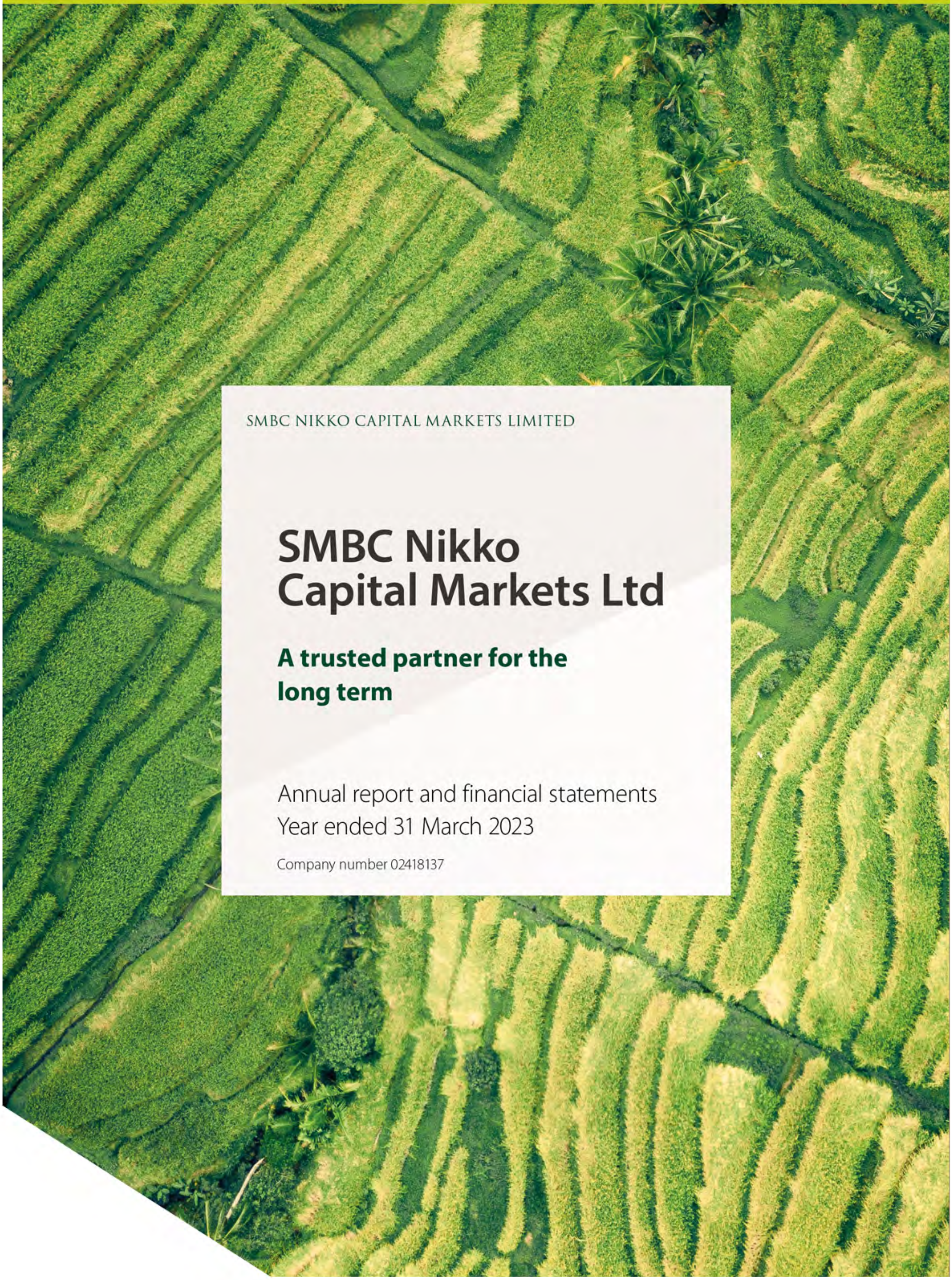
SMBC

SMBC Group



SMBC NIKKO CAPITAL MARKETS LIMITED

SMBC Nikko Capital Markets Ltd

A trusted partner for the long term

Annual report and financial statements
Year ended 31 March 2023

Company number 02418137

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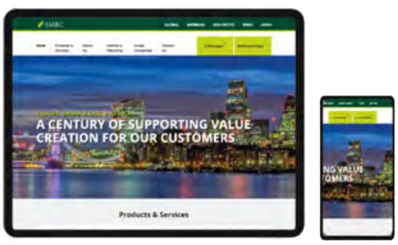

Find out more online

www.smbcgroup.com/emea

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

Regulatory registration
Authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority
Financial Services Register number: 223304

Registered office
100 Liverpool Street, London, EC2M 2AT, United Kingdom

Pillar 3 document
www.smbcgroup.com/emea/pillar3

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Use of terms in the annual report and financial statements

In this document, the terms 'CM Ltd', 'the Company', 'we', 'us' or 'its' refer to SMBC Nikko Capital Markets Limited.

'The Group' refers to SMBC Nikko Capital Markets Limited and its subsidiaries: SMBC Derivative Products Limited and SMBC Capital Markets (Asia) Limited.

The Company's parent company is Sumitomo Mitsui Banking Corporation, which is shown as 'SMBC'.

'SMBC Group' refers to the corporate group of companies of Sumitomo Mitsui Financial Group, shown as 'SMFG', and of which the Company is a part.

The term 'EMEA' refers to Europe, Middle East and Africa.

Please see the cautionary statement regarding forward-looking statements on **page 126.**

Business overview

The Directors present the Strategic Report of SMBC Nikko Capital Markets Limited (the Company) for the year ended 31 March 2023 (the Year).

The Company is a subsidiary of SMBC and SMBC Nikko Securities Inc., both wholly owned subsidiaries of SMFG, a Tokyo-based holding company which is one of Japan's largest financial institutions. Through its subsidiaries and affiliates, SMFG offers a diverse range of financial services, including commercial banking, leasing, securities, credit card, consumer finance and other services.

About the Group

The Company and its subsidiaries (the Group) undertake investment banking activities, offering their customers derivatives and securities products as well as merger and acquisition advisory services. The Group comprises the following consolidated legal entities:

- 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).
- SMBC Derivative Products Limited (SMBC DP), company number 02988637, incorporated in England and Wales, is a wholly owned subsidiary of the Company. SMBC DP is a full scope 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. (Moody's) and AA- from Standard & Poor's Ratings Group (S&P). 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 (CM Asia) is incorporated in Hong Kong and is authorised and regulated by the Securities and Futures Commission. CM Asia acts as an agent for the Company and its affiliated entities in offering customers derivatives solutions in Asian markets, outside of Japan and in Australia.

The Group business is organised into two units:

Global Markets:

- Derivatives: The Company is a derivatives specialist providing hedging options to customers, including the wholesale customers of SMBC Group.
- Fixed Income and Equity: The Company offers a variety of products and services related to sales and trading of secondary market debt instruments and securities.

Capital Markets and Advisory:

- Debt and Equity Capital Markets: The Company offers a variety of products and services related to primary issuances in both debt and equity capital markets.
- Mergers & Acquisitions: The Company provides advice and support to SMBC Group customers seeking new business opportunities.

The Group has close connections with SMBC Bank International plc (SMBC BI), the EMEA headquarters for SMBC Group, which is responsible for providing management, marketing and operational services to the Company and various SMBC companies, branches and representative offices in EMEA in support of their activities.

Strategy and objectives

The Group's business model is to service its wholesale and institutional customer base with focused investment banking services, including securities and derivatives products as well as corporate advisory services, including on behalf of SMBC Group. The Group's strategy is focused on strengthening its global product offering to meet the needs of its customers and to continue to build long-term sustainable growth through a strategic plan which recognises the Group's responsibility to its stakeholders.

The strategy is built around four corporate objectives:

Serving customers

To provide high quality value-added services to EMEA customers as the partner of choice.

Sustainable growth

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

Competitive edges as SMBC Group

To establish and develop those areas where the Group feels it has a particularly strong position in terms of its customer relationships, product capabilities and global reach.

Team SMBC Group

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

Purpose

To be a trusted partner for the long term

This statement reflects the long-term relationship-based approach the Group adopts in carrying out its business for the benefit of its customers and all its stakeholders.

SMBC Group's Mission, Vision and Five Values

The Company's Purpose and strategy are consistent and support the wider SMBC Group's Mission, Vision and Five Values.

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

Mission	We grow and prosper together with our customers by providing services of greater value to them. We aim to maximise our shareholders' value through the continuous growth of our business. We create a work environment that encourages and rewards diligent and highly motivated employees. We contribute to a sustainable society by addressing environmental and social issues.
Vision	A trusted global solution provider committed to the growth of our customers and advancement of society.
Five Values	**Integrity** As a professional, always act with sincerity and a high ethical standard. **Customer First** Always look at it from a customer's point of view, and provide value based on their individual needs. **Proactive & Innovative** Embrace new ideas and perspectives, don't be deterred by failure. **Speed & Quality** Differentiate ourselves through the speed and quality of our decision-making and service delivery. **Team 'SMBC Group'** Respect and leverage the knowledge and diverse talent of our global organisation as a team.

Review of the year

Market and operating environment

Global Markets business lines, specifically Derivatives and Fixed Income, performed well despite challenging market conditions with strong performance driven by strong client demands on inflation derivatives and financing activities. The Company's Equities offering was subdued significantly, impacted by the Nikko investigation which lasted for best part of year. The Company's Treasury results reverted to pre-Zero rates environment in place prior to the onset of COVID.

On the Capital Markets business lines, given the rising and volatile rates environment, many of the Company's corporate customers stayed away from bond issuances, relying more on bank lines for funding. Consequently, the Company's revenues from new issues in debt was below last year's level. With the globalisation of the Company's debt franchise, the Group was involved in a significant number of non-European deals. Compared to prior year the primary activity in Equities was significantly lower due to the Nikko investigation.

Regarding the Nikko Investigation:

On March 4 and March 24, several former executive officers and employees of SMBC Nikko Securities Inc were arrested by the Tokyo District Prosecutors' office on suspicion of violating the Financial Instruments and Exchange Act of Japan. On March 24 and April 13 2022, these former officers and employees were prosecuted and SMBC Nikko Securities Inc as a corporate was prosecuted in Japan under the joint punishment provision of the Act.

On October 7 2022, the Financial Services Agency of Japan (JFSA) imposed administrative actions (i.e a Business Suspension Order and a Business Order and a Business Improvement Order) on SMBC Nikko Securities Inc.

On December 20 2022, SMBC Nikko Securities Inc announced that it had received a disposition from the Tokyo Stock Exchange involving the suspension of own-account trading of securities from 16 – 20 January (except for transactions individually approved by the Exchange); a fine of JPY 300 million from Tokyo Stock Exchange; and an admonition from the Osaka Exchange in relation to the administrative action taken by JFSA.

On January 25 2023, SMBC Nikko Securities Inc announced that it has been fined JPY 6 million by Nagoya Stock Exchange in relation to the administrative action taken by JFSA.

On February 13 2023, SMBC Nikko Securities Inc was convicted by the Tokyo District Court and was fined JPY700mn with a surcharge of JPY 4,471,142,420.

On March 15 2023, the Japan Securities Dealers Association (JSDA) published a disposition ordering SMBC Nikko Securities Inc to pay a fine of JPY 300 million in relation to the administrative action taken by JFSA.

The Board remains confident that the strategy and plans worked upon over the last few years continue to be appropriate to best serve the Company's customers and wider stakeholder groups. With the finalisation of the outcome of the Nikko investigation in the third quarter, the Company is pleased to resume its engagement with many of its loyal customers.

Risk environment

The Group's strong balance sheet and conservative risk levels has allowed it to navigate challenging market environment while continuing to support the needs of customers. The current and potential future impacts of COVID-19 have been incorporated into capital and liquidity adequacy planning documents and into recovery and resolution planning.

With the embedding of hybrid working and the geopolitical situation, the Board recognises that cyber security risk continues to increase. The Group has therefore sought to implement best practices for keeping home environments working securely and reflected these new challenges within its annual mandatory Information Security training, which all employees must complete.

Sporadic volatility in the markets, most notably the recent US Regional Bank Crisis, led the Group to invoke its internal crisis management process as a precautionary measure. This process brings about daily, enhanced monitoring of key risk management information among key members of senior management across the Risk, Treasury, Finance, Compliance and Operations functions, and allows the Group to react swiftly to any emerging issues.

The Group has little direct exposure to either Russia or Ukraine, but the knock-on volatility in key markets was such that the trading desks temporarily reduced positions during this period. The Group has otherwise continued to carefully monitor its compliance with key sanctions requirements during a difficult period of geopolitical instability.

There remains a high degree of uncertainty in the economic outlook given recent events. The Group will continue to give a high level of focus to the market environment, particularly the impact of rising interest rates and periods of sporadic volatility on concerns around inflation and tapering of monetary policy. The Board continues to manage the Group's capital and liquidity positions to ensure that it is well-positioned to navigate the current business environment.

Strategic development

The Company made good progress in the year to deliver its strategy, with notable developments below:

Serving customers

The Company has sought to respond to its customers' demands in close collaboration with other SMBC Group companies, including SMBC BI and SMBC Bank EU AG in EMEA, SMBC Securities Inc in America and SMBC Nikko Securities Inc in Tokyo.

Developments in the year include:

- Through continued efforts with SMBC BI, the Company made significant progress in developing its Environmental, Social and Governance (ESG) capabilities, including the establishment of an ESG Advisory & Solutions Hub to improve its service and product delivery where its customers require ESG services.
- The Company increased its collaboration with CM Asia on derivatives business.

Transfer of securities business (excluding derivatives business)

During the year, the Company approved a business transfer plan to sell its securities business to SMBC BI. This remains subject to completion of legal and regulatory processes and is not currently expected to take effect until financial year 2024. The Board believes that the benefits of the transfer will include an enhanced experience for customers of the Company and SMBC BI.

Sustainable growth

The Company recognises that a strong governance structure, compliance and risk management framework is crucial if the Company is to achieve sustainable growth, and this is an ongoing area of focus.

Transition to risk-free rates

A significant area of focus for the Company in the year was the transition of its customers to risk-free rates in preparation for the discontinuation of certain reference rates, such as certain settings of the London Interbank Offer Rate (LIBOR). This project required the mobilisation of resources from across SMBC Group.

Further information

+ Further information on the way the Company engaged with its customers on this matter can be found on **page 42**.

Future developments

The Group's strategy for the year ahead remains consistent with that pursued in 2022. The Group will continue to focus on balanced growth and to pursue efficiency, while utilising its competitive edges as a subsidiary of SMBC and SMBC Nikko Securities Inc. The Group will continue to focus on adding value to services through its Solutions/Advisory and a Cross-Product approach. It will also continue to enhance and broaden its product base in each business area to allow it to serve customers' needs in a more comprehensive manner.

The Group will look to strengthen its climate change commitments and further develop its governance and risk management frameworks to ensure these remain commensurate with the size and complexity of the business.

The full year results for the year are set out in the Statement of Profit or Loss on page 62.

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Overview of performance

Key performance indicators

The Group and Company consider a range of strategic, regulatory and operational factors when reviewing the performance of each business line. Such considerations include the efficient allocation and use of capital, earnings stability, balance sheet quality, operational robustness and compliance with regulation.

Effectiveness is measured using financial indicators, such as budgeted revenue targets and new deal revenue. The Group also uses non-financial indicators including conduct considerations, compliance with relevant internal and external rules and targets and the setting of measurable goals for all employees through a comprehensive assessment process. The Board reviews management information that includes earnings, regulatory capital, leverage and liquidity information.

Set out below are the main financial and non-financial key performance indicators (KPIs) used.

Financial KPIs

Return on equity	**2023**	2022
Profit after tax of USD 3.0 million (2022: USD 9.4 million) divided by the average equity in the year of USD 1,868.8 million (2022: USD 1,864.4 million).	**0.2%**	0.5%
Own funds ratio	**%**	%
Total own funds of USD 1,798.1 million (2022: USD 1,827.8 million) divided by IFPR own funds requirement of USD 202.8 million (2022: USD 222.8 million)	**886.6%**	820.4%
Cost income ratio		
Net operating expenses of USD 193.5 million (2022: USD 178.1 million) divided by total income of USD 206.7 million (2022: USD 193.1 million)	**93.6%**	92.2%
Net profit	**USDm**	USDm
Profit after tax	**3.0**	9.4
Gross income	**USDm**	USDm
Total income	**206.7**	193.1
Total assets	**USDm**	USDm
Total assets	**27,154.3**	22,045.2

Non-financial performance KPIs

These can be found as follows:

Further information

- Progress against the Women In Finance Charter targets – **page 16**.
- Streamlined Energy and Carbon Reporting – **page 27**.

Principal risks and uncertainties

The Company is exposed to certain risks and uncertainties in conducting its business, and the principal risk categories are classified as below, together with information on the principal and emerging risks at the year-end. Information on the way in which the Company manages risk can be found in the Risk Management section on pages 54 to 56 and this is incorporated by cross reference. Additionally, information on the level of risk at the year-end can be found in the financial statements.

Principal risks

Type	Description	How risks are managed
Credit risk and counterparty credit risk	Credit risk is the risk of any losses to the Group arising from any credit events caused by a third party's inability or unwillingness, or a change in the market's perception of the third party's ability or willingness, to meet its obligations as they fall due. Counterparty credit risk ("CCR") is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. CCR is one of the most significant risks that the Group is exposed to.	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 limited to high grade government bonds; – Parent guarantees purchased by the Group to cover specifically identified counterparty credit risks; and – Strict credit control procedures and limits monitoring to ensure front office employees incorporate a comprehensive credit assessment in their approach to pricing.
Liquidity risk	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.
Market risk	The risk of financial loss or damage to the Group's financial position caused by changes to market prices and other market values. 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 has low market risk limits for its derivative business, which is predominantly undertaken on the basis that the market risk arising from customer trades is hedged either with a group company SMBC Capital Markets, Inc. (CM Inc.), or a market counterparty, which substantially mitigates market risk in the derivatives business. Market risk otherwise arises in both the primary underwriting activity and the secondary securities held for market making purposes. It is mitigated through the monitoring and enforcing of overall VaR limits at a portfolio level as well as position limits and management of inventory holding periods. Market risk limits are reviewed regularly and are approved annually by the Board and are set out in the Group's Risk Appetite Statement.

Principal risks

Type	Description	How risks are managed
Conduct risk	The risk of the Company's actions, inactions or behaviours resulting in poor outcomes for its customers and stakeholders, damaging the integrity of the financial markets or undermining effective competition.	The Company assesses its conduct and culture against its Culture Statements using a suite of targeted metrics.
Operational risk	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. Several appropriate approaches are used to manage other non-financial risks. Further details are set out on page 11 and in the Risk Management section on pages 54 to 56.
Model risk	The potential loss resulting from errors in the development, implementation or use of internal models.	Model risk is managed through the Model Risk Management framework, which comprises four key components: model governance and control, model management, model development and independent model validation.
Sustainability risk, including climate change	Sustainability risk results from ESG issues, events or conditions that have the potential to substantially impact (financially, reputationally or physically) the Company, SMBC Group, its clients, the environment and/or society. This risk can manifest itself across all risk types.	This is managed under the Sustainability Risk Framework which is embedded in the broader risk framework and business.
Other non-financial risks	As a result of the Company's activities it 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.

Risk profile

At the year-end, the Company's risk profile was within the overall risk appetite established by the Board. The risk profile relative to risk appetite is reported monthly at the Executive Committee and quarterly at the Board Risk and Compliance Committee (BRCC).

Principal and emerging risks

The principal and emerging risks at the year-end are described below:

Market risk

Market risk continues to be a dominant factor in the current and next financial year due to a number of reasons. .

In March 2023, three banks in the United States collapsed in quick succession, sending shockwaves throughout global financial markets. Shortly after, Credit Suisse, a major bank, had to apply for emergency Central Bank facilities and was taken over by UBS. These high profile failures impacted overall market confidence in the financial sector.

This comes at the time of the ongoing Russia-Ukraine conflict and continued inflationary pressures, impacting the cost of living. The impact of previous significant events, Brexit and the COVID-19 pandemic, continue to affect financial markets. Therefore, at present there is a high degree of uncertainty as to the direction of travel of interest rates, and to the degree to which there may be contagion in financial markets arsing from the above. As a consequence, there is likely to be a deterioration in the overall credit worthiness of the market.

Conduct risk

Conduct risk is the risk of the Company's actions, inactions or behaviours resulting in poor outcomes for customers and/or stakeholders, damaging the integrity of the financial markets or undermining effective competition. Conduct compliance is integrated with the wider risk management framework. The Company identifies and assesses current and emerging conduct risks, ensuring effective mitigating controls. These controls include:

- a comprehensive policy and procedure framework providing guidance and setting requirements for various conduct-related risk areas, such as management of conflict of interests, inside information, competition, financial crime prevention and personal account dealing;
- monitoring, reporting and oversight of adherence to the above framework and regulatory expectations;
- providing advice, communications and training so that employees are familiar with the framework as well as potential or emerging conduct risks, and ensuring that understanding is embedded in individual responsibilities and expected behaviours;
- promoting a culture of accountability through senior management communication to the employees of the Company's Values, Purpose and Culture Statements;
- stringent product and services approval processes and customer complaints analysis; and
- a remuneration and appraisal structure that ensures individual remuneration and promotion are at risk if expected levels of conduct are not met.

Beyond the areas outlined above, the Company will continue to monitor any newly developing situations through its forward-looking 'emerging risk' framework. Under this approach, the Risk Management Department consults on a quarterly basis with key members of senior management across the Company to identify any potential new risks that are relevant at that point in time. The likelihood and impact of such risks are presented to the BRCC, with appropriate mitigations determined and implemented thereafter.

Top and Emerging Risks

The 'Top and Emerging Risks Report' is produced on a quarterly basis and considered by the BRCC. The purpose of the report is to provide a high-level overview of the various risk factors already considered to be significant or emerging to be potentially significant for the Company in the near future.

A broad list of risk items is compiled to encompass a range of risk areas from geopolitical and macroeconomic events to more Company specific areas of interest. Each risk item is commented on in terms of both the description of the risk and the management actions in place to manage and/or mitigate against it. Direct input is sought from the relevant areas of the Company in preparation of the report. Scoring is additionally assigned for each risk item based upon the potential impact and the likelihood of the risk.

The table below presents top and emerging risks and their scores as of March 2023:

Risk Item	Score
Global Economic Pressures – Rising Rates, Stagflation & Volatility	Very High
Russia/Ukraine Conflict	Very High
China Property Crisis	Very High
COVID-19	Very High
Change Management – New Products	Very High
Unauthorised Activities	Very High
Financial Crime and Sanctions	Very High
Inaccurate and Incomplete Trade and Transaction Reporting	Very High
Evolving Information and Cyber Security Threats	High
US Politics	High
Post-Brexit Trading	High
Middle Eastern Instability	Medium
Climate Change – Green Credentials	Medium

People and culture

The Company recognises its people as its key asset and is committed to developing the skills and diversity of the workforce. The Company promotes high ethical standards and a culture where everyone feels able to be their authentic selves at work.

Culture

The Company's culture is based on five pillars:

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.

Culture

Monitoring culture

The Board oversees the development of the Company's culture, supported by the BRCC, which receives regular updates on the cultural initiatives taking place across the Company. Key topics discussed during the year included changes on culture metrics around diversity and inclusion and the post-Covid return to office.

In addition, during the year the Audit Committee, Executive Committee and Control & Conduct Assessment Forum (CCAF) received information on conduct trends and matters including the timeliness of closure of internal audit recommendations and compliance monitoring findings.

Adherence to the Company's Values and Culture within departments is also considered as part of Internal Audit's ongoing work plan, the results of which are considered by the Audit Committee.

Further information on the ways in which the Board and the Company have engaged with employees can be found on page 43.

Developing culture

On a periodic basis the Company issues an employee engagement survey, the results of which are used by management and Departmental Culture Champions to develop initiatives to further improve the workplace with the aim of increasing engagement and developing the Company's culture. During the year, the overall engagement score has remained consistent.

The themes identified through the surveys have created and continue to create priority areas for action, including increasing the number of colleagues trained in Mental Health First Aid and provision of ongoing hybrid working support, including tools, guidance and training. Further examples on how the Company has responded can be found in the Stakeholder Engagement section on page 43.

Progressive Working Framework

During the year, the Company continued to modernise its working practices and policies through the introduction of a Progressive Working Framework designed to enhance collaboration and innovation by combining employee policies, new ways of working in its new London office and building upon the adoption of collaborative technologies. The Company believes that by supporting alternative working hours and locations, hybrid working will help it retain, attract and develop a diverse talent pool of employees, and enhance engagement and commitment.

Performance, learning and talent development

The Company seeks to support enhanced performance and continuous development through a regular set of 'Performance Snapshot' conversations between employees and their managers. Employees are encouraged to have a professional development plan to identify their development needs and opportunities. Whilst employees are encouraged to take ownership for their development, support provided by the Company includes funding for professional qualifications, in-house training programmes, secondments and mentoring.

