SMBC

SMBC Group

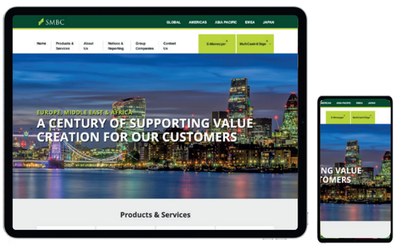
A trusted partner for the long term

SMBC Nikko Capital Markets Limited

Annual report and financial statements
Year ended 31 March 2024

Company number 02418137

Contents



Find out more online

+ www.smbcgroup.com/emea

Company registration

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

Regulatory registration

Authorised and regulated by the Financial Conduct Authority.

Financial Services Register number: 171935

Registered office

100 Liverpool Street
London
EC2M 2AT

Website

https://www.smbcgroup.com/emea

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Presentation of information

In this annual report, the terms 'CM Ltd', 'the Company', 'we' or 'us' 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 parent companies are Sumitomo Mitsui Banking Corporation, which is shown as 'SMBC' and 'SMBC Nikko Securities Inc.'

'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.

CM Ltd's affiliate companies, SMBC Bank International plc and SMBC Bank EU AG are shown as 'SMBC BI' and 'SMBC Bank EU'.

'SMBC EMEA' refers to SMBC BI, SMBC Bank EU AG and the Group.

+ This annual report contains forward-looking statements that involve inherent risks and uncertainties. Please see Forward-looking statements on page 125.

CM Ltd at a glance

The Directors present the Strategic Report of SMBC Nikko Capital Markets Limited for the year ended 31 March 2024.

The Company is a subsidiary of SMBC and SMBC Nikko Securities Inc., both wholly owned subsidiaries of SMFG, a Tokyo-based holding company that is ranked amongst the largest 25 banks globally by total assets.

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. The Company and its subsidiaries' ("the Group's") business model is to service its wholesale and institutional customer base with focused investment banking services, includin g securities and derivatives products as well as corporate advisory services, including on behalf of the SMBC Group.

Business overview

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. and AA- from Standard & Poor's Ratings Group. SMBC DP's principal activities are the provision of interest rate and foreign exchange risk hedging products to customers seeking a highly rated counterparty and the provision, for a fee, of performance guarantees with respect to its affiliate.

– SMBC Capital Markets (Asia) Limited (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 Company's 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 Company has close connections with SMBC BI, the EMEA headquarters for the SMBC Group, and 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.

Purpose, strategy and objectives

Purpose

To be a trusted partner for the long term

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

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

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

The Company's purpose is underpinned by its business model, which is to provide customers with access to investment banking products, advisory offerings and strategic solutions in a way that is aligned to the Company's aspiration to deliver long-term sustainable growth while ensuring that it remains well funded, well controlled and that there is an appropriate balance between risk and reward.

Strategy and objectives

The Company has four corporate objectives:

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

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

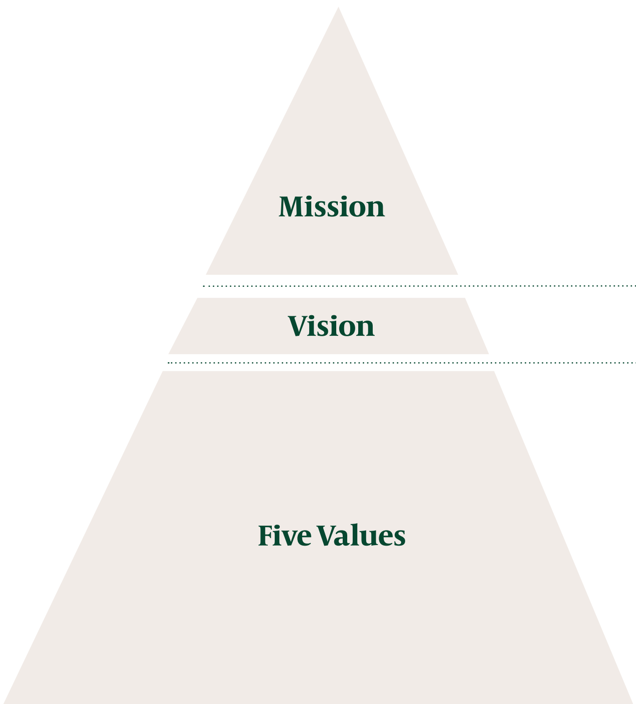
Competitive edges To establish and develop those areas where the Company feels it has a particularly strong position in customer relationships, product capabilities and global reach.

