using the UK weighted average corporation tax rate of 25% (2025: 25%)	20.8	25.0%	(1.1)	25.0%
Banking surcharge	1.2	1.4%	0.7	(16.7%)
Advance Pricing Agreement adjustment	2.5	3.0%	19.2	(455.9%)
Adjustments for prior years	0.5	0.6%	(0.3)	7.1%
Gain on sale of CM Asia - SSE exemption	(0.8)	(1.0%)	–	0.0%
Bank levy	0.1	0.1%	–	0.0%
Utilisation of losses	(0.1)	(0.1%)	(0.5)	11.9%
Other	0.3	0.4%	0.1	(2.4%)
	24.5	29.4%	18.1	(431.0%)

An Advance Pricing Agreement (APA) between the Group, its affiliate CM Inc., the UK tax authorities and US tax authorities defines the basis on which UK tax is charged on the profits of the global derivative products group. A new seventh APA has been negotiated with the UK and US tax authorities.

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Corporation tax rate

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

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

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

Deferred tax assets (Group and Company)

	31 March 2026 USDm	31 March 2025 USDm
Property, plant and equipment	1.5	1.7
Employee benefits	0.5	0.5
Investment securities	(0.7)	(1.5)
Intangible assets	–	(0.4)
Deferred tax assets	1.3	0.3

There is an unutilised tax loss of USD 5.0 million (2025: USD 5.5 million), for which no deferred tax asset is recognised.

Movement in deferred tax assets (Group and Company)

	1 April 2025 USDm	Recognised in income USDm	Recognised in reserves USDm	31 March 2026 USDm
Property, plant and equipment	1.8	(0.3)	–	1.5
Employee benefits	0.4	0.1	–	0.5
Investment securities	(1.5)	–	0.8	(0.7)
Intangible assets	(0.4)	0.4	–	–
Deferred tax assets	0.3	0.2	0.8	1.3

	1 April 2024 USDm	Recognised in income USDm	Recognised in reserves USDm	31 March 2025 USDm
Property, plant and equipment	1.9	(0.1)	–	1.8
Employee benefits	1.6	(1.2)	–	0.4
Investment securities	0.3	–	(1.8)	(1.5)
Cash flow hedges	0.2	–	(0.2)	–
Intangible assets	(0.6)	0.2	–	(0.4)
Deferred tax assets	3.4	(1.1)	(2.0)	0.3

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8. Pension costs

As at 31 March 2026, the pension cost for defined contribution scheme for the year was USD 1.5 million (2025: USD 2.6 million). The Group recognised expenses as employees rendered services within staff costs. Following the personnel transfer to SMBC Bank International plc in FY2025, direct pension costs ceased, however, the Group continues to report pension costs of seconded employees within staff costs.

9. Cash at banks

	Group		Company	
	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
Current accounts	126.3	204.6	101.2	128.4
Short-term deposits	353.3	493.5	203.4	348.1
	479.6	698.1	304.6	476.5

At the reporting date, USD 34.9 million (2025: USD 36.8 million) of Group, and USD 34.9 million (2025: USD 31.6 million) of Company current accounts were placed with related companies.

Short-term deposits placed with related companies amounted to USD nil (2025: USD 25.6 million) for the Group and USD nil (2025: USD 24.0 million) for the Company.

A detailed analysis of the Group's and Company's credit exposure and geographical analysis of cash at banks is included in note 21.

10. Investment securities

Investment securities (long positions) represent investments in debt and equity instruments held for:

- the purpose of facilitating customer orders and which also generate income from value fluctuations, dividends and coupons (these securities are accounted for at FVTPL); and
- liquidity purposes, usually until maturity, which occasionally may be sold to provide cash, prove their quality, rebalance the portfolio or for similar reasons (these securities are accounted for at FVOCI). See further details in notes 1 and 24.

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Liabilities for securities sold, not yet purchased (short positions), arise when the Group sells securities held as collateral under agreements to resell (reverse repos) or those borrowed in the market. They represent an obligation to return the underlying securities, measured at their market value, when the repo contracts mature or the lender recalls the collateral.

Fair value as at 31 March 2026 Group	Listed on London Stock Exchange USDm	Listed on non-UK exchanges USDm	Total USDm
Assets			
US Treasury securities	–	676.3	676.3
Other foreign government securities	130.0	–	130.0
Total	130.0	676.3	806.3

Fair value as at 31 March 2026 Company	Listed on London Stock Exchange USDm	Listed on non-UK exchanges USDm	Total USDm
Assets			
US Treasury securities	–	586.3	586.3
Other foreign government securities	130.0	–	130.0
Total	130.0	586.3	716.3

Fair value as at 31 March 2025 Group	Listed on London Stock Exchange USDm	Listed on non-UK exchanges USDm	Total USDm
Assets			
US Treasury securities	–	821.3	821.3
Other foreign government securities	89.8	–	89.8
Total	89.8	821.3	911.1

Fair value as at 31 March 2025 Company	Listed on London Stock Exchange USDm	Listed on non-UK exchanges USDm	Total USDm
Assets			
US Treasury securities	–	771.4	771.4
Other foreign government securities	89.8	–	89.8
Total	89.8	771.4	861.2

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11. Derivative assets and liabilities

Derivatives are financial instruments which derive their value from other assets, rates, prices, indices or other variables and which settlement does not usually involve the delivery of the underlying instrument. Derivative assets represent contracts with positive fair values and derivative liabilities represent those with negative fair values.

In line with the requirements of IFRS 13, the Group books a DVA, CVA and FVA when calculating the fair value of its derivatives. Collectively, these are classified as derivative reserves.

The tables below provide an analysis of carrying values and principal amounts by type of contract:

	Carrying value		Notional principal	
Group	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
Interest rate and currency swaps	7,923.7	8,975.0	146,366.1	162,883.0
Options	181.1	154.4	25,832.8	18,561.3
Forward contracts	49.0	35.7	1,582.3	1,966.6
Commodity swaps	–	0.1	–	2.8
Derivative reserves	(13.5)	(15.4)	–	–
Derivative assets	8,140.3	9,149.8	173,781.2	183,413.7
Interest rate and currency swaps	7,779.4	8,786.5	145,166.1	132,360.4
Options	180.6	155.6	23,914.6	18,191.0
Forward contracts	45.6	53.9	1,440.5	2,391.4
Commodity swaps	–	0.1	–	2.8
Derivative reserves	(31.0)	(27.2)	–	–
Derivative liabilities	7,974.6	8,968.9	170,521.2	152,945.6

	Carrying value		Notional principal	
Company	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
Interest rate and currency swaps	7,923.4	8,973.2	146,347.6	162,868.6
Options	164.6	130.6	22,366.6	16,380.8
Forward contracts	49.0	35.7	1,582.3	1,966.6
Commodity swaps	–	0.1	–	2.8
Derivative reserves	(13.5)	(15.5)	–	–
Derivative assets	8,123.5	9,124.1	170,296.5	181,218.8
Interest rate and currency swaps	7779.2	8,784.7	145,151.2	132,341.8
Options	164.1	131.8	21,004.1	16,010.5
Forward contracts	45.6	53.9	1,440.5	2,391.4
Commodity swaps	–	0.1	–	2.8
Derivative reserves	(30.9)	(27.2)	–	–
Derivative liabilities	7,958.0	8,943.3	167,595.8	150,746.5

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The table below analyses the carrying values of derivatives, excluding reserves and credit guarantees, by contractual maturities:

	Group		Company	
Carrying values	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
Due within 1 year	930.3	795.8	927.2	787.1
Due within 1 to 5 years	2,670.0	3,038.0	2,656.3	3,021.1
Due within 5 to 10 years	1,777.5	2,026.0	1,777.5	2,026.0
Due within 10 to 15 years	1,481.8	1,684.5	1,481.8	1,684.5
Due in more than 15 years	1,294.2	1,620.9	1,294.2	1,620.9
Derivative assets	8,153.8	9,165.2	8,137.0	9,139.6
Due within 1 year	888.2	780.0	885.1	771.3
Due within 1 to 5 years	2,713.7	3,029.9	2,700.1	3,013.0
Due within 5 to 10 years	1,810.8	2,047.0	1,810.8	2,047.0
Due within 10 to 15 years	1,500.8	1,680.8	1,500.8	1,680.8
Due in more than 15 years	1,092.2	1,458.4	1,092.2	1,458.4
Derivative liabilities	8,005.7	8,996.1	7,989.0	8,970.5

Derivatives are usually used by market participants to hedge risks in non-derivative financial or non-financial contracts. When the host contracts expire, the related derivatives are settled as well. Due to that, contractual maturities represent the maximum expected duration of derivative instruments.

Gains or losses transferred during the year from the cash flow hedging reserve to operating expenses were as follows:

Group and Company	31 March 2026 USDm	31 March 2025 USDm
Profit/(loss)	–	0.4

As at 31 March 2026, the Group terminated hedges of USD nil in respect of hedged forecast transactions which were no longer expected to occur and wrote off their value to profit or loss (2025: USD 0.3 million). During the year, the gain or losses transferred from the cash flow hedging reserve to operating expenses was USD nil (2025: 0.4 million).