A series of talent programmes develop leadership capability and enable the Company to focus on critical organisational needs. In the year, 'Elevate' was relaunched, which is a programme that aims to increase confidence, awareness and tolerance in participants, promote diverse talent and foster inclusive leadership.

Diversity and inclusion

The Company is an inclusive and equal opportunities employer, and its policy is that all individuals are appointed, trained, developed and promoted on the basis of merit and ability. Selection criteria and procedures are designed to eliminate bias, and opportunities for challenge are embedded within these to ensure processes are fair and equitable. The Company is a proud signatory to the UK's Women in Finance Charter and SMBC Group is a signatory to the Valuable 500 initiative, an international initiative promoting disability inclusion in business.

The Board recognises the importance of the Company attracting, developing and retaining diverse talent and receives regular reports on the Company's talent strategy and progress on diversity and inclusion initiatives. In the year, the Company focused on embedding the four pillars of its Diversity and Inclusion Strategy, summarised below:

Building equitable systems Ensuring that policies and processes are as fair, equitable and inclusive as possible.	**Promoting balance** Attracting, developing and retaining diverse talent at all levels of the organisation.
Leading with respect Consciously creating an inclusive culture in which different perspectives are valued.	**Driving advocacy** Being active allies and promoting the Company's ambitions externally to candidates and customers.

Building equitable systems

Building equitable systems includes implementing workplace adjustments and support to facilitate the employment and maximise the potential of colleagues who identify as having a disability and/or long-term health condition or injury. In the year, the Company enhanced its process to identify and implement adjustments. To support greater disability confidence, a new accessibility toolkit was introduced which focuses on promoting disability allyship across the Company.

The Company recognises that access to role models can have a positive impact on beliefs about career progression in underrepresented groups and, in the year, extended its networking and mentoring programme, 'InspirHer!', to all female colleagues. The programme provides the opportunity for participants to meet senior female colleagues and to gain guidance on how to navigate their careers, take ownership for their own development and progress into senior roles.

Promoting balance

The Industrial Placement Programme provides work experience for students in their penultimate year at university. This year the Company achieved 58% female representation in this programme.

Leading with respect

The Company recognises that senior management accountability is critical for driving progress and that leaders play a pivotal role in creating a culture of inclusion. This year, the Company has strengthened the connection between performance in relation to Diversity & Inclusion and overall reward to drive greater accountability.

Driving advocacy

The DRIVE (diversity, respect, inclusion, value and equality) employee networks play a key role in helping everyone in the Company understand the different experiences people may have as a result of their identity. There are four diversity and inclusion networks under DRIVE: Balance (gender), Black Employees & Allies (race and ethnicity), Niji (LGBTQ+) and UNIQUE (disability, mental health and neurodiversity) and a networking initiative (Collaborate). Over the course of the year, all groups have run events and other activities to build awareness and promote allyship.

SMBC Group is a proud signatory of the Women in Finance Charter, which is a commitment to see gender balance at all levels across financial services firms. The Company's ambition is to have 30% of all senior roles filled by females by 2023. Female talent is in high demand as all organisations seek to make progress on their diversity representation and, as a result, the Company's senior female representation decreased over the year from 20.5% to 20.2%. On an SMBC Group (EMEA) basis, female representation remained flat at 29%. The Company recognises that sustained commitment is critical to driving change, and increasing representation of women at all levels remains a priority.

Sustainability Report

Sustainability – an overview

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

The Company shares SMBC Group's objective of working with customers and stakeholders towards building and sustaining a better world. This section sets out the governance arrangements through which the Company pursues its sustainability objectives and information on the Company's Sustainability Strategy.

The Company's sustainability arrangements include the three aspects of ESG and while there is significant focus on the risks and opportunities arising from climate change, the Company recognises that this forms part of a broader range of sustainability factors.

Sustainability governance – oversight

The Board is responsible for monitoring the development of the Company's Sustainability Strategy. It is supported in its work by the Audit Committee which is responsible for reviewing climate and sustainability disclosures.

Sustainability remains an important element of the Directors' ongoing education plan. During the year, the Directors received briefings from internal and external specialists on climate litigation, greenhouse gas (GHG) emissions regulations and economic security, facilitated emissions and understanding transition plans.

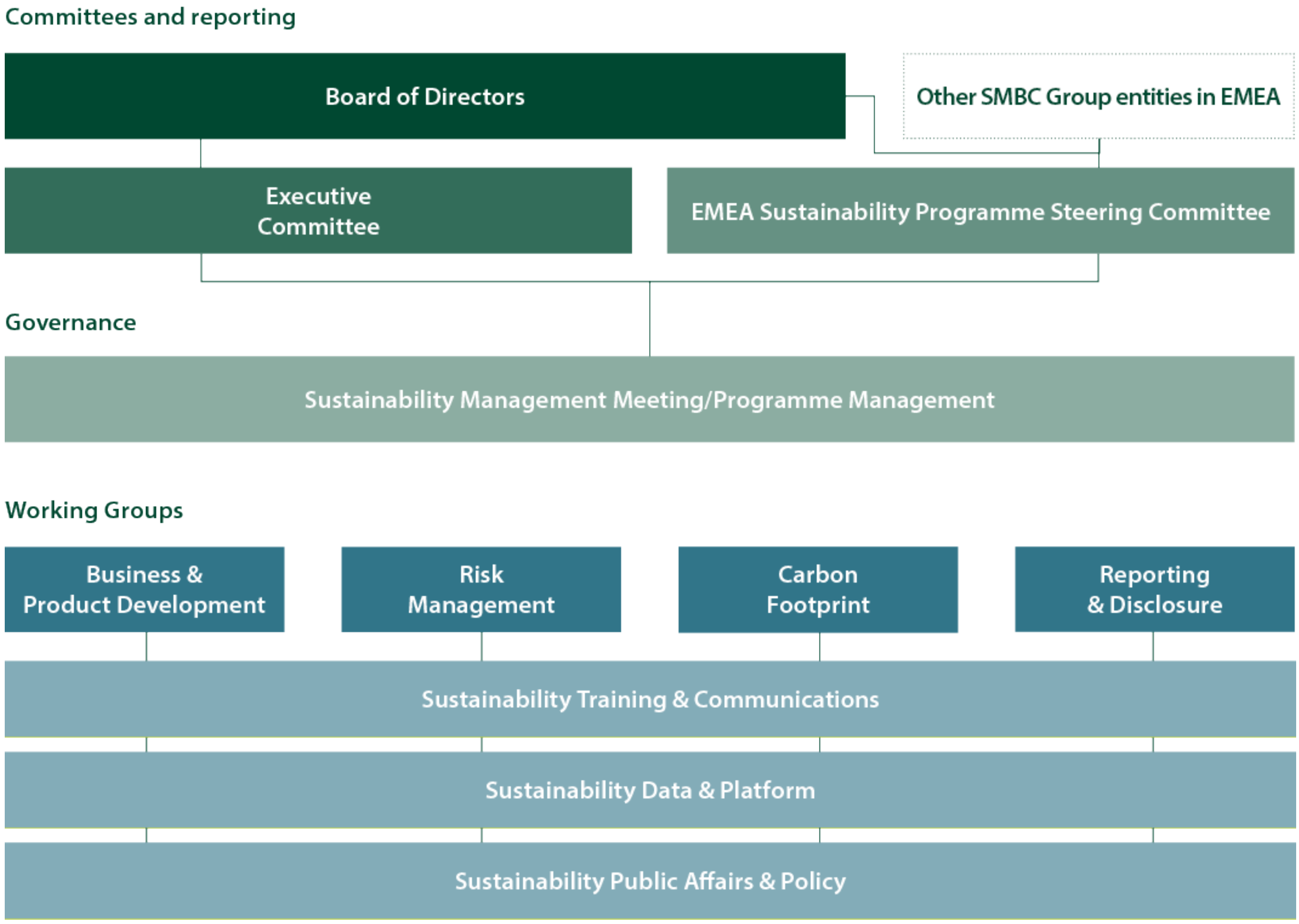
Key activities undertaken by the Board and its Committees in the year:

Meeting	Activities
Board	– Considering quarterly updates on progress made in relation to sustainability – Receiving updates on regulatory expectations in relation to climate change – Receiving updates on the implementation of new products – Considering the Company's own carbon footprint and activities taken to reduce this
Audit Committee	– Reviewing the climate disclosures and the Streamlined Energy and Carbon Reporting disclosures

Sustainability governance – implementation and execution

Bruce Railton, General Counsel, is the senior manager responsible for overseeing the Company's climate and sustainability initiatives. His responsibilities include developing the Sustainability Strategy and ensuring this is embedded within the overall Corporate strategy, developing the ESG risk appetite statement and framework, escalation of significant business and strategic developments to the Board and overall climate governance. Bruce is supported in this work by the EMEA Sustainability Programme (ESP), the Head of Sustainability Strategy and functional specialists.

The ESP is responsible for overseeing the SMBC EMEA Group's sustainability activities and works alongside the Company's Steering Committee, which considers sustainability issues at an operational level as part of the Company's day-to-day activities.



Meeting	Members	Purpose and responsibilities	Frequency/reporting
ESP Steering Committee	– Head of Sustainability Strategy (Chair) – General Counsel – Head of Capital Markets – Senior executives from SMBC EMEA affiliates	– Setting the Sustainability Strategy and overall ownership of the ESP's business plan. – Considering the SMBC EMEA Group's competitive position and driving strategic progress. – The Committee has delegated day-to-day responsibility for delivering the ESP to the Sustainability Management Meeting. – Challenging the Sustainability Management Meeting and Workstreams to ensure timely progress is being made and approving resource needs.	– Monthly meetings and additionally as required. – Significant discussions reported to the Board by General Counsel and Head of Sustainability Strategy.
Sustainability Management Meeting	– Head of Sustainability Strategy (Chair) – Workstream leads	– Delivery of the ESP's objectives. – Day-to-day management of the ESP. – Ensuring that business and regulatory requirements are met. – Project planning. – Early identification and management of issues and risks. – Addressing working group interdependencies. – Assessing operating model impacts.	– Monthly and additionally as required. – Reports to the Steering Committee on progress toward agreed goals and notification of issues.
Working Groups	– Each led by a functional specialist. The Company is represented on each of the Working Groups	– Progressing the ESP in their areas of expertise. – Developing and delivering on a work plan to support the strategy. – Strategic and governance matters relating to each Workstream reviewed by Head of Sustainability Strategy.	– Each Workgroup reports to the Sustainability Management Meeting.
Programme Management	– Overseen by Project Management Office – Planning representatives	– ESP governance and planning. – Ensuring robust project management, including issues and actions tracking – Supporting the Steering Committee and Sustainability Management Meeting	– As required.

Sustainability Strategy

The Sustainability strategy of SMBC Group (EMEA), of which the Company is a part, has four elements and those aspects relevant to the Company are shown below.

1. Customers – support clients in their journey to sustainability

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

2. Solutions – recognised as a leading provider of green and sustainable finance solutions

The Company recognises that maintaining the integrity of the sustainable finance market is critical in allowing capital to flow toward more sustainable business activities. Therefore, the Company has set an ambition to not only make a significant contribution to SMBC Group's 10 year JPY50 trillion sustainable finance commitment (increased by SMBC Group in May 2023 from JPY 30 trillion), but to do so in a way that respects market standards and aims to support ambitious performance. The Company has put in place procedures, training and a governance process to facilitate ESG-labelled transactions that are aligned to market standards.

3. Business – embed sustainability risk management and culture in all aspects of the business

Risk management

The Company seeks to embed sustainability risk in strategic tools and processes such as the Individual Capital Adequacy and Risk Assessment (ICARA) document, Risk Appetite Framework and Risk appetite Statement, as well as the risk inventory. This allows the Board and management to understand and oversee the most material sustainability risks and the related control environment.

Training

SMBC Group (EMEA) has established a structured framework to train its people on sustainability and ESG topics with the objective of building the skills, knowledge and expertise required to deliver the Sustainability Strategy. Mandatory training modules were also issued to provide a foundation level of knowledge to all employees and specialist knowledge for employees in specific roles. The Company and its employees participate in this training framework.

4. Footprint – proactively pursue GHG emission reductions with an aim to be net zero by 2030 or sooner (scope 1 & 2) and by 2050 (scope 3)

The Company seeks to reduce the carbon footprint of its business activities and operations, in line with SMBC Group's public commitments to achieve Net Zero by 2050 in financed emissions and Net Zero by 2030 for physical operations.

Conduct of activities

The Company recognises that to achieve sustainable growth it is necessary that its activities are conducted in line with all legal and regulatory requirements. The BRCC and Executive Committee receive regular management information and analysis on adherence to conduct policies.

Set out below is information on how the Company manages the risk arising from the conduct of its activities. Additional information on key policies in place is included where relevant.

The Company's policy framework aims to help its people understand good conduct, positive behaviours and how to raise and address concerns. These policies set out the Company's approach to the identification, understanding and management of conduct risk at individual, departmental and organisational levels. The policies 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.

Speak Up is a key component of the Company's governance and risk management framework. The Company's aim is that all colleagues feel able to raise concerns about incidents of wrongdoing or suspected malpractice (financial and/or non-financial), without fear of criticism, discrimination or unfair punishment. The Speak Up framework seeks to create a culture of openness for all staff including those working remotely and to demonstrate that malpractice and wrongdoing is taken seriously and will be dealt with at the highest level to prevent poor outcomes for employees, customers and other stakeholders. There are various internal and external channels available to raise concerns and include an independent firm working in partnership with the Company through which reports can be raised anonymously.

Key policies

Description	Outcome
Customer Voice Policy How the Company identifies, records, investigates, responds to and escalates expressions of dissatisfaction. Where errors are a consequence of the Company's actions, it always seeks to ensure that customers do not suffer any detriment. **Customer-focused Compliance Policies** These set out the processes through which the Company ensures adherence to regulatory requirements when dealing with customers, ensuring they are treated fairly.	– Information on customer dissatisfaction considered by BRCC and Executive Committee as relevant. – During the year, the level of complaints was very low and all were managed in line with the Company's Policy to customers' satisfaction. – Policies reviewed regularly to reflect regulatory change and the development of the business.
New products and services All new products and services are subject to risk assessment and monitoring, and are reviewed regularly to ensure they remain appropriate for the purpose originally intended.	– Review process intended to ensure that products and services are offered in a way that meets customer expectations, conform with legal and regulatory requirements, and are consistent with the Sustainability Strategy.
Whistleblowing 'Speak Up' Policy Sets out the routes through which concerns can be raised	– The Audit Committee receives a quarterly report on the nature of whistleblowing reports received and considers reports on the whistleblowing systems and controls. – The Board receives an annual report from the Whistleblowers' Champion on the autonomy and effectiveness of the whistleblowing procedures.
ESG Risk Statement How the Company identifies, measures, manages, monitors and reports sustainability related areas of heightened risk to the Company, the environment and society.	– The Statement remains under constant review to reflect evolving requirements. – Developments have been overseen by the BRCC.

Prevention of financial crime and anti-bribery and corruption

The Company has zero tolerance towards all forms of financial crime, including money laundering, bribery and corruption, tax evasion, fraud 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 employees are required to adhere to the Company's prevention of financial crime policies, on which they receive training on joining the Company and annually.

Key policies

Description	Outcome
Anti-Money Laundering and Combating Terrorist Finance Policy Sets out the due diligence processes to prevent money laundering and fraud, and to combat the financing of terrorism.	– The Money Laundering Reporting Officer (MLRO) reports to the BRCC annually on the operation and effectiveness of the arrangements to counter the risk of the Company being used to further financial crime. – In addition, the BRCC receives quarterly reports on topics of significance and conducts deep dives as required. – Policies reviewed regularly to reflect regulatory change and the development of the business.
Anti-bribery and Corruption Policy Sets out the processes through which the Company seeks to prevent bribery and corruption.	
Sanctions Policy Sets out the approach taken by the Company to comply with applicable sanctions regimes.	

Prevention of slavery and human trafficking

The Company's approach to slavery and human trafficking is guided by the principle that the Company should not be involved, directly or indirectly, in the commission or facilitation of the offences set out in the Modern Slavery Act 2015. This approach is documented in an Anti-Slavery Policy and supported by Operational Standards, which set out the requirements and obligations applicable to all employees to prevent modern slavery and/or human trafficking and on which training is given. The Policy and Standards are prepared in consideration of best practice guidance issued by the UK Home Office and international bodies, including the United Nations and International Labour Organisation. SMBC Group is a signatory to the United Nations Global Compact and the 10 principles related to human rights, labour standards, environment and anti-corruption measures.

The Company's Standards require anti-slavery due diligence to be undertaken on all its counterparties. This includes seeking an Anti-Slavery Statement or equivalent document and undertaking adverse news screening incorporating specific terms relevant to slavery and human trafficking. The Company has an ongoing commitment to maintaining and improving its systems and processes to mitigate the risk that it might be involved in the commission or facilitation of slavery and human trafficking in any part of its operations, supply chain (including customers, contractors and suppliers), products, services and staff activities. The Company also expects its suppliers and business partners to undertake ethical business practices, particularly in, but not limited to, economic sectors where there are higher risks of Slavery and Human Trafficking.

Further information can be found in the Company's Slavery and Human Trafficking Statement at: **www.smbcgroup.com/emea/antislavery**. This Statement is reviewed and approved annually by the Board.

Prevention of market abuse

The Company has a suite of policies in place setting out its arrangements for adhering to the regulatory and legal requirements that protect the integrity of the markets in which the Company operates, and the rules and standards of conduct to which all the Company's people must adhere.

All employees are required on joining the Company and annually thereafter to undertake training on the prevention of market abuse. All employees, regardless of role, are required to notify the Compliance Department immediately should they have a reasonable suspicion that a transaction might constitute insider dealing or market manipulation.

Communities

During the year, SMBC Group (EMEA) established a Corporate Social Responsibility (CSR) Team, the scope of which extends to the Company. The CSR Team has the objective of developing and delivering a cohesive approach to community engagement, including consistency with SMBC Group's global approach and alignment to the relevant UN Sustainable Development Goals. The CSR function led the development of a new CSR strategy informed by the results of an employee survey to understand employees' views on CSR matters, to identify what activities they were already involved with and what would enable the Company to create more consistent engagement in the future.

The CSR strategy has four pillars:

1. **Elevating the levels of corporate philanthropy and charitable giving**
2. **Increasing participation in volunteering to leverage the intellectual capital available across the Company to help create positive social impact**
3. **Supporting employees with their fundraising aspirations**
4. **Leveraging the Company's corporate assets by increasing engagement with corporate memberships and to make real estate assets and networks available to support the Company's local communities**

The Company recognises the importance of contributing to society and, in support, offers employees a variety of ways to engage with community activities, including a paid volunteering allowance; matched funding of employee donations (up to a certain limit); a Give-As-You Earn salary sacrifice scheme; and access to a select number of corporate memberships in arts and culture, with associated employee benefits. The Group's CSR activities in the year included:

– Fundraising appeal in support of the humanitarian aid work of the International Committee of the Red Cross in and around Ukraine, and after the devastating earthquakes in Turkey and Syria.
– Donation to a charity of decommissioned furniture and non-sensitive hardware. Unclaimed coins and clothes were also donated to local charities.
– The hosting of team volunteering days, including International Volunteer Week in December with almost 200 EMEA Group colleagues participating.
– The formation of a Global CSR Forum, involving SMBC Group internationally.

Task Force on Climate-related Financial Disclosures

This section provides information on the Company's approach to managing the risks and opportunities arising from climate change. Further information relevant to this TCFD Report can be found in the Sustainability Report. Where this is the case, the relevant page numbers are indicated.

SMBC Group recognises that addressing climate change issues is one of the most important global concerns of the 21st century and has committed to achieving net zero emissions in its own operations by 2030 and in its overall loan and investment portfolio by 2050. In line with this commitment, SMBC Group is a member of the Net Zero Banking Alliance (NZBA) and Net Zero Asset Mangers Initiative (NZAMI). SMBC Group has also set medium-term Greenhouse Gas emissions reduction targets for the power, oil and gas, and coal sectors, and has also established a Net Zero Transition Plan.

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

SMBC Group's TCFD Report 2022 can be accessed here:
https://www.smfg.co.jp/english/sustainability/materiality/environment/climate/pdf/tcfd_report_e_2022.pdf

Governance

The Company adopts a holistic approach to sustainability, which aims to consider all elements, including climate change. This approach is reflected in the governance framework the Company has implemented to oversee and manage its sustainability work. Information on the following governance aspects relevant to the TCFD, including the responsibilities of the Board and Board Committees, can be found as follows:

Disclosures	Page
Board briefings received in the year	16
Overview of sustainability matters considered by the Board and Board Committees in the year	16
Overall governance framework, including the roles and responsibilities of the Board, Board Committees, individual Directors and the EMEA Sustainability Programme	17

Strategy

The Company recognises that climate change will present both risks and commercial opportunities for its business, which will vary by time horizon considered. These risks and opportunities are considered in the Company's strategic planning process.

	Risk Type	Event Examples	Possible Impacts
Physical	Acute	Increased frequency, severity of climate-related weather events, for example, droughts, floods and storms	– Business disruption – Damage to property
	Chronic	Progressive changes in climate patterns resulting in, for example, sea level rise, sustained higher temperatures, biodiversity loss	– Damage to property – Reduced productivity – Supply chain impacts
Transition	Policy & Regulation	Abrupt adoption of climate-related policies such as taxation of emissions	– Decreased asset values or stranded assets – Disruption of business models – Increased public scrutiny – Increased costs
	Technological	Faster than expected adoption of new net zero technologies or demise of legacy ones	
	Market Demand	Faster than expected changes in demand for goods and services based on climate impacts	

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

Whilst developing the sustainable finance business is important, the Company recognises that its sustainability strategy needs to be integrated into all aspects of business strategy. The Company is taking a two-pronged approach of engaging with existing customers to understand their transition plans and focusing on growing its business by serving customers who it believes are either embarking on a credible transition or are already engaged in business activities needed to support the future net zero economy. This year, it developed and is in the process of introducing a new framework for evaluating customers' transition plans, considering factors such as quantitative targets, alignment with a 1.5C pathway, board-level governance, evidence of implementation and a commitment to transparency and disclosure.

Further information on the Sustainability Strategy can be found on page 19.

Risk Management

Sustainability risk results from ESG issues, events or conditions that have the potential to substantially impact (financially, reputationally or physically) SMBC Group, its clients, the environment and/or society. This risk can manifest itself across all risk types. Sustainability risk includes climate change related risk.

Risk-based approach to client assessment

The Company is currently focused on the higher risk sectors as defined by its policies, and is evolving the tools, processes and factors considered in assessing client risk. Over the year, the Company has, and continues to, develop the function that has been established to manage sustainability risk. The key tools in place that inform business and strategy decisions include:

- Climate Change Risk Assessment (CCRA)
- Equator Principles
- Risk Register
- Stress testing and ICARA
- Sustainability KRIs monitoring dashboard
- Regulatory horizon scanning tool
- Top and emerging risks

The Company intends to evolve the content, structure and use of tools and heatmaps to continually improve its materiality assessment and risk management.

Climate Change Risk Assessment (CCRA)

CCRA is an internally developed tool that allows the Company to allocate a climate risk assessment score to risk parent obligors. This tool helps the Company understand the distribution of climate related risks (transition and physical) in the non-guaranteed Derivatives portfolio, informs stress testing and scenario analysis and the outputs enable the embedding of climate risk considerations into business and strategy decisions.

The Equator Principles

SMBC Group has also adopted the Equator Principles, a set of principles for determining, assessing and managing social and environmental risks in finance to large-scale development projects, and has established a team in Tokyo within its Corporate Sustainability Department to assess the social and environmental risks in accordance with the Principles.

Risk Register

An internal taxonomy of key risks and controls used to inform the ongoing identification of risks. The Company recognises that sustainability risks, including climate change, are inherent across the spectrum of risk categories. This has allowed the Company to consider how climate change risk impacts each of the risk drivers and the control environment in place to manage them.

Stress testing and ICARA

The Company undertakes climate risk scenario analysis and stress testing with a modelling horizon of 30 years. The scope of the stress testing is consistent with the scope of the CCRA scorecard.

The Company's scenario analysis is broadly aligned with the Bank of England's Climate Biennial Exploratory Scenario (CBES) (announced in November 2020, with the results published in May 2022) and through it the Company analyses the stress impact on its portfolio of three scenarios. No additional policy (>4°C temperature change), Early Policy Action (<2°C) and Late Policy Action (<2°C).

Risk adjusted portfolios are created to calculate the Climate Risk Value at Risk (VaR) impact of each scenario. The stress scenarios inform the potential credit impact of climate change in the existing portfolio over the long term, and the results are included within the ICARA document. The current approach maps the grade of each obligor onto a new climate adjusted grade. The portfolio is then processed using a portfolio management tool to obtain expected and unexpected loss. This process is repeated for each year in each scenario to obtain the evolution of climate risk over time. The baseline scenario is also processed via the same tool; the difference between the baseline and the scenarios gives the losses due to climate change. Climate risk modelling is still in its infancy. Due to a lack of historical data to forecast how climate risk could impact default risk, expert judgement was utilised in the calibration of climate risk-related Probabilities of Default.