Team SMBC Group
To share and help realise SMBC Group's Mission, Vision and social value creation. The Company also shares the SMBC Group's Five Values, which are integral parts of the Company's culture.

SMBC Group's Mission, Vision and Five Values

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

The Company's purpose and strategy is consistent with and supports the wider SMBC Group's Mission, Vision and Five Values.



Mission

We grow and prosper together with our customers, by providing services of greater value to them.

We aim to maximise our shareholders' value through the continuous growth of our business.

We create a work environment that encourages and rewards diligent and highly motivated employees.

We contribute to a sustainable society by addressing environmental and social issues.

Vision

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

Five Values

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

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

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

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

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

Review of the year

Business environment

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 on matters including earnings, regulatory capital, leverage and liquidity.

For the financial year ended 31 March 2024, Global Markets' business lines in Fixed Income and Derivatives were driven by changing sentiments on the direction of future interest rate movement in most major economies, most notably by inflation data in the US and consequential evolving market expectations on rates, historic change towards positive interest rates in Japan and concerns over slow growth in Eurozone countries.

A strong start to the year on the bounce back from the sudden collapse of Credit Suisse in March 2023 was followed by extreme volatility during the summer and autumn quarters with US interest rates seeing some of the most volatile, often record-breaking moves in either direction on the back of economic data around US inflation. It was not until late autumn that the markets stabilised following some pointed comments from the Federal Reserve policymakers on the future direction of US rates. Since then, Fixed Income markets have experienced relatively benign conditions.

As a consequence in debt primary markets, such conditions have provided a confidence boosting backdrop for both issuers and investors to tap into the market allowing for a strong calender Quarter 1 2024 for the Capital Markets business. This environment has continued in the subsequent quarter.

Equity markets globally have been rising since the lows of 2023. Most relevant to the Company is the renewed strength in Japanese equities with Nikkei hitting a 30-year high, albeit with a strong tailwind of Yen depreciation against USD. Such a sentiment is expected to provide good support to future initial public offerings (IPOs) for the Equity Capital Markets' activity.

With interest rates back to pre-COVID levels, the return on the Company's equity base has helped the Corporate Treasury yield significantly higher income.

Strategy development

Transfer of securities business

In last year's annual report, it was announced that the Company had approved a business transfer plan to support the creation of a Universal Bank in SMBC BI. A central part of this process will be the sale of the Company's securities business to SMBC BI comprising a portfolio of debt securities and other fixed income assets. It is currently expected that the transfer will be completed in the fiscal year ending 31 March 2025. In addition to the portfolio transfer, the Company's employees will be transferred to SMBC BI, many of whom will provide services to the Company through SLAs. Once the portfolio transfer is complete, the following business lines will be delivered by SMBC BI:

- primary debt securities underwriting;
- primary equity securities underwriting;
- fixed income secondary debt trading;
- equities secondary market trading; and
- merger and acquisition advisory services.

The Derivatives business will continue to be undertaken by the Company, but conducted by individuals employed by SMBC BI. The preparations required to implement the transfer of the securities business and employee transfer have formed part of a multi-year project. This has been actively overseen by the Board and its Committees, which have engaged directly with the senior executives responsible for the management and delivery of the project. At an executive level, this work was coordinated and managed through a project governance structure with senior representation from the Company and involvement of colleagues across SMBC BI and the wider SMBC Group. The Board and senior management have sought to engage closely with its stakeholders during this process, and further information on how they have done so can be found in the Section 172(1) Statement.

Once completed, the Board, through its Risk Committee, plans to actively monitor the revised risk profile of the Company. At this stage, given the growth plans for the continued business in Derivatives as well as strategic plans to develop additional business offerings, the Company is expected to maintain its capital and liquidity levels.

Results

Key performance indicators

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

These can be found as follows:

Financial KPIs

Return on equity	2024	2023
Profit after tax of USD 6.4 million (2023: USD 3.0 million) divided by the average equity in the year of USD 1,873.7 million (2023: USD 1,868.8 million).	**0.3%**	0.2%

Own funds ratio	%	%
Total own funds of USD 1,832.2 million (2023: USD 1,798.1 million) divided by IFPR own funds requirement of USD 285.9 million (2023: USD 202.8 million)	**640.8%**	886.6%

Cost income ratio	%	%
Net operating expenses of USD 188.8 million (2023: USD 193.5 million) divided by total income of USD 209.7 million (2023: USD 206.7 million)	**90.0%**	93.6%