The paragraphs below provide additional information on interest rate, foreign exchange, commodity, credit and equity index derivatives contracts:

Interest rate contracts

Interest rate swaps are one of the primary derivative instruments used by the Group. The two parties to an interest rate swap agree to exchange, at particular intervals, payment streams calculated on a specified notional amount with at least one stream based on a floating interest rate. Basis swaps involve two floating rates, such as prime and Sterling Overnight Index Average. Inflation swaps are included in this category.

Forward rate agreements are settled in cash at a specified future date based on the differential between agreed-upon interest rates and an index applied to a notional amount.

Interest rate caps and floors require the writer to pay the purchaser at specified future dates the amount, if any, by which a specified market interest rate exceeds the fixed cap rate or falls below the fixed floor rate, applied to a notional amount. The cap or floor writer receives a premium for bearing the risk of unfavourable interest rate changes.

Currency swaps and foreign exchange contracts

The Group is involved in a variety of currency swaps and foreign exchange contracts in its trading activities. The parties to a currency swap generally agree to the exchange of principal amounts and/or interest in two currencies, agreeing to re-exchange any principal amounts at a future date and agreed-upon exchange rate. These currency swaps primarily relate to major foreign

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currencies such as Japanese Yen (JPY), Canadian Dollars (CAD), Australian Dollars (AUD), Great British Pounds (GBP) and Euros (EUR).

Options
The Group holds positions in options, which give the holder the right, but not an obligation, to execute a transaction at pre-agreed terms. Currency options allow the holder to buy or sell principals at the contractual exchange rates. Interest rate options – floors and caps – fix respectively the lowest and highest interest rates on deposits and borrowings. Equity index options involve payments determined by reference to the movement in an equity index.

Forward contracts
The Group's forward contracts, mainly in respect of currency exchanges, are agreements to exchange amounts in different currencies in the future at the rates determined at the time of the agreement.

Commodity derivatives
The Group holds commodity index swaps and options whereby it receives a fixed rate per contract and guarantees to deliver the average index price to the counterparty or, alternatively, where it guarantees a fixed payment in return for the floating average index price from the counterparty. All customer positions are fully hedged with a market-maker.

As at 31 March 2026, almost all of the Group's currency swaps, interest rate, currency options were back-to-back booked with CM Inc. For commodity and other index trades with customers, back-to-back transactions were made with other market counterparties. Note 21 describes the risks associated with derivative products.

12. Other trading assets and liabilities
Other trading assets and liabilities comprise derivative contracts or their components which do not meet the accounting definition of a derivative, with either positive or negative carrying values. The table below provides an analysis of carrying values and principal amounts by type of contract:

	Carrying value		Notional principal	
Group and Company	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
Interest rate and currency swaps	32.0	37.2	280.0	474.9
Other trading assets	32.0	37.2	280.0	474.9
Interest rate and currency swaps	114.8	130.9	457.0	615.8
Other trading liabilities	114.8	130.9	457.0	615.8

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Below is further analysis of carrying values by contractual maturity:

Group and Company	31 March 2026 USDm	31 March 2025 USDm
Due within 1 year	(0.6)	1.5
Due within 1 to 5 years	6.4	10.1
Due within 5 to 10 years	11.6	2.2
Due within 10 to 15 years	14.6	23.4
Other trading assets	32.0	37.2
Due within 1 year	3.0	13.9
Due within 1 to 5 years	6.4	6.0
Due within 5 to 10 years	42.8	36.2
Due within 10 to 15 years	62.6	69.8
Due in more than 15 years	–	5.0
Other trading liabilities	114.8	130.9

13. Repurchase agreements

Repurchase agreements (reverse repos or direct repos) represent purchases or sales of securities with a condition to resell or repurchase at a pre-determined price. As such, repurchase transactions are treated as collateralised lending or borrowing, supported by the underlying securities and, if required, additional collateral.

Group and Company	31 March 2026 USDm	31 March 2025 USDm
Amounts due from related parties	1,456.6	3,026.4
Securities purchased under agreements to resell	1,456.6	3,026.4
Amounts due to related parties	361.7	2,208.9
Securities sold under agreements to repurchase	361.7	2,208.9

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The contractual maturity profile of repurchase agreements is as follows:

Group and Company	31 March 2026 USDm	31 March 2025 USDm
Due on demand	–	1,072.2
Due within 1 month	1,337.5	1,954.2
Due within 1 to 3 months	93.6	–
Due within 3 to 6 months	25.5	–
Securities purchased under agreements to resell	1,456.6	3,026.4
Due on demand	–	350.0
Due within 1 month	317.5	1,858.9
Due within 1 to 3 months	44.2	–
Securities sold under agreements to repurchase	361.7	2,208.9

Most repurchase agreements are renewed on maturity. Therefore, contractual maturities represent the minimum expected duration of these instruments.

14. Collateral placed
Placed collateral represents cash deposits in respect of derivative and repo transactions required under Credit Support Annexes (CSAs) and Global Master Repurchase Agreements.

Group and Company	31 March 2026 USDm	31 March 2025 USDm
Collateral placed with related parties	443.6	711.9
Collateral placed with external parties	985.5	1,275.1
	1,429.1	1,987.0

In addition to the cash collateral, the Group placed collateral in the form of securities, as presented below. Such collateral is not recognised in the statement of financial position, as explained in note 1.

Group and Company	31 March 2026 USDm	31 March 2025 USDm
Regulatory collateral in respect of derivative transactions placed with third parties	115.2	131.0

Regulatory collateral is placed in accordance with requirements of the UK European Market Infrastructure Regulation in support of derivative transactions.

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15. Other debtors

	Group		Company	
	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
Prepayments	3.3	2.7	3.2	2.2
Corporation tax	2.1	19.1	2.0	18.0
Other related party debtors	30.8	44.6	39.6	55.3
Failed trades with external customers	1.6	4.8	1.6	4.8
Other external debtors	4.2	15.7	3.9	14.8
	42.0	86.9	50.3	95.1

16. Intangible assets

Computer software	Group USDm	Company USDm
Cost		
Balance at 1 April 2024	30.3	30.1
Additions	4.8	4.8
Disposals	(16.5)	(16.5)
Write-offs	(4.3)	(4.3)
Balance at 31 March 2025	14.3	14.1
Balance at 1 April 2025	14.3	14.1
Additions	0.9	0.9
Disposals	(1.6)	(1.6)
Write-offs	–	–
Balance at 31 March 2026	13.6	13.4
Accumulated amortisation and impairment losses		
Balance at 1 April 2024	12.9	12.7
Charge for the year	1.7	1.7
Disposals	(5.5)	(5.5)
Balance at 31 March 2025	9.1	8.9
Balance at 1 April 2025	9.1	8.9
Charge for the year	0.7	0.7
Disposals	–	–
Balance at 31 March 2026	9.8	9.6
Carrying amounts		
Balance as at 31 March 2025	5.2	5.2
Balance as at 31 March 2026	3.8	3.8

No internal development costs were capitalised during the year (2025: nil).

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17. Property, plant and equipment

Group	Leasehold property USDm	IT equipment USDm	Furniture and fixtures USDm	Total USDm
Cost				
Balance at 1 April 2024	5.5	6.9	1.1	13.5
Additions	0.1	–	–	0.1
Disposals	(4.3)	(0.1)	–	(4.4)
Balance at 31 March 2025	1.3	6.8	1.1	9.2
Balance at 1 April 2025	1.3	6.8	1.1	9.2
Additions	0.2	–	–	0.2
Disposals	(1.5)	(0.3)	(1.1)	(2.9)
Balance at 31 March 2026	–	6.5	–	6.5
Accumulated depreciation and impairment losses				
Balance at 1 April 2024	3.4	5.8	0.1	9.3
Depreciation for the year	1.2	0.9	0.2	2.3
Disposals	(3.9)	(0.1)	–	(4.0)
Balance at 31 March 2025	0.7	6.6	0.3	7.6
Balance at 1 April 2025	0.7	6.6	0.3	7.6
Depreciation for the year	0.3	0.2	–	0.5
Disposals	(1.0)	(0.3)	(0.3)	(1.6)
Balance at 31 March 2026	–	6.5	–	6.5
Carrying amounts				
Balance at 31 March 2025	0.6	0.2	0.8	1.6
Balance at 31 March 2026	–	–	–	–

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Company	Leasehold property USDm	IT equipment USDm	Furniture and fixtures USDm	Total USDm
Cost				
Balance at 1 April 2024	4.2	6.5	–	10.7
Additions	–	–	–	–
Disposals	(4.2)	–	–	(4.2)
Balance at 31 March 2025	–	6.5	–	6.5
Balance at 1 April 2025	–	6.5	–	6.5
Additions	–	–	–	–
Disposals	–	–	–	–
Balance at 31 March 2026	–	6.5	–	6.5
Accumulated depreciation and impairment losses				
Balance at 1 April 2024	3.2	5.6	–	8.8
Depreciation for the year	0.8	0.9	–	1.7
Disposals	(4.0)	–	–	(4.0)
Balance at 31 March 2025	–	6.5	–	6.5
Balance at 1 April 2025	–	6.5	–	6.5
Depreciation for the year	–	–	–	–
Disposals	–	–	–	–
Balance at 31 March 2026	–	6.5	–	6.5
Carrying amounts				
Balance at 31 March 2025	–	–	–	–
Balance at 31 March 2026	–	–	–	–

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Property, plant and equipment above include leased assets, analysis of which is presented below.