Sustainability KRIs monitoring dashboard

Reporting is provided to appropriate management forums and committees as part of their management processes and escalation. The company maintains a sustainability metric inventory. The metric inventory is the primary record of metric ownership, governance and level. Approval by the relevant approval forums of metrics and reports is tracked in this inventory. Thresholds, trigger actions and escalation are tracked in the metric Inventory.

Regulatory horizon scanning tool

Regulatory horizon scanning is an important process for the Company as it facilitates the identification of upcoming prudential regulatory changes and/or guidance which are materially relevant to any/all SMBC legal entities and branches across EMEA, encompassing diverse topics, including sustainability risk and disclosures. This process provides a standardised view of the impact of the relevant regulations on the Company and their current status (i.e. proximity to implementation).

Metrics and Targets

Management Information (MI)

Management information, metrics and targets are a key component of the Sustainability Risk Framework and allow the Company to make more effective and efficient data driven strategic business and risk decisions. During the year the Company continued to develop its ability to measure and monitor its performance in relation to sustainability and managing climate risk. On a quarterly basis it produces a dashboard that shows its current performance, and presents it to the BRCC and Risk Management Steering Committee so that these bodies can monitor the progress and challenge when issues arise.

Presented below are certain performance or ESG risk indicators from that dashboard.

Metric	Frequency	Notes
Derivatives exposure to TCFD identified sectors	Monthly	TCFD sectors are Energy and Utilities
Sustainability training hours	Monthly	Number of hours per month on sustainability-related training
Debt Capital Markets proportion of revenues from TCFD identified sectors	Quarterly	TCFD sectors are Energy and Utilities. Revenues measured on quarterly basis
Fixed Income proportion of inventory issued by TCFD identified sectors	Monthly	TCFD sectors are Energy and Utilities. Inventory measured at month end
Senior female representation	Quarterly	Female representation measured for Director and above
Exposure to high transition/physical risk derivatives counterparties	Monthly	Based on CCRA assessment
Total underwrite amount for ESG Bonds	Monthly	Includes green, social, sustainable , sustainability-linked and transition bonds.

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 financial control approach.

In the year, the Company moved into a new headquarters building. British Land's 100 Liverpool Street development is a BREEAM Outstanding rated building, with efficient thermal envelope design and highly efficient building services equipment such as a rooftop solar PV array and a 'grey' and rain-water system with extra filtration on the air conditioning system. It achieved an 'Excellent' BREEAM fit-out rating in September 2022.

Energy consumption (kWh), both direct and indirect, has reduced this financial year by 34% compared to last reporting period. This is mainly due to consolidation of the estate, via an office closure during the reporting period and the move to 100 Liverpool Street.

Scope 1 and 2 emissions have reduced in the year by 40%, while the intensity metric for emissions, $kgCO_2e$/full-time-equivalent (FTE) employee, has increased by 5% compared with the previous reporting year.

The Company is committed to better reporting and understanding its environmental impacts. In the year, the Company engaged a new booking partner for business travel, which had enabled it to improve the quality of its data on emissions from travel and hotel stays, which were not previously included. There has been an increase in travel-related Scope 3 emissions compared to the previous reporting period arising from increased travel after the COVID-19 pandemic, as well as the more detailed reporting.

Due to the customer relationship-driven nature of the Company's business, business travel will continue to be a factor in the Company's emissions. The Company seeks to minimise the impact of this through its travel policy and the carbon footprint information in its travel booking tool.

Metric	FY2022	FY2021	Difference (%)
Total energy use (MWh)*	**1,454.24**	2,191.67	-34%
Total GHG emissions Scope 1 & 2 (location-based tCO_2e)	**278.37**	465.36	-40%
Total GHG emissions Scope 1 & 2 (market-based tCO_2e)	**28.26**	465.36	-94%
Total SECR mandatory GHG emissions (location-based tCO_2e)	**278.37**	465.36	-40%
Total SECR mandatory GHG emissions (market-based tCO_2e)	**28.26**	465.36	-94%
Of which Scope 1 (location-based tCO_2e)	**48.06**	-	
Of which Scope 1 (market-based tCO_2e)	**28.26**	-	
Of which Scope 2 (location-based tCO_2e)	**230.30**	465.36	-51%
Of which Scope 2 (market-based tCO_2e)	**0.00**	465.36	-100%
Of which Scope 3 (grey fleet tCO_2e)	**-**	-	
Scope 3 emissions (tCO_2e)**	**527.74**	-	
Emissions per employee (tCO_2e/FTE)	**1.39**	1.33	5%

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

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

In the year ended 31 March 2023, the Company adopted a new travel booking system which has given greater transparency on the impact of business travel.

Accordingly, the Company has for the first time voluntarily reported its Scope 3 emissions, being those emissions related to business travel.

Governance at a glance

The Board of Directors

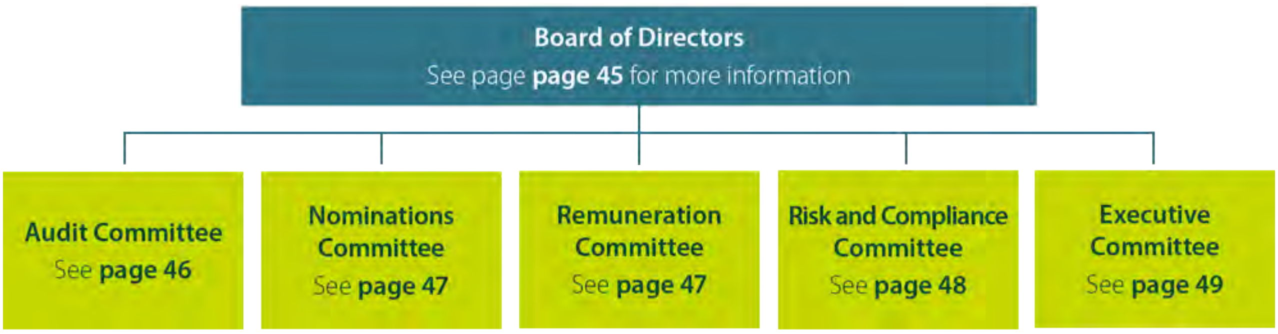
The Directors who were in office and the composition of the Board Committees as at 31 March 2023 are shown below. Since the year end, Keiichiro Nakamura has left the Board.

Name	Board of Directors	Committees				
		Audit	Nominations	Remuneration	Risk	Executive
Non-Executive Directors						
Patricia Jackson	C	–	C	M	M	–
Stephen Souchon	M	C	M	C	M	–
Maria Turner	M	M	–	M	C	–
Takahiro Yazawa	M	M	M	M	M	–
Hideo Kawafune	M	M	M	M	M	
Executive Directors						
Antony Yates	M	–	–	–	–	C
Yukio Ishii	M	–	–	–	–	M
Former Director						
Keiichiro Nakamura (resigned 4 April 2023)	M	–	M	M	M	–

C – Chair of Board or Committee
M – Member of Board or Committee

Board Committees

The Board Committees provide oversight of, and make recommendations on, the matters delegated to them by the Board. Information on the activities of the Board and Committees in the year can be found as shown below and in the Sustainability Report on page 16. Information on how the Board and its Committees and management have engaged with stakeholders can be found on pages 41 to 44.



Directors' biographies

Patricia Jackson

Chair

Appointed to the Board: 13 June 2017

Appointed as Chair: 19 July 2019

Skills and experience

Patricia has considerable experience as a non-executive director. She has chaired the risk committees of a variety of financial institutions, including Lloyd's of London, and is currently chair of the Risk Committee of SMBC Bank International plc. She built up the banking risk practice at EY and was head of the risk governance practice for EMEIA. At the Bank of England, she was the head of the Financial Industry and Regulation Division and represented the UK on the Basel Committee for Banking Supervision. Patricia has extensive knowledge of banking, capital markets, risk management and regulation.

Other appointments

Patricia is an Independent Non-executive Director of SMBC Bank International plc and Handelsbanken PLC.

Antony Yates

Chief Executive Officer

Appointed to the Board: 5 July 1995

Skills and experience

Antony served as Head of Trading before he was appointed as Director of the Company in 1995 and has been involved in day-to-day management of the business at all levels since that time. Antony has overseen the Company's business and strategic direction, providing guidance throughout the challenges of recent years including Brexit, COVID-19 and the implementation of large-scale regulatory changes, as well as providing a strong link to other Group companies both in Europe and on a global basis, leveraging his strong relationships with Head Office and his deep knowledge of the global business.

Other appointments

Antony is appointed to the following SMBC Group companies: SMBC Derivative Products Limited (executive Director), SMBC Capital Markets Inc (non-executive Director), SMBC Capital Markets Asia Limited (executive Director) and SMBC Bank EU AG (Supervisory Board member). He is also an Executive Officer of SMBC.

Yukio Ishii

Executive Director

Appointed to the Board: 6 April 2022

Skills and experience

Yukio spent his executive career in the Treasury departments of a wide range of SMBC Group entities spanning London, Tokyo, Hong Kong and New York before joining CM Ltd in 2019 as Head of Global Markets.

Other appointments

Yukio is also appointed to the Board of SMBC Derivative Products Limited (executive Director).

Takahiro Yazawa

Non-executive Director
Appointed to the Board: 4 March 2022 (as a Non-executive Director)

Skills and experience

Prior to being appointed as the Company's Executive Chairman in 2016, Takahiro served as non-executive Director representing the Company's Japanese parent, SMBC Nikko Securities Inc, and providing guidance and advice to the Board from a global stakeholder perspective. In his earlier career, he was involved in various roles relating to international business, strategic products, investment development and investor relations within the Company's direct parent, SMBC Nikko Securities, and within Sumitomo Mitsui Financial Group, Inc, the Group's ultimate owner. In March 2022 Takahiro left his position as the Company's Executive Chairman and was appointed as a Non-executive Director of the Company in order to allow him to take up a new role as the Head of the Global Planning unit within SMBC Nikko Securities, Inc.; he remains closely involved with the Company and continues to bring valuable insights to the Board from a strategic and business perspective.

Other appointments

Takahiro is a Supervisory Board member of SMBC Bank EU AG.

Hideo Kawafune

Non-executive Director
Appointed to the Board: 4 July 2018

Skills and experience

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

Other appointments

Hideo is an executive Director of SMBC Bank International plc. He is also Chair of the Supervisory Board of Shimano Europe B.V.

Stephen Souchon

Independent non-executive Director
Appointed to the Board: 26 January 2018

Skills and experience

Stephen is a Chartered Accountant with significant experience as an executive and non-executive director within the financial services sector with a strong focus in finance, regulatory reporting and audit matters. He spent his executive career in the Finance Division of Morgan Stanley and in the Financial Services audit practice of EY. Stephen chairs the Company's Audit and Remuneration Committees.

Other appointments

Stephen is a Director of TD Bank Europe Limited and abrdn New Dawn Investment Trust plc.

Maria Turner

Independent non-executive Director
Appointed to the Board: 21 January 2021

Skills and experience

Maria has over 30 years' business and risk management experience in wholesale, retail, commercial, and in investment banking business. She is a mathematician and Chartered Accountant by background, has held senior roles in bank Executive Committees as CRO and has prior non-executive Director Risk Chair experience. She has global risk management banking experience working in senior positions in top-tier US, European and Asian banks including JPMorgan, Mizuho, Santander and Nordea.

Other appointments

None

Statement of Corporate Governance arrangements

The Board is committed to maintaining high standards of corporate governance within the Company. For the year ended 31 March 2023, the Board has applied the Wates Corporate Governance Principles for Large Private Companies (Wates Principles) and information on how it has done so is set out below.

Principle 1 – Purpose and leadership

"An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose."

The Company's Purpose is to be "a trusted partner for the long term". This reflects the long-term relationship-based approach the Company adopts in carrying out its business for the benefit of its customers and all its stakeholders.

– "Trust" is a cornerstone of the Company's offering and identity.
– "Partner" and "partnership" are words frequently used in the Company and wider SMBC Group as they emphasise the two-way, win-win nature of what the Company regards as a successful relationship.
– "Long term" is associated with trust, partnership and stability. Having a long-term view and thinking of client relationships as long-term associations is central to the Company's business activities

The Company's Purpose, together with its Values and Culture form a framework that helps guide corporate and individual behaviours. On joining the Company, employees are made aware of this framework through the Employee Handbook, with further resources available on the intranet.

The Company's strategic objectives and Purpose of being 'a trusted partner and global solutions provider' to clients was reinforced in its proposed solutions to a client in a highly innovative transaction which was the first issuance of Samurai bonds to individuals by a corporate issuer, as well as being the second largest public offering of Samurai bonds for retail investors. This transaction involved the coordination of different teams across the jurisdictions the Company operates in and emphasises the Company's long-term approach to business for the benefit of its clients and stakeholders.

Further information

+ Mission, Vision and Values – **page 4**.
+ Culture and developments in the year – **page 14**.
+ Board and Committee activities in the year – **pages 45 to 49**.

Principle 2 – Board composition

"Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company."

Board Chair

The Chair has responsibility for the leadership of the Board and for ensuring its effectiveness in all aspects of its operation. The Chair encourages an open and constructive dialogue during meetings, inviting the views of all Board members.

Board Composition and Diversity

At the date of signing the financial statements, the Board comprised seven Directors. The non-executive Directors Patricia Jackson, Stephen Souchon and Maria Turner, are deemed independent as they have no material business or other relationships with the Company that could influence their exercise of independent judgement. Takahiro Yazawa is nominated by the Company's shareholder and Hideo Kawafune is Head of SMBC's EMEA Region and, therefore while non-executive Directors, they are not deemed independent.

The Board includes a separate Chair and CEO to ensure a clear division of responsibilities between the leadership of the Board and the executive leadership of the business. The CEO is assisted in his role by the other executive Director, senior management team and through the work of the Executive Committee.

The overall size and composition of the Board is assessed by the Nominations Committee, and this is informed through ongoing skills and effectiveness assessments.

The Board has in place a Diversity Policy which states a target that at least 25% of the Board will be made up of women, while also ensuring an appropriate mix of skills, experiences and competencies on the Board. The Board also commits to taking positive action to source applications from Asian, Black and other Minority Ethnic candidates. At the year end, female representation on the Board was 25% (2 of 8 Directors). Due to changes in the composition of the Board after the year-end, at the date of signing female Directors represented 29% of the Directors (2 of 7 Directors).

The balance of skills, background, experience and knowledge on the Board is the responsibility of the Nominations Committee and is reviewed annually or whenever appointments are considered.

Board composition at the year-end

Board Appointments

The Nominations Committee is responsible for assessing and recommending candidates for appointment to the Board. As part of this process, the Committee considers a candidate's skills, experience and values, and has regard to the level of diversity and experience and main areas of competency of the Board. Appointments are made on merit and due consideration is given to diversity in its broadest sense, including gender, social and ethnic backgrounds, and cognitive and personal strengths.

Following the appointment of Yukio Ishii in the year, the Board believes that its size and composition are appropriate to meet the strategic direction and challenges of the business and to enable effective decision making.

Ongoing education

The Company puts in place a bespoke education and development programme for all new members of the Board and this is supplemented by the provision of ongoing briefings and facilitated discussions on significant topics, which in the year has included: diversity and inclusion, operational risk, regulatory reporting, digitalisation and automation and cyber security.

Principle 3 – Director responsibilities

"The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge."

Board and Committees

The Board Committees provide oversight of and make recommendations on the matters delegated to them by the Board. The Chair of each Committee provides a report on the Committee's activities at each Board meeting. The Board's and Committees' responsibilities are detailed more fully in terms of reference, which are reviewed regularly and updated as required. The Board is responsible for appointing the Board Chair and the Chairs of all Board Committees. The membership of the Audit, Remuneration, BRCC and Nominations Committees is also reserved for the Board in consultation with the relevant Committee Chair.

Responsibilities of the Board and Committee Chairs

The responsibilities of the Board and Committee Chairs are shown below:

Responsibility	How achieved
Ensuring that meeting members operate effectively as a team and that debate is encouraged and facilitated, whilst achieving closure of items	– Assessed through effectiveness reviews and steps taken to address any points identified. – Board members meet each other outside formal meetings and there is frequent additional contact between them. – Chairs and Company Secretariat discuss who should attend meetings to ensure appropriate consideration of the matters covered. – All actions arising from meetings are recorded and tracked to completion. All such matters are overseen by the Board and Committees.
Ensuring appropriate time is allocated for the consideration of items	– Meeting agendas are set by the respective Chair in consultation with the Company Secretariat. – Agendas and meeting arrangements are structured to allow sufficient time for discussion of all matters, with a focus on those items requiring approval or strategic consideration. – Agenda setting is aided by a forward planner document which is updated regularly to reflect the requirements and areas of focus of the Board and Committees.
Ensuring that members have sufficient time to consider critical issues and obtain answers to questions or concerns they may have and are not faced with unrealistic deadlines for decision-making.	– Meeting papers are circulated to Directors typically at least one week before a meeting.
Ensuring that the meeting receives clear, accurate and timely information.	– Meetings are arranged to allow inclusion of the most recent month-end data in papers. – Guidance documentation is issued by the Company Secretariat to assist management in the preparation of papers.

Accountability

The Directors each have in place an annually reviewed role description document and as required by the Senior Managers Regime, a Statement of Responsibilities. Additionally, the Board approved Corporate Policy Manual gives further information on the roles and responsibilities of the Directors which include:

Role	Responsibility	How achieved
Non-executive Directors	– Provision of independent judgement on all matters related to the Company's strategic direction, leadership, performance, resources, risk management and overall governance.	– Annual checks undertaken to assess independence (see below).
	– Independent directors are required to constructively challenge and test strategic proposals.	– The strategic planning and development process takes place through the year and is subject to quarterly Board discussion.
Executive Directors	– Under the leadership of the CEO, responsibility for running the business. – Implementing the strategies approved by the Board. – Ensuring the Board's decisions are implemented appropriately.	– Board approved strategy and policies provide a framework for managing the business. – CEO report submitted quarterly to the Board. – Framework of management reporting to the CEO. – Departmental reports are considered monthly by the Executive Committee
	– To be knowledgeable about all aspects of the business even if they have responsibility for a particular area of the business.	– All new Directors are given a personalised learning and development plan. – Ongoing learning needs are identified through annual effectiveness reviews. This is supplemented by briefings given as part of the Board education plan. – All executive Directors are a member of the Executive Committee at which Company-wide matters are considered.

The Board also has in place an Escalations Policy that identifies certain events which, should they occur, require immediate initial notification to one or more Board or Committee Chairs then the Board as a whole.

Independence

All Directors are required annually to complete a questionnaire through which any potential conflicts of interest are identified and managed. The non-executive Directors are required to seek the Company's approval in advance of them being appointed a director of any other company so that any potential conflicts of interest with the Company can be identified and, as necessary, managed.

Integrity of Information

Multiple systems capture, record, process and store the financial and non-financial information used for Board, Committee and corporate reporting. The Company continually enhances its controls over these systems to ensure accuracy is maintained and to improve simplicity and transparency. The data used for reporting is subject to internal and external audit review and, as deemed necessary, external assurance review. During the year, the Audit Committee received quarterly reports on the effectiveness of the Company's internal financial controls.

External audit arrangements

The Audit Committee is responsible for managing the Company's relationship with its external auditor, ensuring that the external audit will be considered for re-tender. Each year, the Audit Committee reviews a letter from the external auditors setting out how, in its view, its objectivity and independence is maintained. The Audit Committee members regularly meet the KPMG Audit Partner in the absence of executive management.

Audit and Assurance Policy

During the year, the Audit Committee received presentations on the work being undertaken to draft an Audit and Assurance Policy, which documents how the Board obtains assurance on any company reporting beyond that required by the annual audit of the financial statements. This Policy has been prepared in response to the Government White Paper 'Restoring Trust in Audit and Corporate Governance' and its subsequent publications. This Policy will remain under review and is expected to be finalised in the coming year at which point it will be submitted to the Audit Committee for approval.

Principle 4 – Opportunity and Risk

"A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks."

Opportunity

Medium- and long-term strategic opportunities are identified through the annual Corporate Strategy development process, which has involved:

- consideration by the Board of high level strategic principles, including those of SMBC Group
- a strategy discussion meeting involving the Boards of the Company and SMBC BI and senior executives
- review and challenge of the draft and final strategy document

The Chief Executive Officer provides a quarterly report to the Board on strategic and business developments and is accountable to the Board for the delivery of the strategy. Any expansion of the business into new areas, or the identification of short-term strategic opportunities are considered in conjunction with the risk appetite and discussed by the Board.

Risk

The Board is responsible for establishing a framework of controls that enables risk to be managed and assessed and sets the Risk Appetite Statement each year. It delegates certain of these responsibilities to the BRCC and Audit Committee as follows:

Committee	Ongoing responsibilities and activities undertaken	Specific reviews at the year-end
BRCC	– Assessing effectiveness of risk management and internal controls. – Reviewing the status of risk against Appetite. – Reviewing the results and management's response to the Compliance Monitoring Programme review activity which provides assurance on compliance with relevant laws, regulations, policies and procedures. – Deep-dive reviews into areas of focus in the year, including Operational Resilience, resourcing and Know Your Client monitoring findings.	– Effectiveness of the risk management framework and internal controls at the year-end through which the Committee considered the results of a management assessment of the key risks facing the Company, along with the related key controls. The Committee concluded that the framework was adequate and that management had taken or was taking the necessary actions to remedy any weaknesses identified in the framework of controls.
Audit Committee	– Assessing effectiveness of internal financial controls. – Considering the results of Internal Audits, which address the design and implementation of key controls used to manage risks across the organisation. Monitoring is also performed of actions taken to address audit issues to confirm appropriate improvements are implemented. – Considering the results of external audit findings. – Reviewing whistleblowing trends, which offer insights into possible risk areas.	– Effectiveness of the internal controls over financial reporting at the year-end, which is part of a wider assessment plan in place at a global SMBC Group level.

Additionally, the Executive Committee through the CCAF maintains close oversight of controls via a self-inspection process. The CCAF offers the heads of departments the opportunity to discuss the progress of internal audit findings and receives a comprehensive update on the Company's conduct metrics.

On the basis of the activities performed by the BRCC and Audit Committee during the year, the Board considers the Company's risk management and internal control systems to be appropriate. These systems are designed to identify, evaluate and manage, rather than eliminate, all of the Company's risks and can only provide reasonable and not absolute assurance against material misstatement or loss.

Further information

+ Classification of risks – **pages 9 to 10**.
+ Principal and emerging risks – **pages 11 to 12**.
+ Oversight of sustainability targets and risk management – **page 25 to 26**.
+ Identification and management of risk – Risk Management section – **pages 54 to 56**.

Principle 5 – Remuneration

"A board should promote executive remuneration structures aligned to the sustainable long-term success of a company, taking into account pay and conditions elsewhere in the company."

The Remuneration Committee's responsibilities include overseeing the development and implementation of the Company's remuneration policies and practices. Information on the activities undertaken by the Committee in the year can be found on page 47.

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

The Policy aims to support the Company's long-term aims and seeks to encourage long-term stability and sustainability, particularly of the capital base, and promote steady growth and keen risk awareness. All employees are eligible to participate in the annual performance related bonus scheme with variable pay outcomes determined by the performance of the Company, relevant department and both the contribution and conduct of the employee.

In the year, the performance of the most senior individuals was assessed using a balanced scorecard to drive sustainable business performance. The scorecards included financial goals, non-financial goals linked to the Company's five cultural pillars (including ESG targets), as well as an assessment of the individual's conduct. In addition, the Remuneration Committee reviewed and approved the variable and salary awards made to all material risk takers.

The Remuneration Committee also supported in the year the provision of an exceptional salary adjustment of £2,000 (or equivalent local currency) to the Company's Associate and Assistant Vice President employee population. This was to recognise the particular cost of living challenges the current inflationary environment has posed for the Company's more junior staff and to ensure that the Company continues to provide a competitive level of rewards to its people that fairly recognises the contribution they make to the Company success.

Principle 6 – Stakeholders relationship and engagement

"Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions."

The Board and management recognise the need to engage with its stakeholders and to consider their interests, and information on the ways in which they have done so are set out on pages 40 to 45.

Section 172(1) Statement

Section 172(1) of the Companies Act 2006 requires company directors 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 members as a whole, and in doing so have regard to the:

(a) likely consequences of any decision in the long term
(b) interests of employees € need to foster business relationships with suppliers, customers and others
(d) impact of the company's operations on the community and the environment
(e) desirability of the company maintaining a reputation for high standards of business conduct
(f) need to act fairly as between members of the company

This part describes how in the year the Directors have had regard to the above matters (the section 172(1) matters) when performing their duty under section 172(1) and forms the statement required under section 414CZA of the Companies Act 2006.

Stakeholders – overview

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

Stakeholders

The Company recognises that the success of the business is dependent on its stakeholders and that its business activities impact its stakeholders in different ways.
The Company's stakeholders are as follows:

- **Customers**
- **Environment and Community**
- **Colleagues**
- **Suppliers**
- **Regulators**
- **The 'Company'**

After the year end, the Board confirmed that the Company's identified stakeholder groups remained current and appropriate, subject to minor changes to the description used.