Net profit	USDm	USDm
Profit after tax	**6.4**	3.0

Gross income	USDm	USDm
Total income	**209.7**	206.7

Total assets	USDm	USDm
Total assets	**31,947.3**	27,154.3

Non-financial performance KPIs

- Progress against the Women In Finance Charter targets – **page 18**
- Carbon emissions – **page 26**
- Supplier payment periods – **page 40**

Risk Management overview

Risk overview

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

BRCC: In the year, the BRCC has reviewed the status of risk against Risk Appetite and considered the principal and emerging risks faced by the Company and how risk is being managed. These reviews have been supplemented by reviews in areas of focus, including Operational Resilience, Third Party Risk Management, and Environmental, Social and Governance Risk. The Committee actively exercises its oversight of the Control and Compliance Framework overseeing any enhancement activity where the need has been identified.

Audit Committee: In the year, the Audit Committee has assessed the effectiveness of internal financial controls and considered the results of external audit findings. It has also considered the results of Internal Audits, which address the design and implementation of risk controls in each audited entity, and monitoring the improvements identified. The Committee reviewed trends in whistleblowing reports received to understand whether these gave any indication of potential risk issues across the Company. The Committee also reviewed the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

Executive Committee: The Executive Committee has responsibility for to the day-to-day monitoring and management of Company-wide risks, emerging risks, and key risk indicators. In the year, the Executive Committee assessed the effectiveness of controls and implementation of risk mitigation plans, where necessary.

Risk classification

The way in which the Company classifies the risks and uncertainties it faces are set out below. Information on the way in which the Company manages risk can be found in the Risk Management Report on **pages 53 to 57** 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.

Risk classification

Type and description	How risks are managed
Credit and Counterparty credit 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, 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 The risk that the Group 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.

Risk classification

Type and description	How risks are managed
Market 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. 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 Value at Risk 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.
Conduct The risk of the Group'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.	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, including outsourcing risk.
Operational and other non-financial The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. There is also an increasing regulatory and Company focus on operational resilience. As a result of the Group's activities, it assumes other potential risk impacts such as reputational, conduct and others, which it manages within the overall policy framework.	Operational risk is managed with a view to maximising resilience and continuity whilst maintaining acceptable levels of residual risk. Example key indicators used to monitor, measure and report operational risk include operational risk losses and an operational risk profile score underpinned by diverse operational risk indicators. Several approaches are used to manage other non-financial risks.
Model 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, including climate change Sustainability risk results from Environmental, Social and Governance (ESG) issues, events or conditions that have the potential to substantially impact (financially, reputationally or physically) the 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 including Group framework.

Risk Management overview continued

Principal and emerging risks and uncertainties at 31 March 2024

1. Macroeconomic and Geopolitical Risk

The geopolitical landscape continues to present a number of challenges to the market in general. Fresh conflict erupted in Israel and Gaza during the year which has destabilised the region and has significant potential for further escalation. The ongoing Russia-Ukraine conflict has entered its third year, with no sign of conflict resolution or de-escalation in the near term and potential for further escalation. The situation has further political ramifications in relation to the appetite of western nations to continue to provide aid to Ukraine. Looking ahead, general elections are due to take place in the US which have the potential to stoke political fires.

From a macroeconomic perspective, notwithstanding the above the financial markets have more recently returned to a comparative level of stability, with inflation rates trending down globally and more confidence emerging that the current cycle of high interest rates will start to reduce in the coming year.

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

Liquidity risk will remain an area that all market participants will endeavour to manage carefully. The Company is exposed to liquidity risk primarily through the exchange of collateral under its derivative contracts, and through settlement risk in the securities business. Both of these sources of liquidity risk have been (and are likely to continue to be) impacted by market volatility, and as such require careful management. The Company operates a comprehensive Liquidity Risk Management Framework which is monitored by Risk Management and supported by Treasury and Front Offices. The Company considers that its current liquid resources and monitoring framework will be sufficient to manage this uncertainty.

2. 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, and seeks to put in place 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.

3. Creation of Universal Bank in the UK

The creation of the Universal Bank may give rise to additional change risk, details of which can be found on **page 57**.

Sustainability and Social Value

SMBC Group's Mission states that "we contribute to a sustainable society by addressing environmental and social issues" and has committed to creating "a society in which today's generation can enjoy economic prosperity and wellbeing and pass it on to future generations".

Central to this is the concept of social value creation through which the SMBC Group seeks to balance economic growth with the resolution of social issues in order to achieve 'fulfilled growth' for the benefit of wider society.

SMBC Group is focused on five key themes in its pursuit of social value, with the following being relevant to the Company's activities: environmental sustainability; diversity, equality and inclusion (DEI) and human rights; and reducing poverty and inequality. All SMBC Group employees are encouraged to participate in its social value creation initiatives.