Leasehold property	Group USDm	Company USDm
Cost		
Balance at 1 April 2024	5.3	4.2
Additions	0.1	–
Disposals	(4.3)	(4.2)
Balance at 31 March 2025	1.1	–
Balance at 1 April 2025	1.1	–
Additions	0.2	–
Disposals	(1.3)	–
Balance at 31 March 2026	–	–
Accumulated depreciation and impairment losses		
Balance at 1 April 2024	3.4	3.2
Depreciation for the year	1.2	0.8
Disposals	(4.1)	(4.0)
Balance at 31 March 2025	0.5	–
Balance at 1 April 2025	0.5	–
Depreciation for the year	0.3	–
Disposals	(0.8)	–
Balance at 31 March 2026	–	–
Carrying amounts		
Balance at 31 March 2025	0.6	–
Balance at 31 March 2026	–	–

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18. Collateral received

Collateral received represents cash received to support either trading balances (arising from derivative and repurchase transactions) or the SMBC Group credit guarantee, explained further in note 29. Collateral is transferred with full re-hypothecation rights.

	Group		Company	
	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
Collateral received from related parties in respect of:				
- derivative transactions	607.9	970.7	590.4	945.0
- credit guarantee	1,073.5	1,375.2	1,073.3	1,375.2
	1,681.4	2,345.9	1,663.7	2,320.2
Collateral received from external parties in respect of:				
- derivative transactions	268.9	293.1	268.9	293.1
- repurchase transactions	8.1	36.1	8.1	36.1
	277.0	329.2	277.0	329.2
	1,958.4	2,675.1	1,940.7	2,649.4

In addition to the cash collateral, the Group received collateral in the form of securities, as presented below. Such collateral is not recognised in the statement of financial position, but can be used to mitigate credit risk. The table below shows the fair value amounts of these securities. The arrangement for which SMBC DP received the indemnity securities is further explained in note 28.

Group and Company	31 March 2026 USDm	31 March 2025 USDm
Collateral received from related parties:		
Independent Amount in respect of derivative transactions	754.9	790.9
SMBC DP guarantees indemnity	199.0	486.2
	953.9	1,277.1
Regulatory collateral in respect of derivative transactions received from third parties	131.7	145.8
	1,085.6	1,422.9

Independent Amount collateral is provided per International Swaps and Derivatives Association Credit Support Annex between SMBC and the Company in order to collateralise the regulatory add-on portion of the derivative exposures for regulatory capital purposes.

Margin Deficit Securities (MDS) of USD nil (2025: USD nil) were received from SMBC Nikko Securities Inc. to mitigate the residual counterparty credit risk associated with repo transactions between the companies.

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19. Other creditors

	Group		Company	
	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
Lease liabilities	-	0.6	-	-
Other related party creditors	27.6	35.8	25.6	32.0
Failed trades with external customers	0.2	0.5	0.2	0.5
Other external creditors	36.2	22.1	35.6	19.6
	64.0	59.0	61.4	52.1

20. Called up share capital

Group and Company	Allotted, called up and fully paid 31 March 2026 USDm	Allotted, called up and fully paid 31 March 2025 USDm
779 million ordinary shares of USD 1 each	779.0	779.0
360 million preference shares of USD 1 each	360.0	360.0
	1,139.0	1,139.0

21. Risk management

i) Strategy in using financial instruments

The principal activity of the Group is customer facilitation through an extensive range of OTC derivative contracts.

The Group and the Company undertake their derivatives business on either an agency basis or back-to-back basis where the market risk arising from customer trades is fully hedged on a back-to-back basis either with our US affiliate, CM Inc., or a market counterparty.

Further details are available in the Strategic Report.

ii) Cash flow and fair value risk

As the Group and the Company operate a primarily balanced derivative portfolio (subject to appropriate credit adjustments) and invest in floating rate assets funded through floating rate liabilities or capital, there is no significant exposure in the derivative portfolio to changes in cash flow or fair value due to interest rate risk.

iii) Credit risk

a) Credit quality and collateral

Credit risk represents the potential losses that the Group would incur if a counterparty failed to perform its obligations under contractual terms and collateral held was not sufficient to cover them.

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Cash at banks

Credit risk of cash at banks, appropriate to its maturity profile, is characterised by the short-term ratings of the financial institutions it was held at:

	Group		Company	
S&P rating	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
A-1+	205.0	296.1	44.2	94.8
A-1	253.5	399.0	239.3	381.7
A-2	21.1	3.0	21.1	–
	479.6	698.1	304.6	476.5

	Group		Company	
Moody's rating	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
P-1	469.5	660.9	294.5	439.3
Not rated	10.1	37.2	10.1	37.2
	479.6	698.1	304.6	476.5

Investment securities

Credit risk of investment securities is characterised by their long-term ratings:

	Group		Company	
S&P rating	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
AA+	676.3	821.3	586.3	771.4
AA	130.0	89.8	130.0	89.8
	806.3	911.1	716.3	861.2

	Group		Company	
Moody's rating	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
Aaa	188.2	821.3	98.2	771.4
Aa1	488.1	–	488.1	–
Aa3	130.0	89.8	130.0	89.8
	806.3	911.1	716.3	861.2

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Reverse repos

Credit risk on securities purchased under agreements to resell (reverse repos) arises from a potential inability of customers to fully repay the amounts they received in exchange for the underlying securities. This risk is mitigated by the quality and current value of purchased securities which serve as collateral.

The table below summarises short-term credit ratings of customers in reverse repo agreements, which corresponds to the maturity profile of these agreements:

Group and Company S&P rating	31 March 2026 USDm	31 March 2025 USDm
Related parties		
A-1	1,456.4	3,026.4
	1,456.4	3,026.4

Group and Company Moody's rating	31 March 2026 USDm	31 March 2025 USDm
Related parties		
P-1	1,456.4	3,026.4
	1,456.4	3,026.4

The table below analyses the types and fair value of securities purchased under reverse repo agreements:

Group and Company	31 March 2026 USDm Related parties	31 March 2026 USDm Total	31 March 2025 USDm Related parties	31 March 2025 USDm Total
US Treasury bills	618.7	618.7	336.9	336.9
European government bonds	241.3	241.3	468.9	468.9
Japanese government bonds	408.6	408.6	2,203.9	2,203.9
European local authority bonds	168.7	168.7	–	–
Securities purchased	1,437.3	1,437.3	3,009.7	3,009.7
Carrying value	1,456.6	1,456.6	3,026.4	3,026.4
(Under)/over-collateralised	(19.3)	(19.3)	(16.7)	(16.7)

In order to cover the residual under-collateralised credit risk, the Group held additional collateral in the form of MDS amounting to USD nil (2025: nil) and cash collateral amounting to USD 8.1 million (2025: USD 36.1 million).

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These underlying securities had the following long-term ratings at the reporting date:

Group and Company S&P rating	31 March 2026 USDm Related parties	31 March 2026 USDm Total	31 March 2025 USDm Related parties	31 March 2025 USDm Total
AAA	168.7	168.7	95.3	95.3
AA+	633.7	633.7	482.8	482.8
AA	178.5	178.5	13.5	13.5
AA-	–	–	214.3	214.3
A+	395.6	395.6	2,203.8	2,203.8
A	60.8	60.8	–	–
	1,437.3	1,437.3	3,009.7	3,009.7

Group and Company Moody's rating	31 March 2026 USDm Related parties	31 March 2026 USDm Total	31 March 2025 USDm Related parties	31 March 2025 USDm Total
Aaa	168.7	168.7	357.3	357.3
Aa1	633.7	633.7	9.5	9.5
Aa3	226.3	226.3	1,784.1	1,784.1
A1	408.6	408.6	858.8	858.8
	1,437.3	1,437.3	3,009.7	3,009.7

Derivatives

The Group's credit exposure on derivatives arises from the risk of non-performance of its counterparties in fulfilling their contractual obligations pursuant to its derivative transactions. The risk of non-performance can be directly impacted by volatile or illiquid trading markets, which may impair the counterparties' abilities to satisfy their obligations. The notional or contractual values of agreements do not represent exposure to credit risk, which is limited to the current cost of replacing the contracts with a positive market value.