The Board recognises that the Company's success is dependent on its stakeholders and that its activities impact its stakeholders in different ways. When presenting to the Board and its Committees, members of management are required to identify in supporting documentation the stakeholder groups and section 172(1) matters relevant to the item, which are then considered by the Directors in their discussions and decision-making.

High standards of business conduct

Long term relationships are central to the Company's Purpose, and the Board recognises that to earn the trust of its stakeholders and achieve its objective of sustainable growth objective, it must exercise high standards of business conduct. Oversight of conduct is achieved primarily through the BRCC, Executive Committee and the CCAF, which during the year have considered metrics related to the conduct of the Company's business, including RAG indicators and analysis of topics including:

– internal policy breaches in areas including employees' personal account dealing and declaration of outside business interests
– completion rates for mandatory training
– regulatory notifications

The BRCC has also undertaken deep-dive reviews where it has deemed it necessary to consider a matter in further detail.

A long term view

The Company seeks to achieve long-term sustainable growth, ensuring that it remains well funded, well controlled and that there is a sensible balance between risk and reward. During the year, the Board approved the annual budget and business plan and considered business targets in light of changes to the market environment.

Stakeholder engagement

The Board delegates to management the authority to run the business on a day-to-day basis and to execute the strategy approved by the Board. The Company therefore engages with stakeholders in many ways and at all levels of the business to understand their needs, priorities and concerns. These interactions take place in the context of the strategies and policies set by the Board and its Committees. Significant interactions with stakeholders are reported as necessary to the Board and Committees. Set out below are examples of how engagement has occurred in the year and the result of that engagement.

Customers

'Customer first' is one of the Company's core values and it seeks to build its brand by being a reliable and trusted partner to its customers.

Interaction with customers is primarily through relationship managers and product specialists, but Antony Yates, Yukio Ishii and other relevant members of the Executive Committee also frequently meet customers to develop strategic partnerships. Significant interactions and notable transactions are reported to the Board as required, along with consideration of how business strategy will enable the Company to better meet the needs of existing and potential customers.

The Company frequently hosts customer seminars and seeks to provide value-added services, such as the Japan Series Investor events held by the Company, including a series of seminars and opportunities for investors and issuers to meet and deepen their relationships. The Company arranges roadshows throughout the year to introduce issuers to potential investors and facilitate knowledge-sharing and widening the recognition of investor names amongst the client base.

During the year, the Company continued to implement enhanced processes and organisational structures under the Customer Lifecycle Management Project with the aim of improving the customer experience. Other key areas of focus include the way in which the Company requests and collates KYC onboarding information, consideration of ESG ratings and detailed discussions on sustainability and energy transition.

The Board throughout the year received updates on IBOR transition. The Directors remained apprised of the Group's progress on US Dollar LIBOR in terms of the transition of existing transactions and the agreed approach towards new transactions to ensure compliance with the Group's strategy and the regional regulations. The subject of client outreach was regularly considered, both in terms of clear and transparent communication to clients to prepare them for the change and to support counterparties during transition. The Board continues to approach the ongoing work with careful consideration of potential risks, whilst keeping compliance with regulatory expectations.

Environment and Community

The Company recognises its role in society and the importance of contributing positively to the societies in which it operates.

The Board and Committees, supported by the EMEA Sustainability Programme, have been actively engaged in overseeing and developing the Company's sustainability capabilities in the year. Information on the Company's environmental initiatives and engagement is shown in the TCFD section on pages 23 to 27.

Details of the Company's sustainability activities are available to all employees through the intranet, and these include briefing materials for front office colleagues on how they can best support their customers as well as the steps the Company is carrying out to realise a more sustainable world. This is supported by town halls and other briefings, such as the Annual Sustainability Week held in November 2022, which included events to increase awareness on topics such as sustainable finance products, ESG threats and opportunities, the energy efficiency and how waste is managed in the Company's headquarters building, and personal actions to increase sustainability.

During the year, the Board received a quarterly report on ESG matters which covered the implementation of enhanced ESG reporting, including initiatives undertaken by the Company's parent in Tokyo. The Board also considered the results of a CSR survey through which it was able to understand what colleagues around the Company regarded as important to develop the approach to CSR in EMEA.

In partnership with local charities, a week of volunteering activities was held in December 2022 in recognition of International Volunteer Day, working with homeless charities and community centres in the local community to ensure that our volunteers were able to make a tangible, positive impact to the people around us. The Company also participated in the #PurpleLightUp initiative during December, focusing on contributions people with disabilities make to our communities and the economy and addressing the barriers they face worldwide. Seminars were held for colleagues on Neurodiversity in the workplace, as well as an introduction to British Sign Language.

In conjunction with other Group firms across EMEA, the Company is a strong supporter of the BOOST programme through which mentoring, paid internships and work skills are offered to young people in local communities around London.

Further information on CSR activities can be found on page 22.

Colleagues

The Company regards its people as its key asset and recognises they are central to CM Ltd achieving its sustainable growth objective.

The Board seeks feedback from its colleagues in a combination of ways, including through direct engagement in meetings and other activities and by understanding the results of employee surveys.

Areas of focus for the Board and the Nominations Committee in the year have included diversity and inclusion, talent management and career progression. In addition to attending Board events, individual Directors have in the year participated in formal and informal events organised by individual departments or the Company as a whole, such as DRIVE network (the employee-led D&I initiative) events and sessions of the CM Ltd Womens' Network.

Other notable engagement with employees in the year included:

– Regular emails from the SMBC Head of EMEA, which also included reference to significant business developments and achievements for the Company. Townhall meetings with senior executives provided an update on business matters.
– Mental Health Awareness Week held in May 2022 through which daily briefings were issued and webinars held on different aspects of mental health.
– Annual Inclusion Week held in September 2022 with the objective of enabling employees to identify and embed actions to promote diversity and inclusion in the Company.
– A series of events was held in November and December 2022 to mark the UN International Day of Persons with Disabilities to help raise awareness of and celebrate those employees with mental health challenges, neurodiversity and visible and invisible disabilities.
– The Intranet is used to explain strategic and business initiatives, provide updates on business projects and include employee voice stories on matters important to individuals.

Suppliers

The Company relies upon external suppliers to provide certain products or services that assist it in the running of its business. Suppliers are engaged for a variety of reasons, including the provision of expertise or resource that CM Ltd may or may not possess itself.

Engagement with suppliers is coordinated through a dedicated team and with executives who require supplier services. A procurement process is in place for all supplier engagements, which includes a rigorous due diligence process. These checks include steps relating to compliance with laws and regulations, such as anti-bribery and corruption and modern slavery and cost efficiency. Ongoing monitoring of suppliers is also undertaken. Particular focus is given to relationships with outsourcing providers and such engagements are subject to the Company's third-party risk management framework.

The Board reviews and approves the Company's Statement of Compliance with the UK Modern Anti-Slavery Act. Anti-Slavery processes included as part of due diligence processes, including the supply chains of vendors and other counterparties.

Regulators

The Company is required to comply with its regulators' rules and to ensure the integrity of the financial markets in which it operates. CM Ltd recognises that failure to comply with these requirements will impact its ability to carry out its business and serve its customers.

During the year, individual Directors and members of the Executive Committee have met the FCA at annual strategy, continuous assessment and other meetings. The Board and Committees have also received regular reports on significant regulatory matters, such as new regulations and Dear CRO letters, and have overseen the Company's response on matters including the annual evaluation letters, the evolving sanctions environment and US Dollar IBOR transition.

The Board and Committees have overseen the Company's response on matters of significance to the Company and its regulators, including matters raised affecting the Group's overseas entities and Head Offices. Significant regulatory communication is reported to the Board on a regular basis.

At an executive level, the Group benefits from SMBC BI's public affairs function through which the Company identifies and engages on regulatory and industry change that may impact CM Ltd's business.

SMBC Group

As part of SMBC Group, the Company shares and contributes to the realisation of the Group's Mission and Vision. The Company also seeks to assist SMBC Group to expand and consolidate its global franchise. A Service Level Agreement framework is in place for the provision and receipt of services between CM Ltd and SMBC Group.

As a wholly-owned subsidiary of SMBC, the section 172(1) matter related to the need to act fairly as between members of the company is less relevant to the Directors' discussions than the other section 172(1) matters. However, the Company recognises the importance of the role it plays to further the Mission and Vision of SMBC Group, particularly through the expansion of the Group's franchise in EMEA.

The Company engages closely with SMBC and Group affiliated companies at all levels. A representative of the shareholder, Takahiro Yazawa, is appointed to the Board and during the year provided quarterly updates on SMBC Group strategy and significant business developments. He has also acted as a link between the Board and SMBC Group on matters requiring Group input. In addition, during the year the independent non-executive Directors regularly met senior executives of SMBC Group and participated in EMEA-wide strategic discussions.

During the year a senior level forum attended by the Board Chairs and CEOs of the Company and SMBC BI and the CEO of SMBC Bank EU was established to further enhance the coordination of business activities and other strategic matters. The Executive Directors are also appointed to the boards of other Group companies in EMEA and the US, including the main affiliates SMBC Derivative Product Limited, SMBC Bank EU and SMBC Capital Markets, Inc (based in New York), and there has been increasing senior-level engagement with entities such as the Company's Abu Dhabi branch on EMEA strategic matters.

The Executive Directors join monthly EMEA Group management meetings, such as the EMEA Management Committee, to report on the Company's business activities and receive updates of other business progress and strategies being conducted by other SMBC Group entities in EMEA. The Company's executives and other stakeholders engage in active participation in monthly EMEA Group business meetings, including the EMEA Marketing Committee and the EMEA Sales and Trading Committee where business lines from various entities report directly on their achievements, strategy and challenges. Additionally, there is regular reporting of Service Level Agreement KPI performances at the monthly Executive Committee and CCAF.

During the year, a Primary Markets Planning team was established dedicated to EMEA Capital Markets strategy and planning (including cross-regional business), as well as maintaining close communication with Group entities in the US to ensure alignment with the Group's global strategies.

Report of Board activities

This section includes the principal activities undertaken by the Board and its Committees in the year and is supplemented by information that can be found in:

Further information

- Sustainability Report – **pages 16 to 22**.
- Statement of Corporate Governance arrangements – **pages 32 to 39**.
- Section 172(1) Statement – **pages 40 to 44**.

During the year, the Board met four times. In addition, the Directors have received briefings and participated in facilitated discussions on topics including: diversity and inclusion, operational risk, regulatory reporting, regulatory developments, digitalisation and automation and cyber security. The Chairs of the Board and Committees have also received individual briefings on matters relevant to their responsibilities.

The principal matters considered by the Board in the year included:

Responsibility in Terms of Reference	Matters considered
Strategy and business	– Development of the corporate strategy in the year in response to changes in the macroeconomic and business environment. The full-year strategy was also approved based on discussions held at the Strategy Day and the Board reviews undertaken in the year. – Development of the business strategy and other matters related to the transfer of the securities business to SMBC BI (subject to completion of legal and regulatory processes) – Reviewing the status of significant project activity – Consideration of business performance and drivers of performance – Receiving reports on new products – Receiving updates on the impact of the new Investment Firms Prudential Regime (IFPR)
Financial	– Approval of the annual report and accounts, IFPR disclosures and UK Tax Strategy
Risk management and internal controls	– Implications arising from the Russia-Ukraine conflict, including the cyber risk environment. – Approval of the capital and liquidity adequacy documents and recovery and resolution documentation
Governance	– Receiving legal reports from the General Counsel – Receiving updates on the Company's subsidiary, DP Ltd
People	– Approval of senior management appointments – Considering diversity and inclusion initiative – Received updates on People and Talent Management programmes
Projects	– Received updates on strategic project activity – Approval to become an individual repo clearing member
ESG	– Received updates on the Group's Sustainability strategy – Considered the challenges and opportunities associated with climate change developments
Stakeholders	– Update on the Group CSR initiatives – Update on the Group communication strategy

Report of Board Committees

Audit Committee

The Audit Committee is responsible for considering matters related to the preparation and audit of the annual report and accounts, internal financial controls, the relationship with the external auditor and taxation matters. It is also responsible for safeguarding the independence and overseeing the performance of the Audit Department and for considering the results of Internal Audit activity. The Committee is also responsible for assessing the effectiveness of the Company's whistleblowing arrangements.

Stephen Souchon, a chartered accountant, is Chair of the Committee. At the year-end, the Committee comprised one other independent non-executive Director, Maria Turner, and the non-executive Directors Takahiro Yazawa and Hideo Kawafune.

On the invitation of the Committee Chair, meetings are also attended by Patricia Jackson, Antony Yates, the Chief Financial Officer, the Co-Heads of Audit Department and the Head of Finance and Control. The engagement partner of the external auditor, KPMG, also attends meetings.

During the year, the Audit Committee met five times and its key activities included:

Responsibility in Terms of Reference	Matters considered
Financial and Regulatory reporting	– Reviewing the resilience of operational and financial controls – Reviewing the integrity of the Company's financial statements and IFPR disclosures
Governance	– Received an update on the consultation paper 'Restoring Trust in Audit and Corporate Governance' and the possible impact on the Group
Internal controls	– Considering the adequacy and effectiveness of the Company's systems of internal control
Taxation	– The UK Strategy, recommended by the Committee to the Board for approval – Intra-group transfer pricing arrangement and tax risk, reflecting the services received by the Company from other SMBC Group companies
External audit and Internal audit	– Evaluating the effectiveness, performance and objectivity of both the internal and external audit functions
Whistleblowing	– Reviewing the integrity, independence and effectiveness of the whistleblowing systems and control.

Nominations Committee

The Nominations Committee is responsible for assessing and recommending candidates to the Board to fill Board, Senior Manager Function and certain other senior executive management level vacancies. The Committee is also responsible for matters related to Board composition, performance and skills and for reviewing Board and senior management succession plans.

Patricia Jackson is the Chair of the Committee. The Committee includes Stephen Souchon and the non-executive Directors. On the invitation of the Chair, meetings are also attended by Maria Turner, Antony Yates, Yukio Ishii and the Head of Human Resources.

During the year, the Nominations Committee met twice and its key activities included:

Responsibility in Terms of Reference	Matters considered
Diversity and Inclusion	– Overseeing the implementation of the Company wide diversity and inclusion policy.
Succession Planning	– The Committee has a strong focus on succession planning at an executive level. The committee considered the overall executive talent pipeline with detailed executive succession planning.
Board Education Plan	– Review of the annual plan and adjustments required during the year to reflect the Board's requirements.
Talent Review	– Update on programmes to enhance internal talent growth.

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 and the bonus fund cap calculation.

Stephen Souchon is the Chair of the Committee. The Committee includes the other non-executive Directors. Appointment of the Committee Chair and the members of the Committee are made by the Board. On the invitation of the Chair, meetings are also attended by Antony Yates, Yukio Ishii, the Head of Human Resources and, as necessary, the Chief Risk Officer.

During the year, the Remuneration Committee met five times and its key activities included:

Responsibility in Terms of Reference	Matters considered
Remuneration Review	– The strategy for the remuneration reviews for the year ended 31 March 2023 was approved together with the bonus pool cap calculation and the remuneration of individual Material Risk Takers (MRTs). The release of deferred awards to MRTs was also approved following assessment of their conduct.
Remuneration policies and documents	– Revisions to the Remuneration Policy and Cash & Phantom Share Scheme to ensure that the documents remained current. – Implementation of an enhanced employee performance adjustment framework, which was approved together with the supporting policy documentation. – Gender Pay Report, which was approved for recommendation to the Board. The Committee also considered the approaches to reducing the gaps identified.

Board Risk and Compliance Committee

The Board Risk and Compliance Committee is principally responsible for considering the Company's risk management structure and systems, the main areas of risk faced by the Company, the ICARA document, the recovery and resolution documentation, and regulatory engagement and compliance.

Maria Turner is the Chair of the Committee. The Committee includes the other non-executive Directors. On the invitation of the Chair, meetings are also attended by members of management, including Antony Yates, Yukio Ishii, the Co-Heads of the Audit Department, the Chief Risk Officer, the Chief Financial Officer, the MLRO, the Chief Compliance Officer and the General Counsel.

During the year, the Board Risk and Compliance Committee met five times and its key activities included:

Responsibility in Terms of Reference	Matters considered
Risk management and internal controls	– Reviewing principal and emerging risks, and the status of risk relative to risk appetite. – Maintaining the Risk Appetite Framework of the Company in line with developments in the Company's business model – Approving changes to key risk management policies, such as the Enterprise Risk Management Policy for recommendation to the Board for approval.
Conduct Risk	– Receiving updates on Conduct Risk matters and related MI.
Climate and sustainability	– Considered matters including development of scenario analysis, development of the climate risk appetite framework and enhancements to environmental and social risk management controls.
Financial crime prevention	– Receiving the annual report from the Money Laundering Reporting Officer. – Reviewing the financial crime prevention risks and controls. – Considering the Group's Financial Crime Risk Appetite statement.
Projects	– Reviewing the Company's preparedness to implement the operational resilience requirements of the UK regulators. – Reviewing the work being undertaken to develop the Company's data management and third-party risk management arrangements.

Executive Committee

Attended by members of the senior management team and Chaired by Antony Yates, the Executive Committee is responsible for the supervision and management of the Company's business and for overseeing the work of the Risk Management Steering Committee and its sub-committees. The Committee meets monthly and reports to the Board of Directors. The non-executive Directors receive a copy of the papers and minutes of all Committee meetings.

During the year, the Executive Committee met 12 times and its principal activities included:

Responsibility in Terms of Reference	Matters considered
Objectives and Strategy	– Approving the establishment of the Business and Compliance Coordinators framework for improved coordination on business matters. – Approving changes to departmental structures and the allocation of responsibilities.
Projects	– Reviewing the work being undertaken to develop data management and third-party risk management arrangements. – Reviewing the status of operations projects, including matters relating to data management, operational resilience, third party risk management, and operational processing levels. – Reviewing the application process to become an individual repo clearing member.
Risk management	– Reviewing the status of risk, including current and emerging risks.
Legal, compliance and financial crime	– Reviewing matters related to the conduct of the Company's activities. – Reviewing the status of customer financial crime reviews. – Receiving updates from the General Counsel on legal developments. – Receiving updates on sanctions considerations relating to ongoing geopolitical events.
Financial and business performance	– Reviewing business performance and drivers of overall financial performance.
Information technology	– Considering major information technology projects and cyber security matters.
Systems and security	– Receiving updates on the development of cyber security arrangements and new IT systems.
Culture, diversity and inclusion	– Considering diversity and inclusion and culture initiatives.
People	– Approving revision to employee policies.
Deep dive reviews	– Considering various topics such as ESG factors, Diversity and the Three Lines of Defence Framework.

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

Antony Yates
Chief Executive Officer
18 July 2023

Directors' Report
For the year ended 31 March 2023

The Directors submit their Report and the audited financial statements for the year ended 31 March 2023.

An indication of likely future developments is included in the Strategic Report. No important events requiring disclosure have occurred since the year-end.

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

Other information	Section	Page
Policy on the employment of disabled persons	People and culture – Diversity and Inclusion	15
Engagement with employees	Section 172(1) Statement	43
Engagement with suppliers, customers and other stakeholders	Section 172(1) Statement	43
Streamlined Energy and Carbon Report	Task Force on Climate-related Financial Disclosures	27
Statement of corporate governance arrangements	Corporate Governance	32 to 39
Principal and emerging risks	Top and emerging risks	11 to 12
Managing risk	Risk Management	54 to 56
Financial instruments	Note 11 to the financial statements	85
Hedge accounting	Note 1 to the financial statements	75

Results and dividends

The Company recorded a profit after tax of USD 3.0 million for the year ended 31 March 2023 (2022: profit of USD 9.4 million). No dividends have been declared or paid in the year and the Directors do not recommend the payment of a final dividend.

Directors

The list of current Directors can be found in the Corporate Governance Report on page 28. 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
Yukio Ishii	Executive Director	Appointed 6 April 2022
Keiichiro Nakamura	Non-executive Director	Resigned 4 April 2023

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 (2021: nil).

Overseas offices

At the date of signing this Report, the Company had one overseas subsidiary, based in Hong Kong, and a branch established in Abu Dhabi.

Research and development

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

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 2 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 Group's auditor.

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

Antony Yates
Director
18 July 2023

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

The directors are responsible for preparing the Annual 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 the Group and 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 year. 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 [international accounting standards in conformity with the requirements of 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 have decided to prepare voluntarily a Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

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

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

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

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

Antony Yates
Director

18 July 2023

Board of Directors

Chair of the Board
Patricia Jackson

Executive Directors
Antony Yates
Yukio Ishii

Non-executive Directors
Stephen Souchon
Maria Turner
Hideo Kawafune
Takahiro Yazawa

Risk Management

This section sets out the Company's approach to managing risk. Information on the Company's principal and emerging risks can be found on page 9 to 12. Further information on the level of risk at the year-end can be found in the financial statements.

Risk strategy and risk appetite

The 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 (sustainable growth), maintaining solvency and liquidity, conducting business (in accordance with all regulatory requirements) and maintaining operational resilience.

The Company uses a Risk Appetite Framework to define the broad-based level of risk it is able and willing to take in carrying out its business. The Company's risk appetite is arranged according to the four strategic pillars and ensures formal management identification and consensus about the strategic level risks it is facing and, as such, is a key tool for managing the business.

Risk management framework

The Board ensures that risk management is embedded throughout the organisation through:

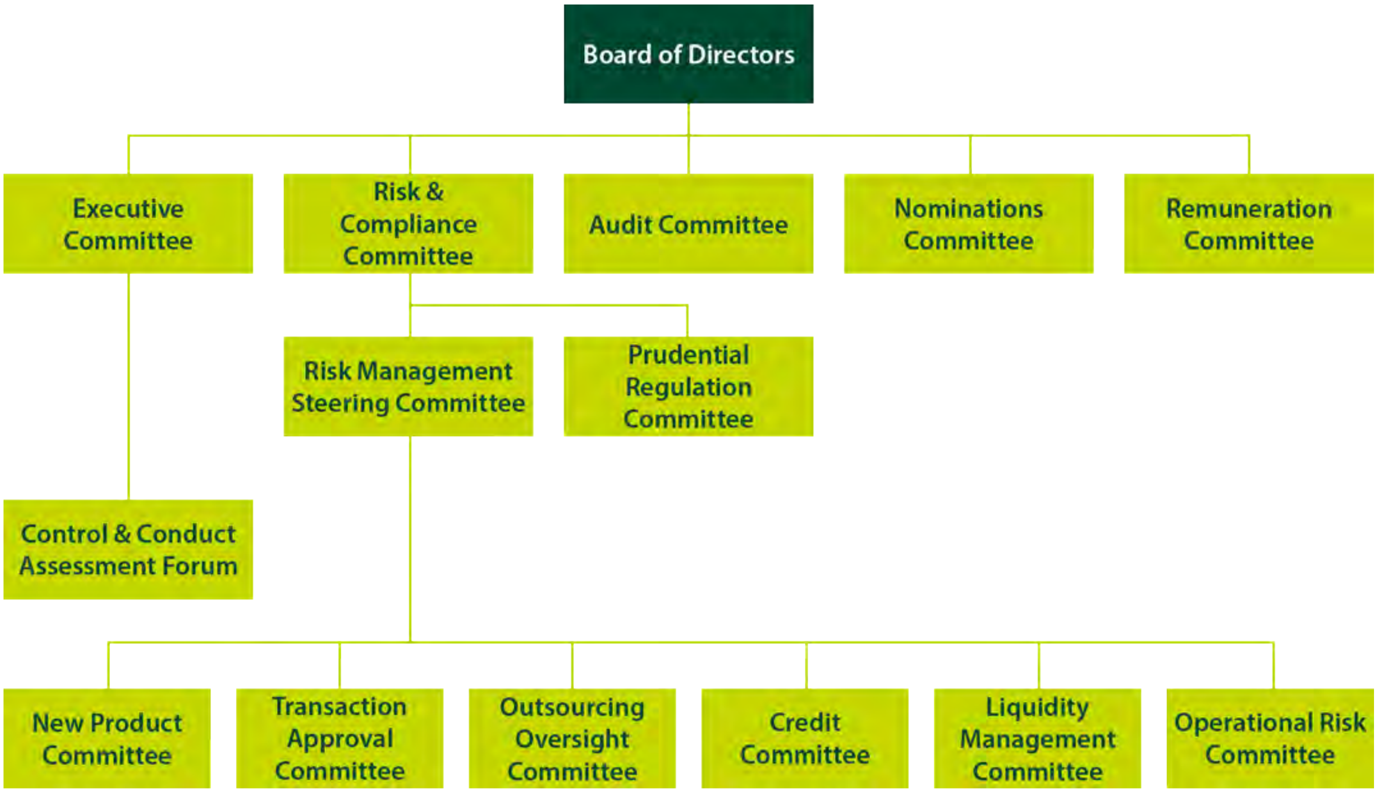
- A formal risk governance framework, with clear and well-understood risk ownership, standards and policies;
- A strong risk culture, with personal accountability for decisions;
- The alignment of risk and business objectives through the integration of risk appetite into business planning and capital management;
- The alignment of remuneration within the risk framework and risk outcomes; and
- Daily monitoring by an independent risk function.

The Board has established an enterprise-wide Risk Management Policy that sets out the Group's objectives and defines a framework for how the risks it faces are managed. The framework covers governance arrangements, roles and responsibilities, risk appetite and limits, and the processes and reporting that are in place across the Group. It is designed to achieve and assure effective risk governance and management across all business activities.

The Group's and the Company's Risk Appetite Framework sets out the broad level of risks that are to be accepted in pursuit of its business goals and strategy. Underpinning this framework, day-to-day business activities are managed using appropriate measures, risk targets and limits, which are to be considered as defining acceptable levels of each category of risk under normal conditions and are set out within the specific policies and procedures in place across the organisation. A comprehensive risk assessment process is undertaken annually and is fully documented in the ICARA document.

Risk Management Committee structure

The Board delegates day-to-day management of the Company to the Chief Executive Officer, who is supported by a management level committee framework including the Executive Committee, Risk Management Steering Committee and its sub-committees. Each Committee has documented terms of reference:



The materiality and triggers for escalating information are set out in the individual risk management policies and procedures.

The BRCC is responsible for overseeing the components of the Risk Management Framework:

- Adherence to the Risk Appetite
- Implementation of the Risk Strategy
- Risk identification and measurement
- Risk monitoring and reporting
- Stress testing and scenario analysis
- Capital and liquidity management
- Management of large exposures.

The Risk Management Steering Committee (RMSC) is the parent committee at an executive level for overarching risk considerations, and aggregates the output from the other risk committees that report to it. Risk specific items, for example the risk register and risk appetite, are reviewed and approved by the RMSC, alongside the standard reporting of risk management information.

The RMSC also provides reporting into the BRCC covering relevant risk management Information (for instance market, credit, liquidity, operational and conduct risk), reporting of performance against Risk Appetite (and escalation where relevant), and reporting of relevant policies for BRCC approval.

The Prudential Regulation Committee (PRC) meets monthly and comprises senior members from relevant departments across the Company including the Chief Risk Officer, Chief Finance Officer, Planning/Treasury, Business Heads, representing the second layer of ICARA governance.

Key decisions for review and challenge are escalated to the BRCC (such as the appropriateness of stress scenarios and emerging risks), and the CRO reports to the BRCC on overall ICARA project progress. The PRC is also responsible for the review and interpretation of MIFIDPRU rules and regulations and approval of the associated reporting.

Three Lines of Defence

The Group's risk management and controls framework is based on a Three Lines of Defence approach to ensure adequate oversight of risks and embed a culture of risk awareness throughout the organisation. This approach separates ownership and management of risk from the functions that oversee risk and those that provide independent assurance.

The business functions constitute the first line of defence and are responsible for owning and effectively managing risk in line with the overall risk management framework. This entails identifying and managing risks directly and they are held accountable for both upside and downside outcomes. Each Front Office business function undertakes a regular risk self-assessment that is presented for review at CCAF; a Conduct Dashboard which requires both Front Office and Control & Support functions to identify and consider their Conduct Risks and report on any items of note in this area is also reported to the same meeting.

The Risk, Compliance, Finance and Legal functions all report to the Board and make up the second line of defence to ensure financial stability and continuity of the Group. The second line of defence is responsible for designing an appropriate and effective risk and policy framework and day-to-day risk identification, assessment and monitoring. This provides oversight and guidance as well as advising, facilitating and challenging the first line of defence in their risk management activities and risk-return considerations.

The Internal Audit function constitutes the third line of defence and provides 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, Internal Audit conducts audits and provides related services using a risk-based approach and through meeting the Chartered Institute of Internal Auditors (CIIA) Standards and following the Guidance on Effective Internal Audit in the Financial Services Sector issued by the CIIA.

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 2023 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 2023 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest.

During 2023, we identified that a KPMG member firm had provided preparation of local GAAP financial statement services which were prohibited over the periods ending 31 March 2022 to 31 March 2023 to an entity in the Group which is and was not in scope for the group audit. The services, which have been terminated, were administrative in nature and did not involve any management decision-making or bookkeeping. The work was undertaken after the group audit opinion was signed by KPMG LLP for the impacted financial years and had no direct or indirect effect on SMBC Nikko Capital Markets Limited's consolidated financial statements.

In our professional judgment, we confirm that based on our assessment of the breaches, our integrity and objectivity as auditor has not been compromised and we believe that an objective, reasonable and informed third party would conclude that the provision of this service would not impair our integrity or objectivity for any of the impacted financial years. The Audit Committee concurred with this view.

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").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Significant reduction in trading revenues associated macro-economic instability and reduction in business referrals

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

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the 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.

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 systemised nature of trading revenue streams.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on high risk criteria and comparing the identified entries to supporting documentation.
- Evaluating 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.

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

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.

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 52, 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.

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: 18 July 2023

Group statement of profit or loss
For the year ended 31 March 2023

	Notes	**Year ended 31/03/2023 USDm**	Year ended 31/03/2022 USDm
Net trading income		**166.3**	127.3
Fees and commissions income		**53.5**	88.3
Fees and commissions expense		**(20.2)**	(33.3)
Net fees and commissions income		**33.3**	55.0
Interest income	2	**241.2**	42.1
Interest expense	3	**(234.1)**	(31.3)
Net interest income		**7.1**	10.8
Total income		**206.7**	193.1
Staff costs	4	**(78.1)**	(80.3)
Depreciation and amortisation	16, 17	**(9.4)**	(9.2)
Other operating expenses	6	**(106.0)**	(88.6)
Operating expenses		**(193.5)**	(178.1)
Profit before taxation		**13.2**	15.0
Taxation	7	**(10.2)**	(5.6)
Profit for the financial year		**3.0**	9.4
(Loss) / profit for the financial year (Company)		**(4.6)**	4.1

Group profit for the financial year is entirely attributable to the equity holders of the Parent. All results are from continuing operations.

The notes on pages 70 to 125 form an integral part of these financial statements.

Group statement of comprehensive income
For the year ended 31 March 2023

	Year ended 31/03/2023 USDm	Year ended 31/03/2022 USDm
Profit for the financial year	**3.0**	9.4
Other comprehensive income, net of tax, including		
Items that will be reclassified to profit or loss:		
- Net gains / (losses) from cash flow hedges, net of tax	**2.9**	(1.5)
- Net losses on financial assets held at fair value through other comprehensive income (FVOCI)	**(4.9)**	–
Total comprehensive income for the financial year attributable to equity holders of the Group	**1.0**	7.9

The notes on pages 70 to 125 form an integral part of these financial statements.

Group statement of financial position
As at 31 March 2023

	Notes	31 March 2023 USDm	31 March 2022 USDm
Assets			
Cash at banks	9	**1,025.2**	868.0
Investment securities	10	**1,724.6**	1,758.7
Derivative assets	11	**11,441.7**	8,154.8
Other trading assets, at fair value	12	**61.8**	1,367.3
Securities purchased under agreements to resell	13	**9,148.0**	6,227.1
Collateral placed	14	**3,221.2**	3,404.3
Other debtors	15	**508.3**	241.3
Intangible assets	16	**13.7**	11.6
Property, plant and equipment	17	**5.1**	7.8
Deferred tax asset	7	**4.7**	4.3
Total assets		**27,154.3**	22,045.2
Liabilities			
Securities sold, not yet purchased	10	**945.7**	926.4
Derivative liabilities	11	**11,669.2**	8,195.6
Other trading liabilities, at fair value	12	**178.4**	1,006.1
Securities sold under agreements to repurchase	13	**7,028.3**	4,674.2
Collateral received	18	**3,309.4**	3,998.7
Other creditors	19	**2,154.0**	1,375.9
Total liabilities		**25,285.0**	20,176.9
Net assets		**1,869.3**	1,868.3
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		**568.8**	565.8
Other reserves		**(3.5)**	(1.5)
Total equity		**1,869.3**	1,868.3

The notes on pages 70 to 125 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 12 July 2023 and were signed on its behalf by:

Antony Yates
Director

Company number 02418137

Company statement of financial position
As at 31 March 2023

	Notes	31 March 2023 USDm	31 March 2022 USDm
Assets			
Cash at banks	9	**757.1**	664.9
Investment securities	10	**1,674.6**	1,693.7
Derivative assets	11	**11,390.8**	8,132.3
Other trading assets, at fair value	12	**61.8**	1,367.3
Securities purchased under agreements to resell	13	**9,148.0**	6,227.1
Collateral placed	14	**3,221.2**	3,404.3
Other debtors	15	**520.7**	242.8
Investment in subsidiary undertaking	33	**202.0**	202.0
Intangible assets	16	**13.7**	11.5
Property, plant and equipment	17	**4.6**	6.9
Deferred tax asset	7	**4.7**	4.3
Total assets		**26,999.2**	21,957.1
Liabilities			
Securities sold, not yet purchased	10	**945.7**	926.4
Derivative liabilities	11	**11,619.1**	8,173.6
Other trading liabilities, at fair value	12	**178.4**	1,006.1
Securities sold under agreements to repurchase	13	**7,028.3**	4,674.2
Collateral received	18	**3,254.9**	3,975.8
Other creditors	19	**2,156.0**	1,377.6
Total liabilities		**25,182.4**	20,133.7
Net assets		**1,816.8**	1,823.4
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		**516.3**	520.9
Other reserves		**(3.5)**	(1.5)
Total equity		**1,816.8**	1,823.4

The notes on pages 70 to 125 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 12 July 2023 and were signed on its behalf by:

Antony Yates
Director

Company number 02418137

Group statement of changes in equity
For the year ended 31 March 2023

	Called up share capital USDm	Share premium USDm	Retained earnings USDm	Other reserves: Pension reserve USDm	Other reserves: Cash flow hedges reserve USDm	Other reserves: FVOCI reserve USDm	Total equity USDm
At 1 April 2021	1,139.0	165.0	558.0	(1.6)	–	–	1,860.4
Profit for the year	–	–	9.4	–	–	–	9.4
Reclassification of pension reserve on settlement	–	–	(1.6)	1.6	–	–	–
Net losses arising on cash flow hedges	–	–	–	–	(1.5)	–	(1.5)
Total comprehensive income for the year	–	–	7.8	1.6	(1.5)	–	7.9
At 31 March 2022	1,139.0	165.0	565.8	–	(1.5)	–	1,868.3
At 1 April 2022	**1,139.0**	**165.0**	**565.8**	**–**	**(1.5)**	**–**	**1,868.3**
Profit for the year	**–**	**–**	**3.0**	**–**	**–**	**–**	**3.0**
Net gains arising on cash flow hedges	**–**	**–**	**–**	**–**	**2.9**	**–**	**2.9**
Net losses arising on financial assets held at FVOCI	**–**	**–**	**–**	**–**	**–**	**(4.9)**	**(4.9)**
Total comprehensive income for the year	**–**	**–**	**3.0**	**–**	**2.9**	**(4.9)**	**1.0**
At 31 March 2023	**1,139.0**	**165.0**	**568.8**	**–**	**1.4**	**(4.9)**	**1,869.3**

The notes on pages 70 to 125 form an integral part of these financial statements.

Company statement of changes in equity
For the year ended 31 March 2023

	Called up share capital USDm	Share premium USDm	Retained earnings USDm	Other reserves: pension reserve USDm	Other reserves: Cash flow hedges reserve USDm	Other reserves: FVOCI reserve USDm	Total equity USDm
At 1 April 2021	1,139.0	165.0	518.4	(1.6)	–	–	1,820.8
Profit for the year	–	–	4.1	–	–	–	4.1
Reclassification of pension reserve on settlement	–	–	(1.6)	1.6	–	–	–
Net losses arising on cash flow hedges	–	–	–	–	(1.5)	–	(1.5)
Total comprehensive income for the year	–	–	2.5	1.6	(1.5)	–	2.6
At 31 March 2022	1,139.0	165.0	520.9	–	(1.5)	–	1,823.4
At 1 April 2022	**1,139.0**	**165.0**	**520.9**	**–**	**(1.5)**	**–**	**1,823.4**
Loss for the year	**–**	**–**	**(4.6)**	**–**	**–**	**–**	**(4.6)**
Net gains arising on cash flow hedges	**–**	**–**	**–**	**–**	**2.9**	**–**	**2.9**
Net losses arising on financial assets held at FVOCI	**–**	**–**	**–**	**–**	**–**	**(4.9)**	**(4.9)**
Total comprehensive income for the year	**–**	**–**	**(4.6)**	**–**	**2.9**	**(4.9)**	**(6.6)**
At 31 March 2023	**1,139.0**	**165.0**	**516.3**	**–**	**1.4**	**(4.9)**	**1,816.8**

The notes on pages 70 to 125 form an integral part of these financial statements.

Group statement of cash flows
For the year ended 31 March 2023

	Notes	Year ended 31 March 2023 USDm	Year ended 31 March 2022 USDm
Cash flows from operating activities			
Profit for the financial year		**3.0**	9.4
Adjustments to reconcile net income to net cash from operating activities:			
Adjustments for non-cash items:			
Depreciation and amortisation	16, 17	**9.4**	9.2
Tax expense	7	**10.2**	5.6
Changes in operating assets and liabilities:			
Change in investment securities and repurchase contracts	10, 13	**(513.4)**	(616.9)
Change in trading assets, at fair value	12	**1,305.5**	(1,096.6)
Change in trading liabilities, at fair value	12	**(827.7)**	616.7
Change in collateral placed	14	**183.1**	96.2
Change in other debtors	15	**(261.6)**	(143.2)
Change in derivative assets	11	**(3,286.9)**	777.9
Change in deferred tax assets	7	**(0.4)**	(0.7)
Change in derivative liabilities	11	**3,473.6**	(158.6)
Change in collateral received	18	**(689.3)**	(212.2)
Change in other creditors	19	**774.3**	464.5
Net gains / (losses) arising on cash flow hedges		**2.9**	(1.5)
Net losses arising on financial assets held at FVOCI		**(4.9)**	–
Corporation tax paid	28	**(15.6)**	(2.9)
Net cash flows from operating activities		**162.2**	(253.1)
Cash flows from investing activities			
Purchase of intangible assets	16	**(5.0)**	(6.1)
Purchase of property, plant and equipment	17	**–**	(0.2)
Net cash outflow from investing activities		**(5.0)**	(6.3)
Net change in cash		**157.2**	(259.4)
Cash and cash equivalents at beginning of year	9	**868.0**	1,127.4
Cash and cash equivalents at end of year	9	**1,025.2**	868.0
Net increase / (decrease) in cash		**157.2**	(259.4)

The notes on pages 70 to 125 form an integral part of these financial statements.

Company statement of cash flows
For the year ended 31 March 2023

	Notes	Year ended 31 March 2023 USDm	Year ended 31 March 2022 USDm
Cash flows from operating activities			
(Loss) / profit for the financial year		**(4.6)**	4.1
Adjustments to reconcile net income to net cash from operating activities:			
Adjustments for non-cash items:			
Depreciation and amortisation	16, 17	**8.8**	8.2
Tax expense	7	**11.2**	4.7
Changes in operating assets and liabilities:			
Change in investment securities and repurchase contracts	10, 13	**(528.4)**	(667.2)
Change in trading assets, at fair value	12	**1,305.5**	(1,096.6)
Change in trading liabilities, at fair value	12	**(827.7)**	616.7
Change in collateral placed	14	**183.1**	96.2
Change in other debtors	15	**(274.6)**	(146.7)
Change in derivative assets	11	**(3,258.5)**	790.3
Change in deferred tax assets	7	**(0.4)**	(0.7)
Change in derivative liabilities	11	**3,445.5**	(170.6)
Change in collateral received	18	**(720.9)**	(234.8)
Change in other creditors	19	**774.7**	469.0
Net gains / (losses) arising on cash flow hedges		**2.9**	(1.5)
Net losses arising on financial assets held at FVOCI		**(4.9)**	–
Corporation tax paid	28	**(14.5)**	(2.4)
Net cash flows from operating activities		**97.2**	(331.3)
Cash flows from investing activities			
Purchase of intangible assets	16	**(5.0)**	(6.1)
Purchase of property, plant and equipment	17	**–**	–
Net cash outflow from investing activities		**(5.0)**	(6.1)
Net change in cash		**92.2**	(337.4)
Cash and cash equivalents at beginning of year	9	**664.9**	1,002.3
Cash and cash equivalents at end of year	9	**757.1**	664.9
Net increase / (decrease) in cash		**92.2**	(337.4)

The notes on pages 70 to 125 form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 March 2023

1. 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 Company is a private 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.

The Directors have considered the impact on future revenues of the investigation into the activities of the Japanese shareholder SMBC Nikko Inc. in Japan, described in the Strategic Report. While the investigation has affected performance during the year, with its finalisation in the third quarter, the Group expects to return to the previous levels of engagement with its customers.

The Directors have considered recent volatility in the markets, caused by the collapse of three banks in the United States, followed by the emergency takeover of Credit Suisse by UBS. This comes at the time of the ongoing Russia-Ukraine conflict and continued inflationary pressures, impacting the cost of living. Aftermaths of previous significant events, Brexit and the COVID-19 crisis, continue to affect financial markets. As a result, currently there is a high degree of uncertainty regarding future interest rates and possible contagion in financial markets arising from the above. Consequently, there is likely to be a deterioration in the overall credit worthiness of the market.

While the Group has very limited exposure to the specific counterparties above and little direct exposure to either Russia or Ukraine, it temporarily reduced positions during that period. Subsequently, the Group continues to carefully monitor the impact of economic uncertainty on its securities and derivatives operations, as well as its compliance with key sanctions requirements.

The Group's latest ongoing Internal Capital Adequacy and Risk Assessment (ICARA) process demonstrates that, even under a severe stress scenario, the Group maintains adequate capital and liquidity. The considered scenarios comprise:

a) global recession caused by global food shortage and high energy prices due to the Russia-Ukraine conflict, combined with rapidly rising COVID-19 cases and interest rates;
b) Japanese recession and credit rating downgrade of SMBC Group due to natural disasters, political changes, and tensions between the United States and China over Taiwan; and
c) pan-European and Middle Eastern instability caused by high energy prices, energy shortages and rising cost of living.

All these scenarios were set against the base assumptions of continuing conflict in Ukraine and potential further waves of COVID-19.

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 management in understanding potential business model vulnerabilities. The ICARA RST analysis demonstrates the following:

– Business failure due to capital erosion would require a highly severe event to drive loss figures of a sufficient magnitude to breach Internal Capital Guidance. This effectively requires a collapse of the Japanese financial markets combined with a withdrawal of USD payment systems worldwide in order to reach the Capital and Liquidity breaking points.
– Business failure due to liquidity exhaustion would require an immediate and unexpected parental default, followed by unavailability of Japanese governmental support (SMBC Group is considered a global systemically important bank, or G-SIB) and unsuccessful execution of the SMBC Group's recovery and resolution plan.

The Group is well capitalised, as disclosed in Note 27, with regulatory capital ratios far above the minimum requirements. It has access to a number of borrowing facilities, described in Note 31, 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 International Financial Reporting Standards (IFRS) 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 s408 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 loss dealt with in the financial statements of the Company was USD (4.6) million in the year ended 31 March 2023 (2022: profit of USD 4.1 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 or amended accounting standards during the year which would have a material impact 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.

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.

Net trading income

Net trading income includes all gains and losses on the existing portfolio of 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 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.

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 fair value through other comprehensive income 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 fair value through profit or loss.

IFRS 9 permits designation of any financial assets at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch.

Financial liabilities are classified as measured at:

a) fair value through profit or loss (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 fair value through profit or loss comprised:

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

Since early 2022, investment securities held for liquidity purposes are no longer elected to be designated at fair value through profit or loss. Accordingly, new acquisitions of these securities are now measured at fair value through other comprehensive income, the default treatment of IFRS 9 for this type of assets (cash flows that are solely payments of principal and interest) and business model (collecting contractual cash flows and selling). At 31 March 2023, they appear in this category in Note 24 Classification of financial assets and financial 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.

v) Impairment

The Group recognises an impairment allowance for expected credit losses for financial assets carried at amortised cost and fair value through other comprehensive income.

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. They 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.

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 of 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 of 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 average value and expected life of the guaranteed transactions.

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 5 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 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.

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.

Pensions

The Group operates a defined contribution pension plan. Payments to the defined contribution pension scheme are recognised within staff costs in profit or loss as incurred.

Deferred compensation

Deferred bonuses, further described in Note 32, are accrued for as the employees render their services, taking into consideration expected attrition and the time value of money over the vesting period. The estimated amounts of bonuses are reviewed on a regular basis; the effect of any re-measurements is taken to profit or loss.

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 (OIS) 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.

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 are not available, unobservable inputs are used. The estimates include considerations of liquidity and model inputs such as volatility for longer dated derivatives.

Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA) 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 Valuation 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 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.

Future accounting developments

IFRS 17 'Insurance Contracts'

IFRS 17 was published in May 2017 and became effective for financial periods beginning on or after 1 January 2023. As such, it will apply to the next annual report. The standard is not expected to have a material effect on the Group financial statements.

2. Interest income

	Year ended 31 March 2023 USDm	Year ended 31 March 2022 USDm
Interest on collateral	**43.4**	3.1
Interest on reverse repo transactions	**143.6**	17.8
Interest on securities	**50.6**	21.1
Interest on deposits	**3.6**	0.1
	241.2	42.1

3. Interest expense

	Year ended 31 March 2023 USDm	Year ended 31 March 2022 USDm
Interest on collateral	**90.0**	4.4
Interest on repo transactions	**112.4**	21.3
Interest on borrowings	**31.6**	5.5
Interest on lease liabilities	**0.1**	0.1
	234.1	31.3

4. Staff costs

	Year ended 31 March 2023 USDm	Year ended 31 March 2022 USDm
Wages and salaries	**66.1**	64.6
Social security costs	**6.0**	5.5
Pension costs: Defined benefit scheme (Note 8)	**–**	0.2
Pension costs: Defined contribution scheme	**2.9**	3.0
Other staff costs	**3.1**	7.0
	78.1	80.3

The average number of Group and Company employees during the year was 200 (2022: 192) and 184 (2022: 177) respectively.

5. Directors' emoluments

	Year ended 31 March 2023 USDm	Year ended 31 March 2022 USDm
Directors' emoluments	**2.6**	3.7
Post-employment benefits	**–**	5.4
	2.6	9.1

Emoluments of the highest paid Director

	Year ended 31 March 2023 USDm	Year ended 31 March 2022 USDm
Directors' emoluments	**1.6**	1.6
Post-employment benefits	**–**	5.4
	1.6	7.0

Directors' emoluments comprise salaries and bonuses, some of which are deferred as stated in Note 32. During the year, two Directors received a bonus (2022: two Directors).

Directors received no pension contribution in the year. One Director received cash in lieu of pension of USD 33 thousand (2022: USD 35 thousand).

Post-employment benefits of 2022 represent settlement of a historical pension obligation. The settlement was agreed last year and executed during the last and current financial year. See Note 8 for more details.

Comparative information was amended retrospectively to include Directors' fees and above pension settlement.

No other benefits, long-term incentives or pension contributions were paid to Directors during the year (2022: nil).

6. Other operating expenses

Other operating expenses include:

	Year ended 31 March 2023 USDm	Year ended 31 March 2022 USDm
Auditor remuneration		
Audit of these financial statements	**0.6**	0.6
Audit of financial statements of subsidiaries of the Company	**0.1**	0.2
Audit-related assurance services	**0.2**	0.2
Other assurance services	**0.2**	0.3
	1.1	1.3
Operating lease rentals	**0.4**	1.0

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.

Included within operating expenses are amounts paid to affiliated entities for provision of outsourced services amounting to USD 55.2 million (2022: USD 49.4 million).

7. Taxation

	Year ended 31 March 2023 USDm	Year ended 31 March 2022 USDm
Current tax		
Current year UK tax	**6.8**	4.7
Adjustments for prior years	**2.0**	0.1
Foreign tax suffered	**1.0**	0.9
Current tax charge	**9.8**	5.7
Deferred tax		
Origination and reversal of temporary differences	**0.5**	(0.1)
Change in tax rate	**-**	(0.1)
Adjustments for prior years	**(0.1)**	0.1
Deferred tax credit	**0.4**	(0.1)
Total tax charge in income statement	**10.2**	5.6

Disclosure of tax in other comprehensive income

	Year ended 31 March 2023		Year ended 31 March 2022	
	Before tax USDm	**Net of tax USDm**	Before tax USDm	Net of tax USDm
Investments securities at FVOCI	**(6.8)**	**(4.9)**	–	–
Cash flow hedges	**3.9**	**2.9**	(2.0)	(1.5)
	(2.9)	**(2.0)**	(2.0)	(1.5)

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 2023		Year ended 31 March 2022	
	USDm	**Effective tax rate**	USDm	Effective tax rate
Profit before taxation	**13.2**		15.0	
Tax using the UK weighted average corporation tax rate of 19% (2021: 19%)	**2.5**	**18.9%**	2.9	19.0%
Banking surcharge	**1.4**	**10.6%**	0.7	5.0%
Advance Pricing Agreement adjustment	**3.9**	**29.5%**	1.6	10.5%
Adjustments for prior years	**2.0**	**15.2%**	0.2	1.3%
Other	**0.4**	**3.0%**	0.2	1.5%
	10.2	**77.2%**	5.6	37.3%

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. During the year ended 31 March 2023, the Group recognised prior year adjustments in respect of the sixth APA, which expired on 31 December 2019. A new, seventh, APA is being negotiated with the UK and US tax authorities.