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The tables below analyse the carrying value of derivative assets before reserves by long-term credit rating, in line with long-term contractual durations of these instruments:

	Group		Company	
S&P Ratings Related parties *	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
A	6,067.6	6,930.4	6,050.8	6,904.8
	6,067.6	6,930.4	6,050.8	6,904.8
External parties				
AAA	1.1	–	1.1	–
AA-	24.6	86.8	24.6	86.8
A+	268.2	227.5	268.2	227.5
A	350.0	326.2	350.0	326.2
A-	29.4	31.4	29.4	31.4
BBB+	99.4	119.4	99.4	119.4
BBB	128.9	152.2	128.9	152.2
BB+	4.6	4.9	4.6	4.9
BB-	2.7	0.7	2.7	0.7
B+	–	2.4	–	2.4
CCC	34.7	46.2	34.7	46.2
Unrated	1,142.6	1,237.1	1,142.6	1,237.1
	2,086.2	2,234.8	2,086.2	2,234.8
	8,153.8	9,165.2	8,137.0	9,139.6

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	Group		Company	
Moody's rating	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
Related parties *				
A1	6,067.6	6,930.4	6,050.8	6,904.8
	6,067.6	6,930.4	6,050.8	6,904.8
External parties				
Aaa	1.1	–	1.1	–
Aa2	36.1	72.8	36.1	72.8
Aa3	69.5	62.5	69.5	62.5
A1	558.6	460.6	558.6	460.6
A2	47.6	105.8	47.6	105.8
A3	16.2	18.4	16.2	18.4
Baa1	154.2	152.4	154.2	152.4
Baa2	57.7	111.9	57.7	111.9
Ba1	6.7	4.9	6.7	4.9
Ba2	3.5	0.7	3.5	0.7
B1	6.9	24.4	6.9	24.4
B2	–	2.4	–	2.4
Caa3	34.7	46.3	34.7	46.3
Unrated	1,093.4	1,171.7	1,093.4	1,171.7
	2,086.2	2,234.8	2,086.2	2,234.8
	8,153.8	9,165.2	8,137.0	9,139.6

* Related party balances are rated using the rating of the ultimate parent of SMBC Group.

Credit risk is further mitigated by holding cash and securities collateral for the net balance with each counterparty. Details of collateral received are disclosed in note 18.

Other trading assets

As at 31 March 2026, other trading assets include an exposure to external counterparties rated BBB and lower or unrated by S&P amounting to USD 26.1 million (2025: USD 23.9 million).

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b) Credit risk concentration

Management determines concentrations of counterparty credit risk in accordance with the Prudential Sourcebook for MiFID Investment Firms rules introduced by the FCA. Management does not believe that the Group is exposed to significant concentrations of risk identified by currency or product. The notes below analyse the concentration of credit risk by geographical areas.

Below is a geographical analysis of cash at banks by their countries of incorporation:

	Group		Company	
	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
United Kingdom	42.9	63.0	42.9	63.0
Japan	219.8	369.0	205.6	353.6
United States	80.2	130.1	55.2	59.0
Other	136.7	136.0	0.9	0.9
	479.6	698.1	304.6	476.5

Geographical analysis of investment securities is based on the countries of the issuers:

	Group		Company	
	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
United Kingdom	130.0	89.8	130.0	89.8
United States	676.3	821.3	586.3	771.4
	806.3	911.1	716.3	861.2

Geographical analysis of reverse repos is based on the countries of the counterparties:

	Group		Company	
	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
United Kingdom	1,456.6	3,026.4	1,456.6	3,026.4
	1,456.6	3,026.4	1,456.6	3,026.4

Derivative assets before reserves are analysed by reference to the countries of the customers:

	Group		Company	
	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
United Kingdom	1,697.8	1,369.0	1,697.6	1,369.0
France	144.9	132.3	144.9	132.3
Japan	995.2	740.0	995.2	740.0
Netherlands	75.8	81.1	75.8	81.1
United States	3,941.4	4,535.0	3,924.9	4,509.4
Other	1,298.7	2,307.8	1,298.6	2,307.8
	8,153.8	9,165.2	8,137.0	9,139.6

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c) Impairment

At the reporting date, the Group had no financial assets which were credit-impaired or for which credit risk had significantly increased since initial recognition.

iv) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities, at a reasonable cost. The Group and the Company have no unfunded forward commitments in the one-year period.

The tables below show maturities of undiscounted contractual cash flows in respect of financial liabilities of the Group and Company.

As at 31 March 2026 Group	Carrying value USDm	On demand USDm	Less than 1 year USDm	1 to 5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Trading liabilities, at fair value[1]	114.8	–	3.0	6.4	105.4	114.8
Securities sold under agreement to repurchase	361.7	–	361.7	–	–	361.7
Collateral received	1,958.4	–	162.6	1,113.3	686.2	1,962.1
Other creditors, excluding lease liabilities	64.0	0.2	63.3	0.5	–	64.0
	2,498.9	0.2	590.6	1,120.2	791.6	2,502.6
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[1]	8,005.6	–	888.2	2,713.7	4,403.7	8,005.6

As at 31 March 2026 Company	Carrying value USDm	On demand USDm	Less than 1 year USDm	1 to 5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Trading liabilities, at fair value[1]	114.8	–	3.0	6.4	105.4	114.8
Securities sold under agreement to repurchase	361.7	–	361.7	–	–	361.7
Collateral received	1,940.7	–	162.6	1,095.5	686.2	1,944.3
Other creditors, excluding lease liabilities	61.4	0.2	60.7	0.5	–	61.4
	2,478.6	0.2	588.0	1,102.4	791.6	2,482.2
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[1]	7,988.9	–	885.1	2,700.1	4,403.7	7,988.9

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As at 31 March 2025 Group	Carrying value USDm	On demand USDm	Less than 1 year USDm	1 to 5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Trading liabilities, at fair value[1]	130.9	–	13.9	6.0	111.0	130.9
Securities sold under agreement to repurchase	2,208.9	–	2,209.2	–	–	2,209.2
Collateral received	2,675.1	–	124.0	1,637.3	913.8	2,675.1
Other creditors, excluding lease liabilities	58.4	1.6	55.5	1.3	–	58.4
Lease liabilities	0.6	–	0.4	0.2	–	0.6
	5,073.9	1.6	2,403.0	1,644.8	1,024.8	5,074.2
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[1]	8,996.1	–	780.0	3,029.9	5,186.2	8,996.1

As at 31 March 2025 Company	Carrying value USDm	On demand USDm	Less than 1 year USDm	1 to 5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Trading liabilities, at fair value[1]	130.9	–	13.9	6.0	111.0	130.9
Securities sold under agreement to repurchase	2,208.9	–	2,209.2	–	–	2,209.2
Collateral received	2,649.4	–	98.3	1,637.3	913.8	2,649.4
Other creditors, excluding lease liabilities	52.1	1.6	49.5	1.0	–	52.1
	5,041.3	1.6	2,370.9	1,644.3	1,024.8	5,041.6
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[1]	8,970.5	–	771.3	3,013.0	5,186.2	8,970.5

1 The maturities of trading liabilities and derivative liabilities were prepared using present values rather than undiscounted cash flows.

v) Market risk

All trading instruments are subject to market risk, the potential that future changes in market conditions and other factors may create variation in the value of instruments, due to fluctuations in security prices, as well as interest and foreign exchange rates. Market risk is directly impacted by the volatility and liquidity in the markets in which the related underlying assets are traded. As the instruments are recognised at fair value, those changes directly affect reported income.

The Group and the Company undertake their derivatives business on either an agency basis or back-to-back basis where the market risk arising from customer trades is hedged either with CM Inc., or a market counterparty. Market risk arises in both the primary and the secondary securities business. It is mitigated through the monitoring and enforcing of strict position limits with short unwind periods. Businesses that are subject to market risk limits have these approved annually by the Board, and these are set out in an official Risk Appetite Statement.

The Group invests its capital in cash deposits, treasury bills and a portfolio of high quality floating rate notes; through the latter it seeks to earn an interest margin and, when the opportunity arises, to realise a profit. In addition, the Group places cash collateral with derivative trading counterparts, upon which it earns overnight interest. The Group has interest-bearing liabilities of cash collateral held on behalf of derivative trading counterparts and group borrowings.

The weighted average yield on the cash deposits was 4.17% for the year to 31 March 2026 (2025: 5.10%). The weighted average yields for the year to 31 March 2026 on floating rate notes and US Treasury securities were 4.40% (2025: 4.13%). Cash collateral

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amounts and interest rates are determined by derivative balances with respective counterparties, so the Group has a limited ability to control them, and their yields are not a primary business objective.

The Group's sensitivity to interest rates is such that a parallel increase or decrease of 100bp from year-end rates would decrease and increase net assets by USD 7.7 million and USD 6.5 million respectively (2025: decrease by USD 14.2 million and increase by USD 14.5 million).

vi) Foreign currency risk

The Group hedges its foreign exchange exposures including expenses in GBP (up to 31 March 2025) using forward exchange contracts. Further details of those contracts are disclosed in note 11.

vii) Operational risk

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

The primary objective of the Group's and the Company's Operational Risk Management Framework is to minimise the occurrence and impact of operational risk events, particularly avoiding extreme events, to support the Group's achievement of its strategic objectives.

Operational risk encompasses areas such as transaction operations, premises and security, external suppliers, payment processes, information, data quality and records management. In accordance with market practice, the Group also recognises the importance of ramifications of the way in which the Group operates its business, which might potentially lead to conduct risk failures. Consequences could be regulatory actions including fines, public reprimands, damage to reputation, increased prudential requirements, enforced temporary or permanent suspension of operations and, in extreme cases, withdrawal of authorisation to operate.

The Group has a number of operational risk management processes in place, including use of Key Risk Indicators (KRIs). The Group recognises the benefits of using scenario analysis to assess and manage the exposure to high severity, low frequency events to determine the nature of operational risk losses which could potentially arise in the future.

22. Offsetting financial assets and financial liabilities

The disclosure below demonstrates the effect and potential effect of netting arrangements on the Group's financial position.

Financial assets and liabilities should be offset when, and only when, there is a legally enforceable right to set off and intention to settle on a net basis.