Corporation tax rate

The corporation tax rate remained at 19% throughout the year ended 31 March 2023 (2022: 19%).

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 impact of the change in the headline rate of corporation tax has been reflected in the deferred tax balances at 31 March 2023 as this has been substantively enacted by the UK Government. The deferred tax asset has been calculated at 28% as at 31 March 2023.

Deferred tax assets (Group and Company)

	31 March 2023 USDm	31 March 2022 USDm
Property, plant and equipment	**1.9**	1.8
Deferred compensation	**1.4**	0.8
Investments securities at FVOCI	**1.9**	–
Cash flow hedges	**(0.5)**	0.6
Other creditors	**–**	1.1
Deferred tax assets	**4.7**	4.3

There is an unutilised tax loss of USD 4.0 million (2022: USD 4.0 million), for which no deferred tax asset is recognised.

Movement in deferred tax assets (Group and Company)

	1 April 2022	Recognised in income	Recognised in reserves	31 March 2023
Property, plant and equipment	**1.8**	**0.1**	**–**	**1.9**
Deferred compensation	**0.8**	**0.6**	**–**	**1.4**
Investments securities	**–**	**–**	**1.9**	**1.9**
Cash flow hedges	**0.6**	**–**	**(1.1)**	**(0.5)**
Other creditors	**1.1**	**(1.1)**	**–**	**–**
Deferred tax assets	**4.3**	**(0.4)**	**0.8**	**4.7**

	1 April 2021	Recognised in income	Recognised in reserves	31 March 2022
Property, plant and equipment	1.9	(0.1)	–	1.8
Employee benefits	1.0	(0.4)	(0.6)	–
Deferred compensation	0.7	0.1	–	0.8
Cash flow hedges	–	–	0.6	0.6
Other creditors	0	0.5	0.6	1.1
Deferred tax assets	3.6	0.1	0.6	4.3

8. Pension costs

During the year, the Group operated one pension scheme in the UK: a contract-based defined contribution scheme, which covers all of the Group's local employees. The Group incurred no pension costs in respect of its Japanese expatriate employees. The contract-based scheme, the SMBC Capital Markets Limited Group Personal Plan, is open to new entrants and future contributions. The pension cost for this scheme for the year was USD 2.9 million (2022: USD 3.2 million). The Group recognises expenses as employees render services within staff costs.

In prior years, the Group operated a defined benefit pension scheme, which was closed during the last year with a settlement difference of USD 0.2 million recorded in staff costs (see Note 4).

9. Cash at banks

	Group		Company	
	31 March 2023 USDm	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
Current accounts	**539.4**	587.2	**402.5**	512.0
Short-term deposits	**485.8**	280.8	**354.6**	152.9
	1,025.2	868.0	**757.1**	664.9

At the reporting date, USD 42.1 million of Group (2022: USD 35.3 million) and USD 37.6 million of Company (2022: USD 30.0 million) current accounts were placed with related companies.

Short-term deposits placed with related companies amounted to USD 1.5 million (2022: USD 154.5 million) for the Group and nil (2022: USD 153.0 million) for the Company.

A detailed analysis of the Group 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 fair value through profit or loss; and
- liquidity purposes, usually until maturity, which occasionally may be sold to provide cash, prove their quality, rebalance the portfolio or similar reasons. These securities are accounted for at fair value through other comprehensive income. See further details in Notes 1 and 24.

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 2023 Group	Listed on London Stock Exchange USDm	Listed on non-UK exchanges USDm	Not listed USDm	Total USDm
Assets				
Floating rate notes	–	114.5	17.9	132.4
US Treasury securities	–	612.7	–	612.7
Other foreign government securities	0.1	470.9	61.4	532.4
Corporate bonds	23.0	407.2	7.0	437.2
Equity securities	–	9.9	–	9.9
Total	23.1	1,615.2	86.3	1,724.6
Liabilities				
Floating rate notes	–	1.7	–	1.7
US Treasury securities	–	175.6	–	175.6
Other foreign government securities	0.8	560.1	–	560.9
Corporate bonds	3.5	204.0	–	207.5
Total	4.3	941.4	–	945.7

Fair value as at 31 March 2023 Company	Listed on London Stock Exchange USDm	Listed on non-UK exchanges USDm	Not listed USDm	Total USDm
Assets				
Floating rate notes	–	114.5	17.9	132.4
US Treasury securities	–	562.8	–	562.8
Other foreign government securities	0.1	470.9	61.4	532.4
Corporate bonds	23.0	407.1	7.0	437.1
Equity securities	–	9.9	–	9.9
Total	23.1	1,565.2	86.3	1,674.6
Liabilities				
Floating rate notes	–	1.7	–	1.7
US Treasury securities	–	175.6	–	175.6
Foreign government securities	0.8	560.1	–	560.9
Corporate bonds	3.5	204.0	–	207.5
Total	4.3	941.4	–	945.7

Fair value as at 31 March 2022 Group	Listed on London Stock Exchange USDm	Listed on non-UK exchanges USDm	Not listed USDm	Total USDm
Assets				
Floating rate notes	18.1	217.5	4.7	240.3
US Treasury securities	–	413.2	–	413.2
Other foreign government securities	13.4	604.4	–	617.8
Corporate bonds	5.2	481.3	0.9	487.4
Total	36.7	1,716.4	5.6	1,758.7
Liabilities				
Floating rate notes	–	6.7	–	6.7
US Treasury securities	–	215.0	–	215.0
Other foreign government securities	1.3	438.5	–	439.8
Corporate bonds	2.3	262.6	–	264.9
Total	3.6	922.8	–	926.4

Fair value as at 31 March 2022 Company	Listed on London Stock Exchange USDm	Listed on non-UK exchanges USDm	Not listed USDm	Total USDm
Assets				
Floating rate notes	18.1	204.5	2.7	225.3
US Treasury securities	–	363.2	–	363.2
Other foreign government securities	13.4	604.4	–	617.8
Corporate bonds	5.2	481.3	0.9	487.4
Total	36.7	1,653.4	3.6	1,693.7
Liabilities				
Floating rate notes	–	6.7	–	6.7
US Treasury securities	–	215.0	–	215.0
Other foreign government securities	1.3	438.5	–	439.8
Corporate bonds	2.3	262.6	–	264.9
Total	3.6	922.8	–	926.4

11. Derivative assets and liabilities

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

In line with the requirements of IFRS 13, the Group books a Debit Valuation Adjustment (DVA), Credit Valuation Adjustment (CVA) and Funding Valuation Adjustment (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 2023 USDm**	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
Interest rate and currency swaps	**10,875.5**	7,862.6	**113,720.7**	134,429.7
Options	**513.6**	247.6	**15,364.1**	15,932.9
Forward contracts	**84.4**	57.6	**3,927.8**	2,054.9
Commodity swaps	**0.8**	23.2	**10.7**	96.5
Derivative reserves	**(32.6)**	(36.2)	**–**	–
Derivative assets	**11,441.7**	8,154.8	**133,023.3**	152,514.0
Interest rate and currency swaps	**11,131.1**	7,896.2	**127,847.9**	143,503.3
Options	**513.5**	248.3	**15,615.1**	16,186.3
Forward contracts	**72.3**	51.4	**3,222.9**	2,571.0
Commodity swaps	**0.8**	22.7	**10.7**	91.1
Derivative reserves	**(48.5)**	(23.0)	**–**	–
Derivative liabilities	**11,669.2**	8,195.6	**146,696.6**	162,351.7

	Carrying value		Notional principal	
Company	**31 March 2023 USDm**	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
Interest rate and currency swaps	**10,869.4**	7,854.9	**113,706.8**	134,415.0
Options	**468.8**	232.9	**13,183.7**	13,937.1
Forward contracts	**84.4**	57.6	**3,927.8**	2,054.9
Commodity swaps	**0.8**	23.2	**10.7**	96.5
Derivative reserves	**(32.6)**	(36.3)	**–**	–
Derivative assets	**11,390.8**	8,132.3	**130,829.0**	150,503.5
Interest rate and currency swaps	**11,125.1**	7,888.6	**127,829.3**	143,484.8
Options	**468.8**	233.6	**13,460.2**	14,216.5
Forward contracts	**72.3**	51.4	**3,222.9**	2,571.0
Commodity swaps	**0.8**	22.7	**10.7**	91.1
Derivative reserves	**(47.9)**	(22.7)	**–**	–
Derivative liabilities	**11,619.1**	8,173.6	**144,523.1**	160,363.4

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

	Group		Company	
Carrying values	**31 March 2023 USDm**	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
Due within 1 year	**645.9**	619.4	**619.7**	619.1
Due within 1 to 5 years	**4,252.6**	2,931.8	**4,246.3**	2,924.2
Due within 5 to 10 years	**2,950.1**	2,102.7	**2,931.7**	2,088.1
Due within 10 to 15 years	**1,513.5**	1,074.9	**1,513.5**	1,074.9
Due in more than 15 years	**2,112.2**	1,462.2	**2,112.2**	1,462.3
Derivative assets	**11,474.3**	8,191.0	**11,423.4**	8,168.6
Due within 1 year	**665.5**	610.3	**639.4**	610.1
Due within 1 to 5 years	**4,406.1**	3,013.6	**4,399.8**	3,006.1
Due within 5 to 10 years	**2,955.9**	1,985.3	**2,937.7**	1,970.7
Due within 10 to 15 years	**1,718.0**	986.9	**1,718.0**	986.9
Due in more than 15 years	**1,972.2**	1,622.5	**1,972.1**	1,622.5
Derivative liabilities	**11,717.7**	8,218.6	**11,667.0**	8,196.3

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.

The derivative instruments above include those held to hedge expenses expressed in foreign currencies and designated as cash flow hedges:

	Carrying value		Notional principal	
Group and Company	**31 March 2023 USDm**	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
Forward contracts	**1.9**	–	**6.7**	–
Derivative assets	**1.9**	–	**6.7**	–
Forward contracts	**–**	2.0	**6.7**	6.1
Derivative liabilities	**–**	2.0	**6.7**	6.1

During the reported years, there were no hedged forecast transactions which were no longer expected to occur.

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

Group and Company	**Year ended 31 March 2023 USDm**	Year ended 31 March 2022 USDm
Loss	**(2.7)**	(1.5)

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 SONIA. 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 currencies such as Yen, Canadian Dollars, Australian Dollars, Sterling and Euros.

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 of 31 March 2023, for almost all of the Group's interest rate and currency swaps, interest rate and currency options with customers, back-to-back transactions were made 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	**2023 USDm**	2022 USDm	**2023 USDm**	2022 USDm
Interest rate and currency swaps	**61.8**	1,367.3	**901.0**	4,172.8
Other trading assets	**61.8**	1,367.3	**901.0**	4,172.8
Interest rate and currency swaps	**178.4**	1,006.1	**1,326.7**	2,695.7
Other trading liabilities	**178.4**	1,006.1	**1,326.7**	2,695.7

Below is further analysis by contractual maturity.

Group and Company	**31 March 2023 USDm**	31 March 2022 USDm
Due within 1 year	**0.3**	4.9
Due within 1 to 5 years	**18.1**	169.2
Due within 5 to 10 years	**0.9**	124.5
Due within 10 to 15 years	**19.2**	194.2
Due in more than 15 years	**23.3**	874.5
Other trading assets	**61.8**	1,367.3
Due within 1 year	**20.4**	9.8
Due within 1 to 5 years	**11.7**	104.3
Due within 5 to 10 years	**25.8**	65.2
Due within 10 to 15 years	**59.0**	179.6
Due in more than 15 years	**61.5**	647.2
Other trading liabilities	**178.4**	1,006.1

13. Repurchase agreements

Repurchase agreements 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 2023 USDm	31 March 2022 USDm
Amounts due from related parties	4,041.9	2,976.7
Amounts due from external parties	5,106.1	3,250.4
Securities purchased under agreements to resell	**9,148.0**	6,227.1
Amounts due to related parties	1,941.3	1,052.1
Amounts due to external parties	5,087.0	3,622.1
Securities sold under agreements to repurchase	**7,028.3**	4,674.2

The contractual maturity profile of repurchase agreements is as follows:

Group and Company	31 March 2023 USDm	31 March 2022 USDm
Due on demand	631.7	50.8
Due within one month	4,792.2	3,786.5
Due within one to three months	2,549.0	1,893.1
Due within three to six months	1,175.1	496.7
Securities purchased under agreements to resell	**9,148.0**	6,227.1
Due on demand	643.2	32.5
Due within one month	4,718.0	2,991.4
Due within one to three months	1,530.7	1,650.3
Due within three to six months	136.4	–
Securities sold under agreements to repurchase	**7,028.3**	4,674.2

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 (GMRAs).

Group and Company	31 March 2023 USDm	31 March 2022 USDm
Collateral placed with related parties	1,650.8	2,326.2
Collateral placed with external parties	1,570.4	1,078.1
	3,221.2	3,404.3

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 2023 USDm	31 March 2022 USDm
Regulatory collateral in respect of derivative transactions placed with third parties	**65.1**	305.4
	65.1	305.4

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

15. Other debtors

	Group		Company	
	31 March 2023 USDm	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
Prepayments	**10.1**	8.5	**9.3**	8.3
Corporation tax	**7.3**	3.4	**4.5**	2.6
Other related party debtors	**60.0**	40.6	**76.4**	43.3
Failed trades with external customers	**400.2**	171.6	**400.2**	171.6
Other external debtors	**30.7**	17.2	**30.3**	17.0
	508.3	241.3	**520.7**	242.8

16. Intangible assets

Computer software	Group USDm	Company USDm
Cost		
Balance at 1 April 2021	11.9	11.7
Additions	6.1	6.1
Balance at 31 March 2022	18.0	17.8
Balance at 1 April 2022	**18.0**	**17.8**
Additions	**5.0**	**5.0**
Balance at 31 March 2023	**23.0**	**22.8**
Accumulated amortisation and impairment losses		
Balance at 1 April 2021	4.2	4.2
Charge for the year	2.2	2.1
Balance at 31 March 2022	6.4	6.3
Balance at 1 April 2022	**6.4**	**6.3**
Charge for the year	**2.9**	**2.8**
Balance at 31 March 2023	**9.3**	**9.1**
Carrying amounts		
Balance at 31 March 2022	11.6	11.5
Balance at 31 March 2023	**13.7**	**13.7**

USD 1.1 million of internal development costs was capitalised during the year (2022: USD 0.2 million).

17. Property, plant and equipment

	Leasehold property USDm	IT equipment USDm	Furniture and fixtures USDm	Total USDm
Group				
Cost				
Balance at 1 April 2021	33.7	17.7	0.4	51.8
Additions	5.2	0.1	–	5.3
Disposals	(1.2)	(2.2)	–	(3.4)
Balance at 31 March 2022	37.7	15.6	0.4	53.7
Balance at 1 April 2022	**37.7**	**15.6**	**0.4**	**53.7**
Additions	**3.8**	**–**	**–**	**3.8**
Disposals	**(35.1)**	**(8.9)**	**(0.3)**	**(44.3)**
Balance at 31 March 2023	**6.4**	**6.7**	**0.1**	**13.2**
Accumulated depreciation and impairment losses				
Balance at 1 April 2021	29.5	12.3	0.4	42.2
Depreciation for the year	5.1	1.9	–	7.0
Disposals	(1.1)	(2.2)	–	(3.3)
Balance at 31 March 2022	33.5	12.0	0.4	45.9
Balance at 1 April 2022	**33.5**	**12.0**	**0.4**	**45.9**
Depreciation for the year	**5.1**	**1.4**	**–**	**6.5**
Disposals	**(35.1)**	**(8.9)**	**(0.3)**	**(44.3)**
Balance at 31 March 2023	**3.5**	**4.5**	**0.1**	**8.1**
Carrying amounts				
Balance at 31 March 2022	4.2	3.6	–	7.8
Balance at 31 March 2023	**2.9**	**2.2**	**–**	**5.1**

	Leasehold property USDm	IT equipment USDm	Furniture and fixtures USDm	Total USDm
Company				
Cost				
Balance at 1 April 2021	30.6	17.5	0.3	48.4
Additions	4.9	0.1	–	5.0
Disposals	–	(2.2)	–	(2.2)
Balance at 31 March 2022	35.5	15.4	0.3	51.2
Balance at 1 April 2022	**35.5**	**15.4**	**0.3**	**51.2**
Additions	**3.7**	**–**	**–**	**3.7**
Disposals	**(35.0)**	**(8.9)**	**(0.3)**	**(44.2)**
Balance at 31 March 2023	**4.2**	**6.5**	**–**	**10.7**
Accumulated depreciation and impairment losses				
Balance at 1 April 2021	27.9	12.2	0.3	40.4
Depreciation for the year	4.3	1.8	–	6.1
Disposals	–	(2.2)	–	(2.2)
Balance at 31 March 2022	32.2	11.8	0.3	44.3
Balance at 1 April 2022	**32.2**	**11.8**	**0.3**	**44.3**
Depreciation for the year	**4.6**	**1.4**	**–**	**6.0**
Disposals	**(35.0)**	**(8.9)**	**(0.3)**	**(44.2)**
Balance at 31 March 2023	**1.8**	**4.3**	**–**	**6.1**
Carrying amounts				
Balance at 31 March 2022	3.3	3.6	–	6.9
Balance at 31 March 2023	**2.4**	**2.2**	**–**	**4.6**

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

	Leasehold property USDm	IT equipment USDm	Furniture and fixtures USDm	Total USDm
Group				
Cost				
Balance at 1 April 2021	10.8	2.2	–	13.0
Additions	5.1	–	–	5.1
Disposals	(1.2)	(2.2)	–	(3.4)
Balance at 31 March 2022	14.7	–	–	14.7
Balance at 1 April 2022	**14.7**	**–**	**–**	**14.7**
Additions	**3.8**	**–**	**–**	**3.8**
Disposals	**(12.1)**	**–**	**–**	**(12.1)**
Balance at 31 March 2023	**6.4**	**–**	**–**	**6.4**
Accumulated depreciation and impairment losses				
Balance at 1 April 2021	6.6	1.9	–	8.5
Depreciation for the year	5.0	0.3	–	5.3
Disposals	(1.1)	(2.2)	–	(3.3)
Balance at 31 March 2022	10.5	–	–	10.5
Balance at 1 April 2022	**10.5**	**–**	**–**	**10.5**
Depreciation for the year	**5.2**	**–**	**–**	**5.2**
Disposals	**(12.1)**	**–**	**–**	**(12.1)**
Balance at 31 March 2023	**3.6**	**–**	**–**	**3.6**
Carrying amounts				
Balance at 31 March 2022	4.2	–	–	4.2
Balance at 31 March 2023	**2.8**	**–**	**–**	**2.8**

	Leasehold property USDm	IT equipment USDm	Furniture and fixtures USDm	Total USDm
Company				
Cost				
Balance at 1 April 2021	7.6	2.2	–	9.8
Additions	5.0	–	–	5.0
Disposals	–	(2.2)	–	(2.2)
Balance at 31 March 2022	12.6	–	–	12.6
Balance at 1 April 2022	**12.6**	**–**	**–**	**12.6**
Additions	**3.7**	**–**	**–**	**3.7**
Disposals	**(12.1)**	**–**	**–**	**(12.1)**
Balance at 31 March 2023	**4.2**	**–**	**–**	**4.2**
Accumulated depreciation and impairment losses				
Balance at 1 April 2021	5.0	1.9	–	6.9
Depreciation for the year	4.2	0.3	–	4.5
Disposals	–	(2.2)	–	(2.2)
Balance at 31 March 2022	9.2	–	–	9.2
Balance at 1 April 2022	**9.2**	**–**	**–**	**9.2**
Depreciation for the year	**4.6**	**–**	**–**	**4.6**
Disposals	**(12.0)**	**–**	**–**	**(12.0)**
Balance at 31 March 2023	**1.8**	**–**	**–**	**1.8**
Carrying amounts				
Balance at 31 March 2022	3.4	–	–	3.4
Balance at 31 March 2023	**2.4**	**–**	**–**	**2.4**

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 30. Collateral is transferred with full re-hypothecation rights.

	Group		Company	
	31 March 2023 USDm	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
Collateral received from related parties in respect of:				
– derivative transactions	**1,118.1**	1,884.1	**1,063.6**	1,861.2
– credit guarantee	**1,726.5**	1,770.4	**1,726.5**	1,770.4
	2,844.6	3,654.5	**2,790.1**	3,631.6
Collateral received from external parties in respect of:				
– derivative transactions	**394.3**	327.8	**394.3**	327.8
– repurchase transactions	**70.5**	16.4	**70.5**	16.4
	464.8	344.2	**464.8**	344.2
	3,309.4	3,998.7	**3,254.9**	3,975.8

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 arrangement through which SMBC DP received the indemnity securities is further explained in Note 29.

Group and Company	31 March 2023 USDm	31 March 2022 USDm
Collateral received from related parties:		
Independent Amount in respect of derivative transactions	**902.1**	1,315.5
Margin Deficit Securities in respect of repurchase transactions	**39.9**	70.0
SMBC DP guarantees indemnity	**2,764.3**	1,505.9
	3,706.3	2,891.4
Regulatory collateral in respect of derivative transactions received from third parties	**73.0**	274.6
Margin Deficit Securities in respect of repurchase transactions	**–**	12.9
	3,779.3	3,178.9

Independent Amount collateral is provided per ISDA CSA 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 are received from SMBC Nikko Securities Inc. and third parties to mitigate the residual counterparty credit risk associated with repo transactions between the companies.

19. Other creditors

	Group		Company	
	31 March 2023 USDm	31 March 2022 USDm	31 March 2023 USDm	31 March 2022 USDm
Funding loans from related parties	**1,468.3**	1,100.4	**1,468.3**	1,100.4
Lease liabilities	**2.9**	3.3	**2.4**	2.4
Other related party creditors	**118.8**	74.8	**123.1**	79.7
Failed trades with external customers	**464.0**	126.7	**464.0**	126.7
Other external creditors	**100.0**	70.7	**98.2**	68.4
	2,154.0	1,375.9	**2,156.0**	1,377.6

20. Called up share capital

	Allotted, called up and fully paid 31 March 2023 USDm	Allotted, called up and fully paid 31 March 2022 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 activities of the Group include customer facilitation, brokering and trading in primary and secondary debt and equity securities and an extensive range of over-the-counter derivative contracts.

The Group and Company undertake their derivative 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.

The Group's business model is subject to a number of risks which are specific to the Group and generic to the sector.

ii) Cash flow and fair value risk

As the Group and 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.