Amounts which meet the offsetting criteria comprise derivative assets and liabilities within a settlement-to-market (STM) arrangement, under which the parties settle on a daily basis their net mark-to-market exposures by making payments equal to the amount of the exposure, with no further recourse to the transferred funds.

As for amounts which do not meet the offsetting criteria including financial assets and financial liabilities, they are subject to an enforceable master netting arrangement or similar agreement. The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position, because they create a right to set off that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

In the tables below, the amounts which do not meet the offsetting criteria and collateral have been capped for each counterparty as follows:

- Trading balances: at the lower of assets and liabilities.
- Cash collateral: at the net balance after offsetting assets and liabilities and
- Non-cash collateral: at the residual balance after offsetting assets, liabilities and cash collateral.

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As at 31 March 2026 Group	Gross recognised amounts USDm	Amounts that meet the offsetting criteria USDm	Amounts in the statement of financial position USDm	Amounts that do not meet the offsetting criteria USDm	Capped cash collateral USDm	Capped non-cash collateral USDm	Net amount USDm
Derivative assets (excluding reserves)	10,718.2	(2,564.4)	8,153.8	(6,369.1)	(837.3)	–	947.4
Reverse repurchase agreements	1,456.6	–	1,456.6	(39.8)	(8.1)	(1,397.7)	11.0
	12,174.8	(2,564.4)	9,610.4	(6,408.9)	(845.4)	(1,397.7)	958.4
Derivative liabilities (excluding reserves)	10,528.5	(2,522.9)	8,005.6	(6,369.1)	(1,022.4)	(7.4)	606.7
Repurchase agreements	361.7	–	361.7	(39.8)	–	(315.2)	6.7
	10,890.2	(2,522.9)	8,367.3	(6,408.9)	(1,022.4)	(322.6)	613.4

As at 31 March 2026 Company	Gross recognised amounts USDm	Amounts that meet the offsetting criteria USDm	Amounts in the statement of financial position USDm	Amounts that do not meet the offsetting criteria USDm	Capped cash collateral USDm	Capped non-cash collateral USDm	Net amount USDm
Derivative assets (excluding reserves)	10,701.4	(2,564.4)	8,137.0	(6,369.0)	(819.7)	–	948.3
Reverse repurchase agreements	1,456.6	–	1,456.6	(39.8)	(8.1)	(1,397.7)	11.0
	12,158.0	(2,564.4)	9,593.6	(6,408.8)	(827.8)	(1,397.7)	959.3
Derivative liabilities (excluding reserves)	10,511.8	(2,522.9)	7,988.9	(6,369.0)	(1,022.4)	(7.4)	590.1
Repurchase agreements	361.7	–	361.7	(39.8)	–	(315.2)	6.7
	10,873.5	(2,522.9)	8,350.6	(6,408.8)	(1,022.4)	(322.6)	596.8

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As at 31 March 2025 Group	Gross recognised amounts USDm	Amounts that meet the offsetting criteria USDm	Amounts in the statement of financial position USDm	Amounts that do not meet the offsetting criteria USDm	Capped cash collateral USDm	Capped non-cash collateral USDm	Net amount USDm
Derivative assets (excluding reserves)	11,468.6	(2,303.4)	9,165.2	(6,758.1)	(1,187.0)	(1.7)	1,218.4
Reverse repurchase agreements	3,026.4	–	3,026.4	(49.6)	(36.1)	(2,940.7)	–
	14,495.0	(2,303.4)	12,191.6	(6,807.7)	(1,223.1)	(2,942.4)	1,218.4
Derivative liabilities (excluding reserves)	11,282.5	(2,286.4)	8,996.1	(6,758.1)	(1,596.3)	(8.2)	633.5
Repurchase agreements	2,208.9	–	2,208.9	(49.6)	–	(2,132.3)	27.0
	13,491.4	(2,286.4)	11,205.0	(6,807.7)	(1,596.3)	(2,140.5)	660.5

As at 31 March 2025 Company	Gross recognised amounts USDm	Amounts that meet the offsetting criteria USDm	Amounts in the statement of financial position USDm	Amounts that do not meet the offsetting criteria USDm	Capped cash collateral USDm	Capped non-cash collateral USDm	Net amount USDm
Derivative assets (excluding reserves)	11,443.0	(2,303.4)	9,139.6	(6,758.1)	(1,161.4)	(1.7)	1,218.4
Reverse repurchase agreements	3,026.4	–	3,026.4	(49.6)	(36.1)	(2,940.7)	–
	14,469.4	(2,303.4)	12,166.0	(6,807.7)	(1,197.5)	(2,942.4)	1,218.4
Derivative liabilities (excluding reserves)	11,256.9	(2,286.4)	8,970.5	(6,758.1)	(1,596.3)	(8.2)	607.9
Repurchase agreements	2,208.9	–	2,208.9	(49.6)	–	(2,132.3)	27.0
	13,465.8	(2,286.4)	11,179.4	(6,807.7)	(1,596.3)	(2,140.5)	634.9

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23. Fair value hierarchy

IFRS 13 establishes a hierarchy of valuation inputs used for the fair value measurement of financial instruments. It also encourages the use of higher levels of inputs where possible. These valuation levels are often perceived as indicators of the quality and liquidity of financial instruments:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable, either directly or indirectly.
- Level 3: Unobservable inputs.

Where an instrument is measured using a combination of inputs, its classification is determined by the lowest level of inputs which make a significant contribution to the overall value.

When available, the Group uses quoted market prices in active markets to determine fair value and classifies such items within Level 1.

In some cases where no market price is available the Group will make use of acceptable practical expedients such as matrix pricing to calculate fair value, in which case the items are classified within Level 2.

If quoted market prices are not available, fair value is based upon internally developed models that use current independently sourced market parameters such as interest rates, exchange rates and option volatilities, the valuation model used depends upon the specific asset or liability being valued. The determination of fair value considers various factors, including interest rate yield curves, time value and volatility factors, underlying options and derivatives and price activity for equivalent synthetic instruments.

The majority of derivative transactions entered by the Group are executed OTC and so are valued using internal valuation techniques, as no quoted market prices exist for such instruments. The valuation technique and inputs depend on the type of derivative and the nature of the underlying reference instrument. The principal techniques used to value these instruments are discounted cash flows, Black–Scholes and Monte Carlo simulation.

The key inputs depend upon the type of derivative and the nature of the underlying instrument, and include interest rate yield curves, exchange rates, the spot price of the underlying instrument and volatility. A given position is categorised as Level 2 or Level 3 depending on the observability of the significant inputs to the model. Where a valuation incorporates material inputs that are not based on observable market data, it will be classified as Level 3. Unobservable inputs are determined with reference to observable inputs, historical observations (of, for example, correlations) or the use of other analytical techniques.

Fair values of financial instruments measured at amortised cost approximate their carrying values.

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The following tables present the fair value hierarchy of financial assets and liabilities, measured at fair value in the statement of financial position, as at 31 March 2026 and 31 March 2025:

As at 31 March 2026	Level 1 USDm	Level 2 USDm	Level 3 USDm	Total USDm
Group				
Financial assets				
Investment securities	806.3	–	–	806.3
Derivative assets	–	8,140.3	–	8,140.3
Other trading assets	–	32.0	–	32.0
	806.3	8,172.3	–	8,978.6
Financial liabilities				
Investment securities	–	–	–	–
Derivative liabilities	–	7,960.3	14.3	7,974.6
Other trading liabilities	–	114.8	–	114.8
	–	8,075.1	14.3	8,089.4
Company				
Financial assets				
Investment securities	716.3	–	–	716.3
Derivative assets	–	8,123.5	–	8,123.5
Other trading assets`	–	32.0	–	32.0
	716.3	8,155.5	–	8,871.8
Financial liabilities				
Derivative liabilities	–	7,943.7	14.3	7,958.0
Other trading liabilities	–	114.8	–	114.8
	–	8,058.5	14.3	8,072.8

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As at 31 March 2025	Level 1 USDm	Level 2 USDm	Level 3 USDm	Total USDm
Group				
Financial assets				
Investment securities	911.1	–	–	911.1
Derivative assets	–	9,149.8	–	9,149.8
Other trading assets	–	37.2	–	37.2
	911.1	9,187.0	–	10,098.1
Financial liabilities				
Investment securities	–	–	–	–
Derivative liabilities	–	8,968.9	–	8,968.9
Other trading liabilities	–	130.9	–	130.9
	–	9,099.8	–	9,099.8
Company				
Financial assets				
Investment securities	861.2	–	–	861.2
Derivative assets	–	9,124.1	–	9,124.1
Other trading assets	–	37.2	–	37.2
	861.2	9,161.3	–	10,022.5
Financial liabilities				
Derivative liabilities	–	8,943.3	–	8,943.3
Other trading liabilities	–	130.9	–	130.9
	–	9,074.2	–	9,074.2

Amounts classified as Level 3 at 31 March 2026 comprise certain swaptions. The unobservable parameters for these swaptions are volatility and constant maturity swap (CMS) correlation. We determined reasonable shifts based on the dispersion of CMS correlation and volatility. The shifts applied to the sensitivities of the unobservable parameters led to changes in fair value greater than 5%, and thus Level 3.