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 2023 USDm**	31 March 2022 USDm	**Year ended 31 March 2023 USDm**	31 March 2022 USDm
A-1+	**431.0**	486.7	**313.6**	372.3
A-1	**592.9**	380.4	**443.5**	292.6
A-2	**1.3**	0.9	**–**	–
	1,025.2	868.0	**757.1**	664.9

	Group		Company	
Moody's rating	**31 March 2023 USDm**	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
P-1	**855.3**	822.4	**587.2**	619.3
Not rated	**169.9**	45.6	**169.9**	45.6
	1,025.2	868.0	**757.1**	664.9

Investment securities

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

S&P rating	Group 31 March 2023 USDm	Group 31 March 2022 USDm	Company 31 March 2023 USDm	Company 31 March 2022 USDm
AAA	**5.2**	157.9	**5.2**	157.9
AA+	**71.8**	413.2	**21.8**	363.2
AA	**21.5**	364.6	**21.5**	364.6
AA-	**27.3**	69.0	**27.3**	53.9
A+	**20.5**	67.5	**20.5**	67.5
A	**44.0**	72.9	**44.0**	72.9
A-	**168.0**	146.1	**168.0**	146.1
BBB+	**65.4**	101.3	**65.4**	101.3
BBB	**88.3**	134.1	**88.3**	134.2
BBB-	**13.1**	54.5	**13.1**	54.5
BB+	**2.7**	4.2	**2.7**	4.2
BB	**10.0**	7.3	**10.0**	7.3
BB-	**15.7**	15.8	**15.7**	15.8
B+	**5.4**	6.3	**5.4**	6.3
B	**2.3**	5.7	**2.3**	5.7
B-	**–**	3.4	**–**	3.4
Not rated	**1,163.4**	134.9	**1,163.4**	134.9
	1,724.6	1,758.7	**1,674.6**	1,693.7

Moody's rating	Group 31 March 2023 USDm	Group 31 March 2022 USDm	Company 31 March 2023 USDm	Company 31 March 2022 USDm
Aaa	**664.0**	553.9	**614.0**	503.9
Aa1	**1.1**	3.5	**1.1**	3.5
Aa2	**63.2**	295.6	**63.2**	295.6
Aa3	**28.1**	132.5	**28.1**	117.5
A1	**153.9**	173.9	**153.9**	173.9
A2	**52.3**	36.9	**52.3**	36.9
A3	**72.4**	91.7	**72.4**	91.7
Baa1	**62.5**	83.6	**62.5**	83.6
Baa2	**54.6**	65.4	**54.6**	65.4
Baa3	**13.6**	80.5	**13.6**	80.5
Ba1	**14.1**	7.7	**14.1**	7.7
Ba2	**13.8**	20.1	**13.8**	20.1
Ba3	**1.6**	17.3	**1.6**	17.3
B1	**0.5**	4.3	**0.5**	4.3
B2	**0.6**	9.1	**0.6**	9.1
B3	**3.6**	1.8	**3.6**	1.8
Not rated	**524.7**	180.9	**524.7**	180.9
	1,724.6	1,758.7	**1,674.6**	1,693.7

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 2023 USDm	31 March 2022 USDm
Related parties		
A-1	**4,041.9**	2,976.7
External parties		
A-1+	**4,146.0**	2,652.5
A-1	**299.2**	197.2
A-2	**660.9**	400.7
Not rated	**–**	–
	5,106.1	3,250.4
	9,148.0	6,227.1

Group and Company Moody's rating	31 March 2023 USDm	31 March 2022 USDm
Related parties		
P-1	**4,041.9**	2,976.7
External parties		
P-1	**4,826.0**	2,849.7
P-2	**280.1**	400.7
	5,106.1	3,250.4
	9,148.0	6,227.1

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

	Related parties 31 March 2023 USDm	**External parties 31 March 2023 USDm**	**Total 31 March 2023 USDm**	Related parties 31 March 2022 USDm	External parties 31 March 2022 USDm	Total 31 March 2022 USDm
US Treasury bills	**1,963.4**	**457.9**	**2,421.3**	–	232.5	232.5
European government bonds	**374.3**	**1,000.5**	**1,374.8**	–	2,159.1	2,159.1
Japanese government bonds	**1,644.5**	**778.0**	**2,422.5**	2,744.0	–	2,744.0
Non-European government bonds	**–**	**1,361.0**	**1,361.0**	–	145.1	145.1
European local authority bonds	**–**	**–**	**–**	–	8.8	8.8
Japanese local authority bonds	**–**	**–**	**–**	174.8	–	174.8
US corporate bonds	**–**	**191.8**	**191.8**	–	–	–
European corporate bonds	**–**	**252.0**	**252.0**	–	513.5	513.5
Japanese corporate bonds	**–**	**241.5**	**241.5**	–	–	–
Non-European corporate bonds	**–**	**830.4**	**830.4**	–	50.6	50.6
Japanese corporate equity	**–**	**–**	**–**	–	–	–
Securities purchased	**3,982.2**	**5,113.1**	**9,095.3**	2,918.8	3,109.6	6,028.4
Carrying value	**4,041.9**	**5,106.1**	**9,148.0**	2,976.7	3,250.4	6,227.1
Over/(under)collateralised	**(59.7)**	**7.0**	**(52.7)**	(57.9)	(140.8)	(198.7)

In order to cover the residual under-collateralised credit risk, the Group held additional collateral in the form of securities (Margin Deficit Securities, or MDS) from related parties amounting to USD 39.9 million (2022: USD 70.0 million) and cash collateral from external customers amounting to USD 70.5 million (2022: USD 16.4 million).

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

Group and Company S&P rating	**Related parties 31 March 2023 USDm**	**External parties 31 March 2023 USDm**	**Total 31 March 2023 USDm**	Related parties 31 March 2022 USDm	External parties 31 March 2022 USDm	Total 31 March 2022 USDm
AAA	**8.9**	**307.4**	**316.3**	396.8	122.1	518.9
AA+	**1,963.4**	**471.9**	**2,435.3**	814.8	419.5	1,234.3
AA	**332.3**	**2,018.1**	**2,350.4**	764.9	1,033.4	1,798.3
AA-	**–**	**108.1**	**108.1**	–	154.8	154.8
A+	**1,644.6**	**804.5**	**2,449.1**	777.4	598.9	1,376.3
A	**33.0**	**242.8**	**275.8**	47.8	81.4	129.2
A-	**–**	**339.2**	**339.2**	–	399.9	399.9
BBB+	**–**	**201.3**	**201.3**	–	22.5	22.5
BBB	**–**	**136.8**	**136.8**	117.1	145.9	263.0
BBB-	**–**	**85.5**	**85.5**	–	3.9	3.9
BB+	**–**	**–**	**–**	–	0.5	0.5
BB	**–**	**2.9**	**2.9**	–	–	–
BB-	**–**	**4.5**	**4.5**	–	6.8	6.8
B+	**–**	**3.4**	**3.4**	–	1.1	1.1
B	**–**	**1.4**	**1.4**	–	2.5	2.5
Not rated	**–**	**385.3**	**385.3**	–	116.4	116.4
	3,982.2	**5,113.1**	**9,095.3**	2,918.8	3,109.6	6,028.4

Group and Company Moody's rating	**Related parties 31 March 2023 USDm**	**External parties 31 March 2023 USDm**	**Total 31 March 2023 USDm**	Related parties 31 March 2022 USDm	External parties 31 March 2022 USDm	Total 31 March 2022 USDm
Aaa	**1,972.3**	**768.0**	**2,740.3**	1,211.6	529.8	1,741.4
Aa1	**–**	**9.6**	**9.6**	–	12.0	12.0
Aa2	**253.5**	**364.9**	**618.4**	607.7	519.3	1,127.0
Aa3	**78.9**	**1,772.5**	**1,851.4**	157.2	710.5	867.7
A1	**1,644.5**	**1,409.9**	**3,054.4**	719.5	958.9	1,678.4
A2	**–**	**67.2**	**67.2**	–	52.8	52.8
A3	**–**	**115.2**	**115.2**	–	54.5	54.5
Baa1	**33.0**	**219.9**	**252.9**	26.4	149.3	175.7
Baa2	**–**	**159.4**	**159.4**	–	34.0	34.0
Baa3	**–**	**72.0**	**72.0**	117.0	56.4	173.4
Ba1	**–**	**10.0**	**10.0**	–	–	–
Ba2	**–**	**1.6**	**1.6**	–	–	–
Ba3	**–**	**4.4**	**4.4**	–	10.9	10.9
B2	**–**	**3.0**	**3.0**	–	6.0	6.0
B3	**–**	**1.4**	**1.4**	–	–	–
Not rated	**–**	**134.1**	**134.1**	79.4	15.2	94.6
	3,982.2	**5,113.1**	**9,095.3**	2,918.8	3,109.6	6,028.4

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.

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	**31 March 2023 USDm**	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
Related parties				
A	**8,302.8**	6,329.2	**8,251.9**	6,306.8
Unrated	**–**	0.3	**–**	0.3
	8,302.8	6,329.5	**8,251.9**	6,307.1
External parties				
AA-	**39.6**	43.8	**39.6**	43.8
A+	**433.0**	79.8	**433.0**	79.8
A	**341.2**	76.2	**341.2**	76.2
A-	**222.3**	108.9	**222.3**	108.9
BBB+	**65.9**	61.6	**65.9**	61.6
BBB	**48.7**	2.6	**48.7**	2.6
BBB-	**12.9**	3.8	**12.9**	3.8
BB	**226.7**	5.8	**226.7**	5.8
BB-	**0.2**	208.1	**0.2**	208.1
Unrated	**1,781.0**	1,270.9	**1,781.0**	1,270.9
	3,171.5	1,861.5	**3,171.5**	1,861.5
	11,474.3	8,191.0	**11,423.4**	8,168.6

	Group		Company	
Moody's	**31 March 2023 USDm**	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
Related parties				
A1	**8,302.8**	6,329.2	**8,251.9**	6,306.8
Unrated	**–**	0.3	**–**	
	8,302.8	6,329.5	**8,251.9**	6,307.1
External parties				
Aa2	**140.1**	75.5	**140.1**	75.5
Aa3	**95.4**	46.1	**95.4**	46.1
A1	**479.7**	53.8	**479.7**	53.8
A2	**216.8**	35.5	**216.8**	35.5
A3	**80.4**	69.4	**80.4**	69.4
Baa1	**145.1**	51.4	**145.1**	51.4
Baa2	**19.5**	2.6	**19.5**	2.6
Baa3	**7.8**	5.8	**7.8**	5.8
Ba2	**10.2**	5.5	**10.2**	5.5
Ba3	**216.7**	208.4	**216.7**	208.4
Unrated	**1,759.8**	1,307.5	**1,759.8**	1,307.5
	3,171.5	1,861.5	**3,171.5**	1,861.5
	11,474.3	8,191.0	**11,423.4**	8,168.6

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 2023, other trading assets include an exposure to external counterparties rated BBB and lower or unrated by S&P amounting to USD 44.8 million (2022: USD 619.9 million).

b) Credit risk concentration

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

Geographical analysis

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

	Group		Company	
	31 March 2023 USDm	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
United Kingdom	**205.6**	68.5	**205.6**	68.5
Japan	**372.6**	174.2	**358.7**	160.7
United States	**315.7**	505.4	**183.4**	435.5
Other	**131.3**	19.9	**9.4**	0.2
	1,025.2	868.0	**757.1**	664.9

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

	Group		Company	
	31 March 2023 USDm	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
United Kingdom	**91.3**	86.0	**91.3**	86.0
France	**385.8**	82.8	**385.8**	82.8
Germany	**54.6**	104.9	**54.6**	104.9
Japan	**125.7**	137.9	**125.7**	137.9
Netherlands	**35.0**	35.7	**35.0**	10.7
United States	**659.2**	328.7	**659.2**	278.7
Other	**373.0**	982.7	**323.0**	992.7
	1,724.6	1,758.7	**1,674.6**	1,693.7

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

Group and Company	**31 March 2023 USDm**	31 March 2022 USDm
United Kingdom	**1,549.9**	1,796.6
Japan	**3,936.3**	2,977.1
France	**2,884.1**	810.6
United States	**127.2**	233.2
Other	**650.5**	409.6
	9,148.0	6,227.1

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

	Group		Company	
	31 March 2023 USDm	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 USDm
United Kingdom	**1,672.4**	965.2	**1,672.4**	965.2
France	**229.7**	133.4	**229.7**	133.4
Japan	**2,766.3**	3,462.3	**2,766.3**	3,462.3
Netherlands	**145.2**	146.8	**145.2**	146.8
United States	**5,239.9**	2,724.1	**5,189.0**	2,701.7
Other	**1,420.8**	759.2	**1,420.8**	759.2
	11,474.3	8,191.0	**11,423.4**	8,168.6

c) Impairment

At the reporting date, the Group had no financial assets which were credit-impaired or 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 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 2023 Group	**Carrying value USDm**	**On demand USDm**	**Less than 1 year USDm**	**1–5 years USDm**	**More than 5 years USDm**	**Total USDm**
Non-derivative financial liabilities						
Investment securities sold, not yet purchased[1]	**945.7**	**358.6**	**587.1**	**–**	**–**	**945.7**
Trading liabilities, at fair value[2]	**178.4**	**–**	**20.4**	**11.7**	**146.3**	**178.4**
Securities sold under agreement to repurchase	**7,028.3**	**643.2**	**6,396.1**	**–**	**–**	**7,039.3**
Collateral received	**3,309.4**	**–**	**238.9**	**1,872.0**	**1,200.5**	**3,311.4**
Other creditors, excluding lease liabilities	**2,151.1**	**466.2**	**1,707.4**	**5.1**	**–**	**2,178.7**
Lease liabilities	**2.9**	**–**	**2.0**	**1.1**	**–**	**3.1**
	13,615.8	**1,468.0**	**8,951.9**	**1,889.9**	**1,346.8**	**13,656.6**
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[2]	**11,717.7**	**–**	**665.5**	**4,406.1**	**6,646.1**	**11,717.7**

As at 31 March 2023 Company	Carrying Value USDm	On demand USDm	Less than 1 year USDm	1–5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Investment securities sold, not yet purchased[1]	**945.7**	**358.6**	**587.1**	**–**	**–**	**945.7**
Trading liabilities, at fair value[2]	**178.4**	**–**	**20.4**	**11.7**	**146.3**	**178.4**
Securities sold under agreement to repurchase	**7,028.3**	**643.2**	**6,396.1**	**–**	**–**	**7,039.3**
Collateral received	**3,254.9**	**–**	**184.4**	**1,872.0**	**1,200.5**	**3,256.9**
Other creditors, excluding lease liabilities	**2,153.6**	**466.2**	**1,709.4**	**5.1**	**–**	**2,180.7**
Lease liabilities	**2.4**	**–**	**1.5**	**1.0**	**–**	**2.5**
	13,563.3	**1,468.0**	**8,898.9**	**1,889.8**	**1,346.8**	**13,603.5**
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[2]	**11,667.0**	**–**	**639.4**	**4,399.8**	**6,627.8**	**11,667.0**

1 The maturities of trading security liabilities were derived from the respective reverse repo contracts which provided the securities to sell.
2 The maturities of trading liabilities and derivative liabilities were prepared using present values rather than undiscounted cash flows.

As at 31 March 2022 Group	Carrying value USDm	On demand USDm	Less than 1 year USDm	1–5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Investment securities sold, not yet purchased[1]	926.4	70.0	856.4	–	–	926.4
Trading liabilities, at fair value[2]	1,006.1	–	9.8	104.3	892.0	1,006.1
Securities sold under agreement to repurchase	4,674.2	32.5	4,641.2	–	–	4,673.7
Collateral received	3,998.7	–	132.9	1,862.0	2,003.9	3,998.8
Other creditors, excluding lease liabilities	1,372.6	146.5	1,229.8	2.9	–	1,379.2
Lease liabilities	3.3	–	3.7	1.4	–	5.1
	11,981.3	249.0	6,873.8	1,970.6	2,895.9	11,989.3
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[2]	8,218.6	–	610.3	3,013.6	4,594.7	8,218.6

As at 31 March 2022 Company	Carrying value USDm	On demand USDm	Less than 1 year USDm	1–5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Investment securities sold, not yet purchased[1]	926.4	70.0	856.4	–	–	926.4
Trading liabilities, at fair value[2]	1,006.1	–	9.8	104.3	892.1	1,006.2
Securities sold under agreement to repurchase	4,674.2	32.5	4,641.2	–	–	4,673.7
Collateral received	3,975.8	–	110.0	1,862.0	2,003.9	3,975.9
Other creditors, excluding lease liabilities	1,375.2	146.5	1,231.5	2.9	–	1,380.9
Lease liabilities	2.4	–	2.8	0.6	–	3.4
	11,960.1	249.0	6,851.7	1,969.8	2,896.0	11,966.5
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[2]	8,196.3	–	610.1	3,006.1	4,580.1	8,196.3

1 The maturities of trading security liabilities were derived from the respective reverse repo contracts which provided the securities to sell.
2 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 Company undertake their derivative 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 2.87% for the year to 31 March 2023 (2022: 0.05%). The weighted average yield for the year to 31 March 2023 on floating rate notes and US Treasury securities was 1.79% (2022: 1.33%). Cash collateral 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 or increase net assets by USD 2.5/USD 2.7 million (2022: decrease by USD 0.6/USD 0.5 million) respectively.

vi) Foreign currency risk

The Group hedges its foreign exchange exposures including GBP expenses 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 and Company's operational risk management framework is to minimise the occurrence and impact of operational risk events, in particular, avoiding extreme events, in order 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 specific processes in place, including the use of KRIs. The Group recognises the benefits of using scenario analysis to assess and manage the exposure to high severity, low frequency events in order 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 financial 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 that 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.

Amounts that do not meet the offsetting criteria include financial assets and financial liabilities that 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 that 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.

At 31 March 2023	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
Group							
Derivative assets (excluding reserves)	**14,647.5**	**(3,173.2)**	**11,474.3**	**(8,348.6)**	**(1,442.2)**	**(1.8)**	**1,681.7**
Reverse repurchase agreements	**9,148.0**	**–**	**9,148.0**	**(1,867.3)**	**(9.7)**	**(7,169.3)**	**101.7**
	23,795.5	**(3,173.2)**	**20,622.3**	**(10,215.9)**	**(1,451.9)**	**(7,171.1)**	**1,783.4**
Derivative liabilities (excluding reserves)	**14,551.9**	**(2,834.2)**	**11,717.7**	**(8,348.6)**	**(2,253.9)**	**(14.8)**	**1,100.4**
Repurchase agreements	**7,028.3**	**–**	**7,028.3**	**(1,867.3)**	**(3.3)**	**(5,153.1)**	**4.6**
	21,580.2	**(2,834.2)**	**18,746.0**	**(10,215.9)**	**(2,257.2)**	**(5,167.9)**	**1,105.0**

At 31 March 2023	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
Company							
Derivative assets (excluding reserves)	**14,596.6**	**(3,173.2)**	**11,423.4**	**(8,348.6)**	**(1,391.3)**	**(1.8)**	**1,681.7**
Reverse repurchase agreements	**9,148.0**	**–**	**9,148.0**	**(1,867.3)**	**(9.7)**	**(7,169.3)**	**101.7**
	23,744.6	**(3,173.2)**	**20,571.4**	**(10,215.9)**	**(1,401.0)**	**(7,171.1)**	**1,783.4**
Derivative liabilities (excluding reserves)	**14,501.2**	**(2,834.2)**	**11,667.0**	**(8,348.6)**	**(2,253.9)**	**(14.8)**	**1,049.7**
Repurchase agreements	**7,028.3**	**–**	**7,028.3**	**(1,867.3)**	**(3.3)**	**(5,153.1)**	**4.6**
	21,529.5	**(2,834.2)**	**18,695.3**	**(10,215.9)**	**(2,257.2)**	**(5,167.9)**	**1,054.3**

As at 31 March 2022	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
Group							
Derivative assets (excluding reserves)	9,617.1	(1,426.1)	8,191.0	(5,091.5)	(1,882.6)	–	1,216.9
Reverse repurchase agreements	6,227.1	–	6,227.1	(1,560.3)	(5.9)	(4,589.6)	71.3
	15,844.2	(1,426.1)	14,418.1	(6,651.8)	(1,888.5)	(4,589.6)	1,288.2
Derivative liabilities (excluding reserves)	9,543.8	(1,325.2)	8,218.6	(5,091.5)	(2,546.6)	(35.8)	544.7
Repurchase agreements	4,674.2	–	4,674.2	(1,560.3)	(36.4)	(3,015.1)	62.4
	14,218.0	(1,325.2)	12,892.8	(6,651.8)	(2,583.0)	(3,050.9)	607.1

As at 31 March 2022	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
Company							
Derivative assets (excluding reserves)	9,594.7	(1,426.1)	8,168.6	(5,069.0)	(1,882.6)	–	1,217.0
Reverse repurchase agreements	6,227.1	–	6,227.1	(1,560.3)	(5.9)	(4,589.6)	71.3
	15,821.8	(1,426.1)	14,395.7	(6,629.3)	(1,888.5)	(4,589.6)	1,288.3
Derivative liabilities (excluding reserves)	9,521.5	(1,325.2)	8,196.3	(5,069.0)	(2,569.0)	(35.8)	522.5
Repurchase agreements	4,674.2	–	4,674.2	(1,560.3)	(36.4)	(3,015.1)	62.4
	14,195.7	(1,325.2)	12,870.5	(6,629.3)	(2,605.4)	(3,050.9)	584.9

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 into by the Group are executed over the counter 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.

The following tables present the fair value hierarchy of financial assets and liabilities, measured at fair value in the statement of financial position, at 31 March 2023 and 31 December 2022:

At 31 March 2023	Level 1 USDm	Level 2 USDm	Level 3 USDm	Total USDm
Group				
Financial assets				
Investment securities	1,334.9	389.7	–	1,724.6
Derivative assets	–	11,441.7	–	11,441.7
Other trading assets	–	61.8	–	61.8
	1,334.9	11,893.2	–	13,228.1
Financial liabilities				
Investment securities	833.7	112.0	–	945.7
Derivative liabilities	–	11,669.2	–	11,669.2
Other trading liabilities	–	178.4	–	178.4
	833.7	11,959.6	–	12,793.3
Company				
Financial assets				
Investment securities	1,284.9	389.7	–	1,674.6
Derivative assets	–	11,390.8	–	11,390.8
Other trading assets	–	61.8	–	61.8
	1,284.9	11,842.3	–	13,127.2
Financial liabilities				
Investment securities	833.7	112.0	–	945.7
Derivative liabilities	–	11,619.1	–	11,619.1
Other trading liabilities	–	178.4	–	178.4
	833.7	11,909.5	–	12,743.2

At 31 March 2022	Level 1 USDm	Level 2 USDm	Level 3 USDm	Total USDm
Group				
Financial assets				
Investment securities	929.3	829.4	–	1,758.7
Derivative assets	–	8,154.8	–	8,154.8
Other trading assets	–	1,366.4	0.9	1,367.3
	929.3	10,350.6	0.9	11,280.8
Financial liabilities				
Investment securities	556.5	369.9	–	926.4
Derivative liabilities	–	8,195.6	–	8,195.6
Other trading liabilities	–	1,005.2	0.9	1,006.1
	556.5	9,570.7	0.9	10,128.1
Company				
Financial assets				
Investment securities	864.3	829.4	–	1,693.7
Derivative assets	–	8,132.3	–	8,132.3
Other trading assets	–	1,366.4	0.9	1,367.3
	864.3	10,328.1	0.9	11,193.3
Financial liabilities				
Investment securities	556.5	369.9	–	926.4
Derivative liabilities	–	8,173.6	–	8,173.6
Other trading liabilities	–	1,005.2	0.9	1,006.1
	556.5	9,548.7	0.9	10,106.1

Amounts classified as Level 3 comprise certain interest rate swaps. The swaps 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.

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 years ended 31 March 2023 and 31 March 2022. In both years, the trades were transferred to or from Level 3 because their unobservable inputs became significant or insignificant at the reporting date. Transfers are effective at the end of the reporting period.

Year ended 31 March 2023 Group and Company	**1 April 2022 USDm**	**Settlements USDm**	**Realised gains/(losses) USDm**	**Unrealised gains/(losses) USDm**	**Transfers in/(out) USDm**	**31 March 2023 USDm**
Assets:						
Other trading instruments	**0.9**	–	–	**(0.4)**	**(0.5)**	–
Total assets at fair value	**0.9**	–	–	**(0.4)**	**(0.5)**	–

Year ended 31 March 2023 Group and Company	**1 April 2022 USDm**	**Settlements USDm**	**Realised gains/(losses) USDm**	**Unrealised gains/(losses) USDm**	**Transfers in/(out) USDm**	**31 March 2023 USDm**
Liabilities:						
Other trading instruments	**0.9**	–	–	**(0.4)**	**(0.5)**	–
Total liabilities at fair value	**0.9**	–	–	**(0.4)**	**(0.5)**	–

Year ended 31 March 2022 Group and Company	1 April 2021 USDm	Settlements USDm	Realised gains/(losses) USDm	Unrealised gains/(losses) USDm	Transfers in/(out) USDm	31 March 2022 USDm
Assets:						
Other trading instruments	–	–	–	–	0.9	0.9
Total assets at fair value	–	–	–	–	0.9	0.9

Year ended 31 March 2022 Group and Company	1 April 2021 USDm	Settlements USDm	Realised (gains)/losses USDm	Unrealised (gains)/losses USDm	Transfers in/(out) USDm	31 March 2022 USDm
Liabilities:						
Other trading instruments	–	–	–	–	0.9	0.9
Total liabilities at fair value	–	–	–	–	0.9	0.9

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

Instrument	**Valuation techniques**	**Unobservable inputs**
Interest rate swaps	Internal swap model	Expected reduction to notional size before maturity Amortisation schedule of reference bonds
Options	Internal options model	Trading desk premium
Other trading instruments	Internal swap model	Expected reduction to notional size before maturity

The Product Control department is responsible for the valuation policies and procedures. This department is responsible for running daily valuations of the Company's derivatives and securities, and reports into the Chief Financial Officer. The Company's Risk Management department is responsible for managing model risk and its related policies and procedures. It reports into the Chief Risk Officer. As all models are owned by the front office under 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 Global Risk Management Committee (GRMC), to which the MVG makes its recommendations. The GRMC 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/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 2023	Amortised cost USDm	FVTPL* USDm	FVOCI** USDm	Total USDm
Assets				
Cash at banks	1,025.2	–	–	1,025.2
Investment securities	–	1,158.2	566.4	1,724.6
Other trading assets, at fair value	–	61.8	–	61.8
Derivative assets	–	11,441.7	–	11,441.7
Securities purchased under agreements to resell	9,148.0	–	–	9,148.0
Collateral placed	3,221.2	–	–	3,221.2
Other debtors	508.3	–	–	508.3
Total assets	**13,902.7**	**12,661.7**	**566.4**	**27,130.8**
Liabilities				
Derivative liabilities	–	11,669.2	–	11,669.2
Other trading liabilities, at fair value	–	178.4	–	178.4
Investment securities sold, not yet purchased	–	945.7	–	945.7
Securities sold under agreements to repurchase	7,028.3	–	–	7,028.3
Collateral received	3,309.4	–	–	3,309.4
Other creditors	2,154.0	–	–	2,154.0
Total liabilities	**12,491.7**	**12,793.3**	**–**	**25,285.0**

Company As at 31 March 2023	Amortised cost USDm	FVTPL* USDm	FVOCI** USDm	Total USDm
Assets				
Cash at banks	757.1	–	–	757.1
Investment securities	–	1,108.2	566.4	1,674.6
Other trading assets, at fair value	–	61.8	–	61.8
Derivative assets	–	11,390.8	–	11,390.8
Securities purchased under agreements to resell	9,148.0	–	–	9,148.0
Collateral placed	3,221.2	–	–	3,221.2
Other debtors	520.7	–	–	520.7
Total assets	**13,647.0**	**12,560.8**	**566.4**	**26,774.2**
Liabilities				
Derivative liabilities	–	11,619.1	–	11,619.1
Other trading liabilities, at fair value	–	178.4	–	178.4
Investment securities sold, not yet purchased	–	945.7	–	945.7
Securities sold under agreements to repurchase	7,028.3	–	–	7,028.3
Collateral received	3,254.9	–	–	3,254.9
Other creditors	2,156.0	–	–	2,156.0
Total liabilities	**12,439.2**	**12,743.2**	**–**	**25,182.4**

* Fair value through profit or loss.