During the prior year, the swaps transferred from Level 3 represent vanilla derivative trades whose notional size is expected to be reduced before the maturity date (e.g. through syndication of the trade). A reserve has therefore been created in respect of the future cash flows that are not expected to occur as a result of the reduction to the notional trade size. The swaps are valued using inputs that are readily observable in the market, except only for the expected notional size reduction which is an internally known factor and therefore not an externally observable input. Under IFRS 13, the value of the observable mark-to-market valuation and unobservable reserve are considered to be one accounting unit, and, where the reserve represents a significant portion of the total value of the unit, the entire unit is classified as Level 3. The reserves are periodically re-measured and if their share in the total value changes between significant and insignificant, the trades move in and out of Level 3.

As at 31 March 2026, the trades transferred into Level 3 were USD 14.3 million (2025: USD 1.1 million transferred from Level 3).

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The following table provides a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using significant unobservable inputs for the year ended 31 March 2026. The trades were transferred to Level 3 because their unobservable inputs became significant or insignificant relevant to the overall valuation at the reporting date. Transfers are effective at the end of the reporting period.

As at 31 March 2026 Group and Company	1 April 2025 USDm	Settlements USDm	Realised gains/(losses) USDm	Unrealised gains/(losses) USDm	Transfers in/(out) USDm	31 March 2026 USDm
Assets:						
Interest rate swaps	–	–	–	–	14.3	14.3
Other trading instruments	–	–	–	–	–	–
Total assets at fair value	–	–	–	–	14.3	14.3

	1 April 2025 USDm	Settlements USDm	Realised gains/(losses) USDm	Unrealised gains/(losses) USDm	Transfers in/(out) USDm	31 March 2026 USDm
Liabilities:						
Interest rate swaps	–	–	–	–	14.3	14.3
Other trading instruments	–	–	–	–	–	–
Total liabilities at fair value	–	–	–	–	14.3	14.3

As at 31 March 2025 Group and Company	1 April 2024 USDm	Settlements USDm	Realised gains/(losses) USDm	Unrealised gains/(losses) USDm	Transfers in/(out) USDm	31 March 2025 USDm
Assets:						
Interest rate swaps	–	–	–	–	–	–
Options	–	–	–	–	–	–
Other trading instruments	1.1	–	–	(0.5)	(0.6)	–
Total assets at fair value	1.1	–	–	(0.5)	(0.6)	–

	1 April 2024 USDm	Settlements USDm	Realised gains/(losses) USDm	Unrealised gains/(losses) USDm	Transfers in/(out) USDm	31 March 2025 USDm
Liabilities:						
Interest rate swaps	–	–	–	–	–	–
Other trading instruments	1.1	–	–	(0.5)	(0.6)	–
Total liabilities at fair value	1.1	–	–	(0.5)	(0.6)	–

The following table provides information about significant unobservable inputs for Level 3 fair value measurements:

Year	Instrument	Valuation techniques	Unobservable inputs
31 March 2025	Other trading instruments	Internal swap model	Expected reduction to notional size before maturity
31 March 2026	Derivatives	Internal swap-option model	Volatility and CMS Correlation

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The Product Control Department is responsible for the valuation policies and procedures. This department is responsible for verifying valuations of the Company's derivatives and securities, and reports into the Company's Chief Financial Officer. The Company's Risk Management Department is responsible for managing model risk and its related policies and procedures, and reports into the Company's Chief Risk Officer. As all models are owned by the front office under the supervision and reporting lines of the Head Trader, independence in the validation process is maintained. All changes in existing models are reported to the Risk Management Department and approved by the Model Validation Group (MVG). Model use and changes to models are approved by the EMEA Model Risk Management Committee (EMEA MRMC), to which the MVG makes its recommendations. The EMEA MRMC broader membership extends to include representatives from the Group, which also supports independence within the validation process. Pricing models are validated based on assigned tiers. Tier 1 models are validated annually, Tier 2 models are validated every two years and Tier 3 models are validated every three years. Stress tests are run on a weekly or monthly basis.

24. Classification of financial assets and financial liabilities

Financial instruments at the reporting date are classified in accordance with IFRS 9.

Group As at 31 March 2026	Amortised cost USDm	FVTPL USDm	FVOCI USDm	Total USDm
Assets				
Cash at banks	479.6	–	–	479.6
Investment securities	–	90.0	716.3	806.3
Other trading assets, at fair value	–	32.0	–	32.0
Derivative assets	–	8,140.3	–	8,140.3
Securities purchased under agreements to resell	1,456.6	–	–	1,456.6
Collateral placed	1,429.1	–	–	1,429.1
Other debtors	42.0	–	–	42.0
Total assets	3,407.3	8,262.3	716.3	12,385.9
Liabilities				
Derivative liabilities	–	7,974.6	–	7,974.6
Other trading liabilities, at fair value	–	114.8	–	114.8
Securities sold under agreements to repurchase	361.7	–	–	361.7
Collateral received	1,958.4	–	–	1,958.4
Other creditors	64.0	–	–	64.0
Total liabilities	2,384.1	8,089.4	–	10,473.5

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued
For the year ended 31 March 2026

Company As at 31 March 2026	Amortised cost USDm	FVTPL USDm	FVOCI USDm	Total USDm
Assets				
Cash at banks	304.6	–	–	304.6
Investment securities	–	–	716.3	716.3
Other trading assets, at fair value	–	32.0	–	32.0
Derivative assets	–	8,123.5	–	8,123.5
Securities purchased under agreements to resell	1,456.6	–	–	1,456.6
Collateral placed	1,429.1	–	–	1,429.1
Other debtors	50.3	–	–	50.3
Total assets	3,240.6	8,155.5	716.3	12,112.4
Liabilities				
Derivative liabilities	–	7,958.0	–	7,958.0
Other trading liabilities, at fair value	–	114.8	–	114.8
Securities sold under agreements to repurchase	361.7	–	–	361.7
Collateral received	1,940.7	–	–	1,940.7
Other creditors	61.4	–	–	61.4
Total liabilities	2,363.8	8,072.8	–	10,436.6

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2026

Group As at 31 March 2025	Amortised cost USDm	FVTPL USDm	FVOCI USDm	Total USDm
Assets				
Cash at banks	698.1	–	–	698.1
Investment securities	–	49.9	861.2	911.1
Other trading assets, at fair value	–	37.2	–	37.2
Derivative assets	–	9,149.8	–	9,149.8
Securities purchased under agreements to resell	3,026.4	–	–	3,026.4
Collateral placed	1,987.0	–	–	1,987.0
Other debtors	86.9	–	–	86.9
Total assets	5,798.4	9,236.9	861.2	15,896.5
Liabilities				
Derivative liabilities	–	8,968.9	–	8,968.9
Other trading liabilities, at fair value	–	130.9	–	130.9
Securities sold under agreements to repurchase	2,208.9	–	–	2,208.9
Collateral received	2,675.1	–	–	2,675.1
Other creditors	59.0	–	–	59.0
Total liabilities	4,943.0	9,099.8	–	14,042.8

Company As at 31 March 2025	Amortised cost USDm	FVTPL USDm	FVOCI USDm	Total USDm
Assets				
Cash at banks	476.5	–	–	476.5
Investment securities	–	–	861.2	861.2
Other trading assets, at fair value	–	37.2	–	37.2
Derivative assets	–	9,124.1	–	9,124.1
Securities purchased under agreements to resell	3,026.4	–	–	3,026.4
Collateral placed	1,987.0	–	–	1,987.0
Other debtors	95.1	–	–	95.1
Total assets	5,585.0	9,161.3	861.2	15,607.5
Liabilities				
Derivative liabilities	–	8,943.3	–	8,943.3
Other trading liabilities, at fair value	–	130.9	–	130.9
Securities sold under agreements to repurchase	2,208.9	–	–	2,208.9
Collateral received	2,649.4	–	–	2,649.4
Other creditors	52.1	–	–	52.1
Total liabilities	4,910.4	9,074.2	–	13,984.6

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued
For the year ended 31 March 2026

25. Obligations under operating leases
Operating lease commitments represent leases which do not meet the recognition criteria of IFRS 16. Annual commitments under such leases at the reporting date are as follows:

Group and Company	Land and buildings 31 March 2026 USDm	Land and buildings 31 March 2025 USDm
Operating leases which expire:		
Within one year	0.1	0.1
	0.1	0.1

26. Regulatory capital (unaudited)
Both the Group and the Company are subject to the FCA's 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.

The primary objective of the Group's and the Company's capital management is to ensure compliance with capital requirements imposed by the FCA. Regulatory capital comprises ordinary share capital, share premium, retained earnings (including externally verified interim profits) as Common Equity Tier 1 (CET1) capital and perpetual non-cumulative preference shares qualifying as Additional Tier 1 (AT1) capital. The business must maintain own funds ratio, the proportion of relevant capital to the IFPR own funds requirement above the FCA prescribed thresholds.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2026

The table below summarises the Group and the Company's capital adequacy positions:

	Group		Company	
	31 March 2026 USDm	31 March 2025 USDm	31 March 2026 USDm	31 March 2025 USDm
Common equity tier 1 (CET1) capital				
Called up share capital	779.0	779.0	779.0	779.0
Share premium	165.0	165.0	165.0	165.0
Retained earnings	611.6	552.9	575.0	522.7
Other reserves	1.9	3.9	1.9	3.9
	1,557.5	1,500.8	1,520.9	1,470.6
CET1 regulatory adjustments				
Intangible assets	(3.8)	(5.2)	(3.8)	(5.2)
Cash flow hedges	–	–	–	–
Other	(37.8)	(28.7)	(33.9)	(28.7)
CET1 instruments of financial sector entities where the institution has a significant investment	–	–	–	–
	(41.6)	(33.9)	(37.7)	(33.9)
Total CET1 capital	1,515.9	1,466.9	1,483.2	1,436.7
Additional tier 1 (AT1) capital				
Perpetual non-cumulative preference shares	360.0	360.0	360.0	360.0
Other adjustments	–	–	–	–
Tier 2 (T2) capital	360.0	360.0	360.0	360.0
Total tier 2 capital	–	–	–	–
Total own funds (A)	1,875.9	1,826.9	1,843.2	1,796.7
IFPR own funds requirement (B)	129.8	136.9	129.6	136.4
Own funds ratio*	1,444.9%	1,334.5%	1,421.8%	1,317.2%

* Own funds ratio is defined as own funds divided by IFPR own funds requirement, expressed as a percentage.

The Group and the Company utilise number of approaches to ensure that they remain compliant with the overall financial adequacy rule under IFPR.

Foremost is the annual assessment of own funds (regulatory capital) and liquidity adequacy conducted during the Internal Capital Adequacy and Risk Assessment process, which considers the Group and 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 Group's and Company's business lines and balance sheet. The Group and Company then ensure that the current level of financial resources is adequate to remain a going concern during this period under all scenarios considered.

Management believes that the Group and the Company have complied with externally imposed capital requirements throughout the period.

Further details of the Company's own funds, own funds requirements and remuneration information can be found in the Company's IFPR Disclosure Document. This report is published on the SMBC Group's corporate website for the EMEA (www.smbcgroup.com/emea/about/Notices-and-reporting).

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2026

27. Country-by-country reporting

The Capital Requirements Regulations 2013 (country-by-country reporting or CBCR) came into effect on 1 January 2014. The requirements impose certain reporting obligations on credit institutions and investments firms within the UK and within the scope of EU Capital Requirements Directive IV. The Group country-by-country report is presented below.

Information on Group entities:

Entity	Country of incorporation	Country of tax residence	Main activities
SMBC Nikko Capital Markets Limited	United Kingdom	United Kingdom	Investment banking
SMBC Derivative Products Limited	United Kingdom	United Kingdom	Investment banking
SMBC Capital Markets (Asia) Limited*	Hong Kong	Hong Kong	Agency and intermediary services
SMBC Nikko Capital Markets Limited, Hong Kong branch	United Kingdom	n/a	Agency and intermediary services

* Sold during the year (see note 33)

Basis of preparation:

Revenue: The Group defines revenue as its total net trading, fee and interest income.

Corporation tax paid: The cash amount of corporation tax paid in each country in the year.

Public subsidies received: In the context of CBCR, this is interpreted as direct support by the Government. There were no subsidies received by the Group in the year (2025: nil).

Number of employees: Employee numbers reported reflect the number of employees on a FTE basis.

As at 31 March 2026	United Kingdom USDm	Hong Kong USDm	United Arab Emirates USDm	Group USDm
Total revenue	149.6	5.0	–	154.6
Profit/(loss) before tax	83.2	–	–	83.2
Corporation tax paid/(received)	9.9	–	–	9.9
Average number of employees	–	10	–	10

As at 31 March 2025	United Kingdom USDm	Hong Kong USDm	United Arab Emirates USDm	Group USDm
Total revenue	140.2	7.6	1.3	149.1
Profit/(loss) before tax	(4.4)	0.1	0.1	(4.2)
Corporation tax paid/(received)	22.4	(0.8)	–	21.6
Average number of employees	71	15	2	88

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2026

28. Related party transactions

Related parties of the Group comprise subsidiaries and affiliates of the wider SMBC Group and Directors of the Group. The tables below set out related party balances at the reporting date and transactions during the year.

	31 March 2026 USDm	31 March 2025 USDm
Sumitomo Mitsui Banking Corporation – parent		
Balances receivable/(payable) at year-end		
Cash at banks	2.2	33.7
Net derivative assets	(168.5)	(627.6)
Collateral placed	213.1	660.0
Collateral received	(1,073.5)	(1,375.1)
Other assets/(liabilities)	(0.2)	–
Amounts outside the statement of financial position		
Independent Amount securities received (note 18)	754.9	790.9
Guaranteed derivative balances (note 29, 30)	1,063.5	1,208.1
Income/(expense) during the year		
Gain/(Loss) on derivative instruments	540.1	(156.9)
Interest income	11.5	42.5
Other operating income	1.0	–
Interest expense	(51.3)	(159.7)
Fees and commissions received	6.8	33.9
Fees and commissions paid	(1.6)	(1.1)
Other expenses	(1.4)	(1.2)

	31 March 2026 USDm	31 March 2025 USDm
SMBC Nikko Securities Inc. – parent		
Balances receivable/(payable) at year-end		
Other receivables – reimbursements	–	0.5
Other Assets – Others	0.1	
Other payables – securities trading fees	–	(0.8)
Other Liabilities – Others	(0.1)	
Income/(expense) during the year		
Interest income on securities under resale agreements	–	179.2
Fees and commission on securities trading	–	6.7
Reimbursements	–	1.8
Interest expense on securities under repurchase agreements	–	(5.6)
Other fees and commissions paid	–	(0.1)
Other expenses	–	(0.4)

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For the year ended 31 March 2026

	31 March 2026 USDm	31 March 2025 USDm
SMBC Capital Markets Inc.		
Balances receivable/(payable) at year-end		
Accrued interest receivable	2.7	–
Other assets – agency fees	7.4	12.8
Net derivative assets/(liabilities)	619.2	887.9
Securities sold under repurchase agreements	(321.8)	(2,159.3)
Trading instruments net liabilities	(78.5)	(84.0)
Collateral received	(607.9)	(814.8)
Accrued expenses payable – guarantee fees/agency fees	(5.8)	(17.6)
Amounts outside the statement of financial position		
Termination value of guaranteed transactions *	199.0	341.0
Guarantee indemnity securities (note 18) *	344.7	486.2
Income/(expense) during the year		
(Loss)/gain on derivative instruments	(666.0)	(142.0)
Interest (expense)/income	(17.5)	(48.5)
Fees and commissions on agency trading	2.2	3.8
(Loss)/gain on trading instruments	(4.3)	(2.3)
Other operating income – guarantee termination/intermediation fees	4.1	6.8
Fees and commissions on securities trading	(0.2)	(0.3)
Other operating expenses	(3.9)	(2.0)

* In the ordinary course of business, SMBC DP guarantees the performance of its affiliate, CM Inc., in relation to interest rate caps sold by CM Inc. to third parties. To protect itself against the risk, SMBC DP has obtained an indemnity from CM Inc. To support this indemnity, CM Inc. pledges securities collateral in the form of US Treasury bills. The guarantees are accounted for as financial guarantees.

	31 March 2026 USDm	31 March 2025 USDm
SMBC Nikko Securities America Inc.		
Balances receivable/(payable) at year-end		
Accrued income receivable	0.2	2.2
Other assets	–	0.1
Accrued securities trading fees and agency fees	–	(1.0)
Other liabilities	–	(1.1)
Income/(expense) during the year		
Interest income on securities under resale agreements	–	0.4
Fees and commission income on securities trading	0.1	4.4
Interest expense on securities under repurchase agreements	–	(5.8)
Fees and commissions expense on securities trading	–	(3.8)
Fees and commissions – Other fees and commission paid	(0.1)	–
Other operating expenses	–	(0.3)

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2026

	31 March 2026 USDm	31 March 2025 USDm
SMBC Bank International plc		
Balances receivable/(payable) at year-end		
Cash at banks	32.7	25.6
Securities purchased under resale agreements	1,456.6	3,026.4
Collateral placed	15.3	51.9
Net derivative instruments	(5.9)	(51.8)
Other assets	–	18.1
Securities sold under repurchase agreements	(39.8)	(49.6)
Other liabilities	(11.4)	(3.6)
Income/(expense) during the year		
Gain/(Loss) on derivative instruments	63.7	24.6
Interest income	30.8	70.3
Interest expense	(1.4)	(118.3)
Other operating expenses	(27.5)	(43.0)

	31 March 2026 USDm	31 March 2025 USDm
SMBC Nikko Securities (Hong Kong) Limited		
Balances receivable/(payable) at year-end		
Accrued expenses payable	–	(0.1)
Other liabilities	(0.1)	(0.7)
Income/(expense) during the year		
Fees and commission on securities trading	–	(1.8)
Other fees and commissions paid	–	(0.1)
Other non-personnel expenses	–	(0.5)

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2026

	31 March 2026 USDm	31 March 2025 USDm
SMBC Bank EU AG		
Balances receivable/(payable) at year-end		
Net derivative assets/liabilities	(182.5)	156.4
Collateral placed	215.3	-
Other receivables	–	15.9
Collateral received	–	(156.0)
Other assets	19.1	-
Other liabilities	(0.3)	-
Other payables	(2.3)	(1.8)***
Income/(expense) during the year		
Fees and commission on securities trading	–	1.4
Gain/(loss) on derivative instruments	28.0	(20.3)
Other operating income	2.6	6.5
Interest income	0.2	0.9
Interest expense	(4.7)	(2.8)
Other fees and commissions paid	(0.2)	(5.2)

*** The prior year presentation of other payables has been updated

	31 March 2026 USDm	31 March 2025 USDm
The Bank of East Asia, Limited		
Balances receivable/(payable) at year-end		
Cash at banks	–	3.0

	31 March 2026 USDm	31 March 2025 USDm
DMG MORI Finance GmbH		
Balances receivable/(payable) at year-end		
Derivative liabilities	–	(0.2)

Other related parties include unconsolidated structured entities, income from which is disclosed in note 32, and the Group's Directors, whose emoluments are disclosed in note 5.