** Fair value through other comprehensive income.

Group **As at 31 March 2022**	Amortised cost USDm	FVTPL* USDm	FVOCI** USDm	Total USDm
Assets				
Cash at banks	868.0	–	–	868.0
Investment securities	–	1,758.7	–	1,758.7
Other trading assets, at fair value	–	1,367.3	–	1,367.3
Derivative assets	–	8,154.8	–	8,154.8
Securities purchased under agreements to resell	6,227.1	–	–	6,227.1
Collateral placed	3,404.3	–	–	3,404.3
Other debtors	241.3	–	–	241.3
Total assets	**10,740.7**	**11,280.8**	**–**	**22,021.5**
Liabilities				
Derivative liabilities	–	8,195.6	–	8,195.6
Other trading liabilities, at fair value	–	1,006.1	–	1,006.1
Investment securities sold, not yet purchased	–	926.4	–	926.4
Securities sold under agreements to repurchase	4,674.2	–	–	4,674.2
Collateral received	3,998.7	–	–	3,998.7
Other creditors	1,375.9	–	–	1,375.9
Total liabilities	**10,048.8**	**10,128.1**	**–**	**20,176.9**

Company **As at 31 March 2022**	Amortised cost USDm	FVTPL* USDm	FVOCI** USDm	Total USDm
Assets				
Cash at banks	664.9	–	–	664.9
Investment securities	–	1,693.7	–	1,693.7
Other trading assets, at fair value	–	1,367.3	–	1,367.3
Derivative assets	–	8,132.3	–	8,132.3
Securities purchased under agreements to resell	6,227.1	–	–	6,227.1
Collateral placed	3,404.3	–	–	3,404.3
Other debtors	242.8	–	–	242.8
Total assets	**10,539.1**	**11,193.3**	**–**	**21,732.4**
Liabilities				
Derivative liabilities	–	8,173.6	–	8,173.6
Other trading liabilities, at fair value	–	1,006.1	–	1,006.1
Investment securities sold, not yet purchased	–	926.4	–	926.4
Securities sold under agreements to repurchase	4,674.2	–	–	4,674.2
Collateral received	3,975.8	–	–	3,975.8
Other creditors	1,377.6	–	–	1,377.6
Total liabilities	**10,027.6**	**10,106.1**	**–**	**20,133.7**

* Fair value through profit or loss.

** Fair value through other comprehensive income.

Financial assets at FVOCI at 31 March 2023 comprise securities held for liquidity purposes. These securities represent high quality debt instruments, such as US Treasury bills. They are normally held to maturity but occasionally may be sold to provide cash liquidity or to prove their own credit worthiness. Therefore, their default accounting treatment is at FVOCI, although IFRS 9 allows to designate individual securities at FVTPL. The election to designate at FVTPL was discontinued in early 2022 for newly purchased assets, which led to liquidity securities being measured at FVOCI. See Note 1 for more details on accounting classification of financial instruments.

25. IBOR reform

Following negative publicity around the quality of the published London Interbank Offered Rate (LIBOR), the reform and replacement of benchmark interest rates has become a priority for global regulators. As a result, the UK's Financial Conduct Authority (FCA) and other global regulators instructed market participants to prepare for the cessation of most LIBOR rates after the end of 2022 and to adopt 'near Risk-Free Rates' (RFRs). The Group has material exposure to IBORs on its financial instruments and is reforming them as part of this market-wide initiative.

When the reform was announced, the Group had IBOR-linked derivative and other trading assets and liabilities, referenced to GBP, USD, EUR and JPY LIBOR. In addition to own instruments, the Group guarantees derivative transactions of its affiliate, CM Inc., as described in Note 29, some of which are linked to LIBOR.

The Group has established a Steering Committee led by a Director of the Company and is supported by a project management team, subject matter experts, a policy forum, communication team and external specialists. Under the guidance of this specialised body and subject matter experts, the Group is managing its transition to applicable RFRs away from the use of EUR, CHF, JPY, GBP and some USD LIBOR tenors, which ceased publication on 31 December 2021, and remaining USD LIBOR tenors, which will cease publication on 30 June 2023.

The alternative reference rate for Sterling LIBOR is the Sterling Overnight Index Average (SONIA) and for US Dollar LIBOR is the Secured Overnight Financing Rate (SOFR). Changes to the contractual terms of financial assets referenced to LIBOR to incorporate new benchmark rates were not yet complete as at 31 March 2023. There are some legacy contracts that may be difficult to transition from LIBORs to SONIA or SOFR. These contracts are often part of more complex or structured transactions or arrangements. The FCA has authorised broad usage of synthetic LIBOR as a temporary solution for such contracts for GBP and JPY. The Group continues to monitor total contracts utilising synthetic LIBOR fallbacks and aims to remediate to RFRs as soon as possible. The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include a fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is referenced to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an unreformed contract). The Group has in place detailed plans, processes and procedures to continue to transition contracts to alternative benchmark rates, which will be completed in line with official sector expectations and milestones.

The Group's derivative instruments are governed by International Swaps and Derivatives Association (ISDA) definitions. ISDA has reviewed its definitions in light of IBOR reform and issued an IBOR fallbacks supplement on 23 October 2020. This sets out how the amendments to new alternative benchmark rates (e.g. SOFR, SONIA) in the ISDA definitions will be accomplished. The effect of the supplement is to create fallback provisions in derivatives that describe what floating rates will apply on the permanent discontinuation of certain key IBORs or on ISDA declaring a non-representative determination of an IBOR. The supplement is effective from 25 January 2021 and, from that date, all new derivatives that reference the ISDA definitions also include the fallbacks.

The main risks to which the Group is exposed as a result of IBOR reform are operational – for example, the renegotiation of derivative contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk. The Group continues to have instruments referencing IBOR which could become unrepresented; this will continually be monitored as part of the IBOR project but the liquidity risk arising from this is considered low.

There have been no changes to the risk management strategies as a result the IBOR reform. The transition's objective is to maintain equivalence and business continuity of its contracts with customers.

The following tables shows the Group and Company's exposure to significant IBORs subject to reform that have yet to transition to risk-free rates.

Group **As at 31 March 2023**	**GBP LIBOR** **USDm**	**USD LIBOR** **USDm**	**Total** **USDm**
Derivative assets			
Carrying value (excluding reserves)	**6.9**	**2,747.1**	**2,754.0**
Notional principal	**141.4**	**31,331.5**	**31,472.9**
Other trading assets			
Carrying value (excluding reserves)	**–**	**–**	**–**
Notional principal	**–**	**–**	**–**
Total assets			
Carrying value (excluding reserves)	**6.9**	**2,747.1**	**2,754.0**
Notional principal	**141.4**	**31,331.5**	**31,472.9**
Derivative liabilities			
Carrying value (excluding reserves)	**6.9**	**3,399.1**	**3,406.0**
Notional principal	**151.8**	**40,215.4**	**40,367.2**
Total liabilities			
Carrying value (excluding reserves)	**6.9**	**3,399.1**	**3,406.0**
Notional principal	**151.8**	**40,215.4**	**40,367.2**
Financial guarantees linked to derivative contracts			
Carrying value (excluding reserves)	**–**	**938.8**	**938.8**
Notional principal	**–**	**47,799.3**	**47,799.3**

Company **As at 31 March 2023**	**GBP LIBOR USDm**	**USD LIBOR USDm**	**Total USDm**
Derivative assets			
Carrying value	**6.9**	**2,747.1**	**2,754.0**
Notional principal	**141.4**	**31,331.5**	**31,472.9**
Other trading assets			
Carrying value (excluding reserves)	–	–	–
Notional principal	–	–	–
Total assets	–	–	
Carrying value (excluding reserves)	**6.9**	**2,747.1**	**2,754.0**
Notional principal	**141.4**	**31,331.5**	**31,472.9**
Derivative liabilities			
Carrying value	**6.9**	**3,399.1**	**3,406.0**
Notional principal	**151.8**	**40,215.4**	**40,367.2**
Total liabilities			
Carrying value (excluding reserves)	**6.9**	**3,399.1**	**3,406.0**
Notional principal	**151.8**	**40,215.4**	**40,367.2**
Financial guarantees linked to derivative contracts			
Carrying value (excluding reserves)	–	–	–
Notional principal	–	–	–

Group **As at 31 March 2022**	GBP LIBOR USDm	USD LIBOR USDm	Total USDm
Derivative assets			
Carrying value (excluding reserves)	140.6	2,666.3	2,806.9
Notional principal	733.4	55,331.4	56,064.8
Other trading assets			
Carrying value (excluding reserves)	8.7	–	8.7
Notional principal	26.2	–	26.2
Total assets			
Carrying value (excluding reserves)	149.3	2,666.3	2,815.6
Notional principal	759.6	55,331.4	56,091.0
Derivative liabilities			
Carrying value (excluding reserves)	139.3	2,868.1	3,007.4
Notional principal	708.1	62,142.4	62,850.5
Total liabilities			
Carrying value (excluding reserves)	139.3	2,868.1	3,007.4
Notional principal	708.1	62,142.4	62,850.5
Financial guarantees linked to derivative contracts			
Carrying value (excluding reserves)	–	653.2	653.2
Notional principal	–	54,143.2	54,143.2

Company **As at 31 March 2022**	GBP LIBOR USDm	USD LIBOR USDm	Total USDm
Derivative assets			
Carrying value	140.6	2,666.3	2,806.9
Notional principal	733.4	55,331.4	56,064.8
Other trading assets			
Carrying value (excluding reserves)	8.7	–	8.7
Notional principal	26.2	–	26.2
Total assets	–	–	
Carrying value (excluding reserves)	149.3	2,666.3	2,815.6
Notional principal	759.6	55,331.4	56,091.0
Derivative liabilities			
Carrying value	139.3	2,868.1	3,007.4
Notional principal	708.1	62,142.4	62,850.5
Total liabilities			
Carrying value (excluding reserves)	139.3	2,868.1	3,007.4
Notional principal	708.1	62,142.4	62,850.5
Financial guarantees linked to derivative contracts			
Carrying value (excluding reserves)	–	–	–
Notional principal	–	–	–

26. 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 2023 USDm**	Land and buildings 31 March 2022 USDm
Operating leases which expire:		
Within one year	**0.6**	0.8
	0.6	0.8

27. Regulatory capital (unaudited)

Both the Group and Company are subject to the FCA's Investment Firms Prudential Regime (IFPR). The IFPR is a single prudential regime for all solo regulated investment firms in the UK (FCA investment firms) authorised under the UK Markets in Financial Instruments Directive (MiFID).

The primary objective of the Group and 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 capital (CET1) and perpetual non-cumulative preference shares qualifying as additional tier 1 capital (AT1). The business must maintain an Own Funds ratio, the proportion of relevant capital to the IFPR own funds requirement, above the FCA prescribed thresholds.

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

	Group		Company	
	31 March 2023 USDm	31 March 2022 USDm	**31 March 2023 USDm**	31 March 2022 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	**568.8**	565.8	**516.3**	520.9
Other reserves	**(3.5)**	(1.5)	**(3.5)**	(1.5)
	1,509.3	1,508.3	**1,456.8**	1,463.4
CET1 regulatory adjustments				
Intangible assets	**(13.7)**	(11.6)	**(13.7)**	(11.5)
Cash flow hedges	**(1.4)**	1.5	**(1.4)**	1.5
Other	**(56.1)**	(30.4)	**(55.5)**	(30.1)
	(71.2)	(40.5)	**(70.6)**	(40.1)
Total CET1 capital	**1,438.1**	1,467.8	**1,386.2**	1,423.3
Additional tier 1 (AT1) capital				
Perpetual non-cumulative preference shares	**360.0**	360.0	**360.0**	360.0
Total own funds (A)	**1,798.1**	1,827.8	**1,746.2**	1,783.3
IFPR own funds requirement (B)	**202.8**	222.8	**202.4**	222.3
Own funds ratio*	**886.6%**	820.4%	**862.6%**	802.2%

* Own funds ratio is defined as Own Funds v IFPR Own Funds Requirement (A / B expressed as a percentage).

The Group and Company utilise a 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 ICARA 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 and Company's business lines and balance sheet. The Group and Company then ensure that their 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 Company have been in compliance 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/notices-reporting/corporate-disclosures).

28. 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, Abu Dhabi branch (United Arab Emirates)	United Kingdom	n/a	Agency and intermediary services

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 (2022: nil).

Number of employees: Employee numbers reported reflect the number of employees on a full-time-equivalent (FTE) basis.

Year ended 31/03/2023	**United Kingdom**	**Hong Kong**	**United Arab Emirates**	**Group**
Total revenue (USDm)	**198.2**	**6.8**	**1.7**	**206.7**
Profit before tax (USDm)	**12.5**	**0.3**	**0.4**	**13.2**
Corporation tax paid (USDm)	**14.5**	**1.1**	**–**	**15.6**
Average number of employees	**180**	**16**	**4**	**200**

Year ended 31/03/2022	United Kingdom	Hong Kong	United Arab Emirates	Group
Total revenue (USDm)	178.9	12.9	1.3	193.1
Profit before tax (USDm)	9.4	5.4	0.2	15.0
Corporation tax paid (USDm)	2.6	0.3	–	2.9
Average number of employees	173	15	4	192

29. 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 2023 USDm	31 March 2022 USDm
Sumitomo Mitsui Banking Corporation – Parent		
Balances receivable / (payable) at year end		
Cash at banks	**9.3**	167.0
Net derivative assets	**(1,069.1)**	1,642.4
Trading instruments	**–**	144.0
Collateral placed	**1,158.7**	–
Collateral received	**(1,726.5)**	(3,630.9)
Funding loans	**(1,468.1)**	(1,100.2)
Other liabilities	**(2.0)**	(5.1)
Amounts outside the statement of financial position		
Independent Amount securities received (Note 18)	**902.1**	1,315.5
Guaranteed derivative balances (Note 30)	**1,651.1**	1,786.7
Income / (expense) during the year		
(Loss) /gain on derivative instruments	**(2,851.9)**	(281.2)
Interest income	**0.9**	–
Other trading income	**6.1**	116.5
Interest expense	**(88.6)**	(5.7)
Fees and commissions received	**0.2**	1.2
Fees and commissions paid	**(23.1)**	(20.0)
Other expenses	**(1.3)**	(1.5)

	31 March 2023 USDm	31 March 2022 USDm
SMBC Nikko Securities Inc. – Parent		
Balances receivable / (payable) at year end		
Securities purchased under resale agreements	**3,943.4**	2,977.1
Accrued income receivable	**3.2**	12.7
Other receivables – reimbursements	**0.9**	0.9
Other payables – securities trading fees	**(1.7)**	(1.6)
Securities sold under repurchase agreements	**(134.0)**	(83.4)
Amounts outside the statement of financial position		
Margin Deficit Securities received (Note 18)	**39.9**	70.0
Income / (expense) during the year		
Interest income on securities under resale agreements	**55.4**	1.3
Fees and commission on securities trading	**14.3**	22.1
Other operating income	**0.1**	0.2
Reimbursements	**4.0**	3.1
Interest expense on securities under repurchase agreements	**(7.3)**	(12.0)
Other fees and commissions paid	**(0.4)**	(0.7)
Other expenses	**(1.7)**	(2.5)

	31 March 2023 USDm	31 March 2022 USDm
SMBC Capital Markets Inc.		
Balances receivable / (payable) at year end		
Collateral placed	**–**	2,161.3
Accrued interest receivable	**0.2**	0.7
Other assets – agency fees	**18.7**	0.1
Net derivative assets / (liabilities)	**1,115.0**	(1,920.7)
Securities sold under repurchase agreements	**(1,073.1)**	(969.5)
Trading instruments net liabilities	**(104.0)**	(110.3)
Collateral received	**(1,118.1)**	(22.9)
Accrued expenses payable – guarantee fees / agency fees	**(23.0)**	(2.0)
Amounts outside the statement of financial position		
Termination value of guaranteed transactions *	**1,840.9**	911.3
Guarantee indemnity securities (Note 18) *	**2,764.3**	1,505.9
Income / (expense) during the year		
Gain on derivative instruments	**3,467.0**	887.2
Interest (expense) / income	**(3.3)**	3.8
Fees and commissions on agency trading	**3.3**	3.6
Gain / (loss) on trading instruments	**27.9**	(18.2)
Other operating income – guarantee termination / intermediation fees	**2.8**	1.3
Fees and commissions on securities trading	**(0.2)**	(0.2)
Other operating expenses	**(11.9)**	(12.4)

* 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 2023 USDm	31 March 2022 USDm
SMBC Nikko Securities America Inc.		
Balances receivable / (payable) at year end		
Securities purchased under resale agreements	**97.9**	–
Accrued income receivable	**3.2**	3.3
Other assets	**11.9**	1.3
Accrued securities trading fees and agency fees	**(2.0)**	(1.2)
Other liabilities	**(2.3)**	(19.5)
Income / (expense) during the year		
Interest income on securities under resale agreements	**1.2**	–
Fees and commission income on securities trading	**4.5**	5.4
Fees and commissions expense on securities trading	**(4.5)**	(10.2)
Other operating expenses	**(0.7)**	(0.7)

	31 March 2023 USDm	31 March 2022 USDm
SMBC Bank International plc		
Balances receivable / (payable) at year end		
Cash at banks	**33.4**	22.2
Collateral placed	**187.0**	39.5
Net derivative instruments	**(180.9)**	(43.8)
Other assets	**13.6**	–
Securities sold under repurchase agreements	**(733.9)**	–
Other liabilities	**(45.6)**	(32.5)
Income / (expense) during the year		
Loss on derivative instruments	**(147.2)**	(24.1)
Interest income	**1.7**	0.1
Interest expense	**(17.4)**	(0.1)
Other fees and commissions paid	**(1.1)**	(1.3)
Other operating expenses	**(40.8)**	(35.7)

	31 March 2023 USDm	31 March 2022 USDm
SMBC Nikko Securities (Hong Kong) Limited		
Balances receivable / (payable) at year end		
Accrued income receivable	**0.3**	1.3
Accrued expenses payable	**(0.3)**	(0.2)
Other liabilities	**(0.3)**	–
Income / (expense) during the year		
Fees and commission on securities trading	**9.3**	11.2
Other fees and commissions paid	**(0.8)**	(0.6)
Other non-personnel expenses	**–**	(0.5)

	31 March 2023 USDm	31 March 2022 USDm
Nikko Systems Solutions, Ltd.		
Income / (expense) during the year		
Other non-personnel expenses	**(0.4)**	(0.5)

	31 March 2023 USDm	31 March 2022 USDm
SMBC Nikko Securities (Singapore) Pte. Ltd		
Balances receivable / (payable) at year end		
Accrued income receivable at year end	**–**	0.2

	31 March 2023 USDm	31 March 2022 USDm
SMBC Nikko Capital Markets Europe GmbH		
Balances receivable / (payable) at year end		
Accrued income receivable	–	2.3
Other receivables	–	3.9
Accrued expenses payable	–	(3.2)
Other payables	–	(0.7)
Income / (expense) during the year		
Fees and commission on securities trading	–	2.4
Other operating income	–	7.7
Other fees and commissions paid	–	(10.7)

	31 March 2023 USDm	31 March 2022 USDm
SMBC Bank EU AG		
Balances receivable / (payable) at year end		
Net derivative liabilities	**(301.4)**	(117.0)
Collateral placed	**305.1**	125.0
Other receivables	**11.2**	1.8
Other payables	**(29.6)**	
Income / (expense) during the year		
Fees and commission on securities trading	**1.1**	–
Loss on derivative instruments	**(248.0)**	(101.8)
Other operating income	**9.1**	1.3
Interest income	**2.7**	–
Interest expense	**(0.4)**	(0.2)
Other fees and commissions paid	**(9.3)**	(0.2)

	31 March 2023 USDm	31 March 2022 USDm
SMBC Americas Holdings, Inc.		
Balances receivable / (payable) at year end		
Other payables	**(0.3)**	–

	31 March 2023 USDm	31 March 2022 USDm
The Bank of East Asia, Limited		
Balances receivable / (payable) at year end		
Cash at banks	**1.2**	0.9

	31 March 2023 USDm	31 March 2022 USDm
DMG MORI Finance GmbH		
Balances receivable / (payable) at year end		
Derivative liabilities	**(3.9)**	(0.7)
Income / (expense) during the year		
Loss on derivative instruments	**(3.4)**	(2.3)

Other related parties include unconsolidated structured entities, income from which is disclosed in Note 34, and the Group's Directors, whose emoluments are disclosed in Note 5.

30. 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 1,651.1 million (2022: USD 1,786.7 million). In order to support the guarantee, SMBC has provided the Group cash collateral, disclosed in Note 18.

Since 2020, the Group pays upfront the full fee amount of the guaranteed transaction in respect of the expected life of the transaction, computed on a fair value basis.

Below is the amount of credit guarantees expense in profit or loss:

	Year ended 31 March 2023 USDm Fees	Year ended 31 March 2023 USDm Fees
Sumitomo Mitsui Banking Corporation – Parent	**21.8**	19.1

In the case of an agreed termination of an existing guarantee, the Group will receive a proportionate reimbursement of the upfront guarantee fee and will record a CVA reserve to ensure that the value of derivative contracts reflects counterparty credit risk.

31. Borrowing facilities

In 2017, SMBC and the Group signed an agreement to provide the Group with a USD 2.0 billion multi-currency uncommitted rolling facility. At 31 March 2023, USD 1,468.1 million (2022: USD 1,050.5 million) of the facility was utilised.

In 2017, SMBC and the Group also signed an agreement to provide the Group with a JPY 300.0 billion uncommitted rolling facility. At 31 March 2023, the facility was unused (2022: USD 49.7 million).

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 not utilised 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 30.

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. A commitment fee on the amount of the undrawn facility is payable to CM Inc. until the maturity date of the agreement. At 31 March 2023 and 31 March 2022, the entire facility was unused. The facility was renewed in April 2021 for another five-year period.

In December 2021, CM Ltd agreed to provide SMBC DP with a USD 10 million uncommitted short-term multi-currency liquidity facility, renewed annually. In December 2022, the facility was amended to increase its size to USD 50 million to accommodate SMBC DP's liquidity requirement. At 31 March 2023, USD 18.3 million (2022: USD 2.6 million) of the facility was lent.

As explained in Note 29, 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 (the bank) is downgraded to Baa3 or below by Moody's, or the event that the bank's short-term rating is downgraded to P-3 or below by Moody's, or the event that the long-term senior rating of the bank is downgraded to BB or below by S&P, or the event that the bank's short-term rating is downgraded to B or below by S&P. On 7 December 2022, the Contingent Manager Agreement with BlackRock Financial Management, Inc. rolled for 12 months as no notice to terminate was issued by SMBC DP.

32. Deferred compensation

The Company operates a bonus deferral scheme for senior employees at Director level and above, whose bonuses exceed £100,000. The proportion of any bonus award that is deferred increases with the level of bonus award, with deferred awards vesting in equal thirds over three years.

Employees who are identified as Material Risk Takers are subject to higher levels of bonus deferrals as required by MIFIDPRU. Deferred awards are split between cash and units linked to the SMFG share price. Deferred awards vest in equal thirds over three years, with the share-linked units being subject to a further six-month holding period after the vesting date.

Vesting of all awards is contingent upon continued employment, and awards granted to Material Risk Takers are subject to malus and clawback in line with regulations.

At 31 March 2023, deferred awards totalled USD 5.1 million (2022: USD 2.9 million).

33. Investment in subsidiary undertakings

The Company has invested USD 200.0 million 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 USD 2.0 million in the ordinary shares of SMBC Capital Markets Asia Limited, a 100% subsidiary, incorporated in Hong Kong, registered office 7/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, the results of both of which have been included in these Group financial statements. There were no changes in investments in subsidiary undertakings in the year.

34. 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 USD 14.5 million (2022: USD 11.2 million).

35. 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

Forward-looking statements

This document contains certain forward-looking statements with respect to the financial condition, results of operations, and business of CM Ltd and SMBC Group. Forward-looking statements may be made in writing but also may be made verbally by members of the management of the 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. CM Ltd 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 CM Ltd and SMBC Group. As a result, CM Ltd 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 CM Ltd's and SMBC Group's forward-looking statements.

SMBC