29. Credit guarantee

The Group has entered into unconditional guarantee arrangements with SMBC, acting through its Cayman and Tokyo branches, under which SMBC is obliged to make the full and prompt payment of any net termination payment payable to the Group under any of the ISDA Master Agreements with specific guaranteed counterparties, totalling USD 1,063.5 million (2025: USD 1,208.1 million). In order to support the guarantee, SMBC has provided the Group cash collateral, disclosed in note 18.

The Group pays an upfront full fee amount of the guaranteed transaction in respect of the expected life of the transaction, computed on a fair value basis. In the case of an agreed termination of an existing guarantee, the Group receives a

SMBC Nikko Capital Markets Limited
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For the year ended 31 March 2026

proportionate reimbursement of the upfront guarantee fee and records a CVA reserve to ensure that the value of derivative contracts reflects counterparty credit risk.Below is the amount of credit guarantees in profit or loss:

	Year ended 31 March 2026 USDm	Year ended 31 March 2025 USDm
(Received from)/paid to related parties	(6.4)	(33.8)
Paid to external parties	–	81.0
Net guarantee fees	(6.4)	47.2

30. Borrowing facilities

In 2017, SMBC and the Group signed agreements to provide the Group with a USD 2.0 billion multi-currency uncommitted rolling facility, currently provided by SMBC London Branch, and a JPY 300.0 billion uncommitted rolling facility. The facilities were unused during the current or prior year. Therefore, the JPY facility agreement was terminated in October 2025 as the securities business, for which the agreement was arranged, had been transferred to SMBC BI plc in 2024.

The Group has an earlier agreement with SMBC made in 2010 to provide the Group with a USD 250.0 million multi-currency revolving committed facility which can be terminated by either party at six months' notice. For this, the Group pays a fee of 0.05% per annum on the undrawn amount of the facility. The facility was unused during the current or prior year.

SMBC acts as guarantor for some of the Group's transactions. For this, the Group pays a fee based on the notional amount, maturity and deal type for each transaction, as detailed in note 29.

Under a loan agreement dated 18 April 2016, CM Inc. has committed to providing SMBC DP with a USD 200.0 million revolving credit facility for a five-year period. The facility was renewed in April 2026 for another five-year period. A commitment fee of 0.1% per year on the amount of the undrawn facility is payable to CM Inc. until the maturity date of the agreement. As at 31 March 2026 and 31 March 2025, the entire facility was unused.

In December 2021, SMBC Nikko agreed to provide SMBC DP with a USD 10.0 million uncommitted short-term multi-currency liquidity facility, renewed annually. In December 2022, the facility was amended to increase its size to USD 50.0 million to accommodate SMBC DP's liquidity requirement. As at 31 March 2026, USD 9.0 million (2025: USD 8.4 million) of the facility was lent.

As explained in note 28, SMBC DP guarantees interest rate caps of CM Inc. In return, CM Inc. provides an indemnity to SMBC DP supported by collateral in the form of US Treasury bills.

SMBC DP, as an AA-/Aa1 derivative product company, is required by Moody's and S&P to have a Contingent Manager. Under such an agreement, an unaffiliated derivatives dealer would provide portfolio management and other general services to the firm in the event that the long-term senior rating of Sumitomo Mitsui Banking Corporation (SMBC) is downgraded to Baa3 or below by Moody's, or the event that SMBC's short-term rating is downgraded to P-3 or below by Moody's, or the event that the long-term senior rating of SMBC is downgraded to BB or below by S&P, or the event that SMBC's short-term rating is downgraded to B or below by S&P. On 7 December 2025, the Contingent Manager Agreement with BlackRock Financial Management, Inc. rolled for 12 months as no notice to terminate was issued by SMBC DP.

31. Investment in subsidiary undertakings

The Company holds a USD 200.0 million investment in the ordinary shares of SMBC Derivative Products Limited, a 100% subsidiary, incorporated in England and Wales, registered office 100 Liverpool Street, London, EC2M 2AT and had divested USD 2.0 million in the ordinary shares of SMBC Capital Markets (Asia) Limited, a 100% subsidiary, on 1 November 2025. SMBC Capital Markets (Asia) Limited was incorporated in Hong Kong, registered office 7/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong. The results of both of these have been included in these Group financial statements. Further details of the sale of SMBC Capital Markets (Asia) Limited can be found in note 33.

SMBC Nikko Capital Markets Limited
Notes to the Financial Statements continued

For the year ended 31 March 2026

32. Sponsored unconsolidated structured entities

The Group sponsors certain structured entities in which it has no interest. The Group is deemed to be a sponsor of a structured entity when it takes a leading role in determining its purpose and design and provides operational support to ensure its continued operation.

Income from sponsored unconsolidated structured entities, where the Group did not have an interest at the end of the year, amounted to a loss of USD 2.3 million (2025: loss of USD 3.1 million).

33. Sale of subsidiary – SMBC Capital Markets (Asia) Limited

As at 31 March 2025, the Group announced its intention to sell its subsidiary, SMBC Capital Markets (Asia) Limited, to its minority parent SMBC Nikko Securities Inc, with effective date 31 October 2025. The sale was fully completed on 1 November 2025 and resulted in a USD 3.3 million consolidated Group gain on disposal.

Below is the analysis of major classes of assets and liabilities at the time of sale along with the cash flow on disposal.

Analysis of assets and liabilities over which control was lost:

	USDm
Non-current assets:	1.3
Cash and cash equivalents	5.7
Other current assets	0.4
Other current liabilities	(1.6)
Net assets disposed:	5.9

Analysis of cash flow on disposal:

	Group USDm	Company USDm
Total consideration received	9.2	9.2
Less: Net assets disposed/investment disposed	(5.9)	(2.0)
Gain on disposal of subsidiary	3.3	7.2

Analysis of Statement of Profit and Loss of SMBC Capital Markets (Asia) Limited is per below:

Statement of Profit and Loss	Year ended 31 March 2026 USDm	Year ended 31 March 2025 USDm
Income	5.0	7.6
Operating expenses	(5.0)	(7.5)
Profit/(loss) before taxation	–	0.1
Taxation	(0.2)	(0.9)
Profit/(loss) after taxation	(0.2)	(0.7)

34. Ultimate parent undertaking and controlling party

The Company's immediate parent is Sumitomo Mitsui Banking Corporation. The Company's ultimate parent is Sumitomo Mitsui Financial Group Inc, incorporated in Japan. It is the largest Group of which this Company is a member and which has included this Company in its Group financial statements. Copies of these financial statements can be obtained from the following address:

1-2 Marunouchi
1-chome
Chiyoda-ku
Tokyo, Japan

SMBC Nikko Capital Markets Limited
Forward-looking statements and sustainability matters

Forward-looking statements

This annual report contains certain forward-looking statements with respect to the financial condition, results of operations, and business of the Company and SMBC Group. Forward-looking statements may be made in writing but also may be made verbally by members of the management of SMBC Group in connection with this document.

Words such as 'may', 'will', 'continue', 'aim', 'target', 'projected', 'expect', 'anticipate', 'intend', 'plan', 'goal', 'believe', 'seek', 'estimate', 'achieve', 'potential' and variations of these words are intended to identify forward-looking statements.

The Company and SMBC Group make no commitment to revise or update publicly any forward-looking statements. Forward-looking statements may be affected by, among other things, changes in legislation; the development of standards and interpretations under IFRS; the outcome of current and future legal proceedings and regulatory investigations; the policies and actions of governmental and regulatory authorities; SMBC Group's ability to manage the impacts of climate change effectively; geopolitical risks; and the impact of competition. A number of these factors are beyond the control of the Company and SMBC Group. As a result, the Company and SMBC Group's actual financial position, future results, capital distributions, capital, leverage or other regulatory ratios, or other financial and non-financial metrics or performance measures may differ materially from the statements or guidance set forth in the Company's and SMBC Group's forward-looking statements.

Sustainability matters

Investment and financing decisions, including those with sustainability considerations, are made in accordance with the Company's and SMBC Group's independently determined policies and practices, which are designed to support risk management and other investment, financing and commercial objectives. Any engagement by the Company or SMBC Group with other entities or organisations on sustainability-related, or other matters, is conducted in accordance with the Company's and SMBC Group's own policies and judgements. All sustainability-related decisions are made in compliance with the applicable legal requirements in each relevant jurisdiction.

SMBC

SMBC Group