Further information on the Company's sustainability and social value initiatives and its approach to business can be found below.

1. Sustainability Strategy

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

The Company seeks to support the Group's vision of sustainability through its regional Sustainability Strategy, which is based on four pillars.

The four pillars of the Sustainability Strategy

Our customers
Support customers in their journey to sustainability

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

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

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

Our 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 sustainability performance is by using its long-standing client relationships to help identify their most material sustainability issues and opportunities, share insights on sector strategies and leading practice, and offer financing and advisory services for firms to invest in their performance.

Our 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 towards more sustainable business activities. Therefore, the Company has set an ambition to not only make a significant contribution to SMBC Group's 10-year ¥50trillion sustainable finance commitment, 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.

Our Business

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

Risk management

The Company recognises sustainability risk as a key component of the risk landscape. During the year, the Company enhanced the governance over the way it assesses this risk through the establishment of the Sustainability Risk Management Committee (SRMC) and the further development of a regional Sustainability Risk Framework. This Framework facilitates integration of sustainability risk into the wider risk management framework and will evolve in line with regulatory requirements and market best practices.

The Company considers sustainability risk, including climate change, in the same manner as all risk types, through the lens of the Identify, Measure and Monitor, Manage and Report (IMMMR) approach and uses the Three Lines of Defence model to manage risk across the business.

The Company's sustainability risk priorities are:

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

Training

The Company 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. The Sustainability Curriculum aligns with the four pillars of the EMEA Sustainability Strategy and features online and instructor-led learning opportunities. The Curriculum is updated and includes modules on Net Zero Alignment, Financed Emissions, Sustainable Finance, and Reputational Risk. The Company also delivers additional employee engagement initiatives, including an annual Sustainability Week which features internal and external speaker sessions, supported by senior management communications.

Our Impact

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

A significant area of focus in the year has been on reducing the carbon footprint of the Company's business activities and operations, in line with SMBC Group's public commitments to achieve net zero emissions in its own operations by 2030 and in its overall loan and investment portfolio by 2050. 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, coal, steel and automotive sectors, and has also established a Net Zero Transition Plan.

SMBC Group is also a signatory to the Poseidon Principles. As a signatory to these Principles, the Group has committed to measuring the carbon emissions of its lending portfolio of financed ships and, starting from December 2022, disclosing the alignment of its portfolio with the trajectory to achieve the United Nations–International Maritime Organization's Greenhouse Gas (GHG) Strategy, which was updated in 2023 to target net zero well-to-wake emissions by 2050.

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

2. Sustainable approach to business – conduct of activities

The Company conducts its activities in line with all legal and regulatory requirements, recognising the strong foundation that builds to support sustainable growth. Key risk indicators (KRIs), which seek to provide effective risk identification, are regularly reviewed, including by the Board, the Executive Committee and through management-level risk committees, further information on which is set out on page 54.

Compliance policy framework

The policy framework aims to help everyone who works for the Company understand good conduct, positive behaviours and how to raise and address concerns. The policies set out the Company's approach to the identification, understanding and management of conduct risk at individual, departmental and organisational levels. They also explain that conduct applies to both financial and non-financial behaviours and that conduct is recognised as being closely linked to the SMBC Group's values, culture and an environment of psychological safety.

Prevention of financial crime

The Company is committed to complying with all applicable financial crime regulation and legislation, including sanctions law and regulation, that prevent it from being used to facilitate financial crime. The Company has no appetite for serious, repeated or material violations of laws, regulations and industry guidance in relation to financial crime and acknowledges that in order to undertake its business activities it must implement systems and controls to mitigate residual financial crime risks. These include policies, standards, procedures, guidance, training, risk assessment models and operational processes. 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. The Money Laundering Reporting Officer reports at least annually to the BRCC on the operation and effectiveness of the arrangements to counter the risk of the Company being used to further financial crime. Areas of focus in the year have included enhancing processes and systems through which the Company monitors customer transactions for signs of suspicious activity and compliance with sanctions laws and regulations.

Prevention of slavery and human trafficking and protection of human rights

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

The Company's approach to anti-slavery and human trafficking is guided by the principle that it should not be involved, directly or indirectly, in the commission or facilitation of the offences set out in the Modern Slavery Act 2015. This approach is documented in an Anti-Slavery Policy and supported by operational standards, which set out the requirements and obligations applicable to all employees to prevent modern slavery and/or human trafficking and on which training is given. The policy and standards are prepared in consideration of best practice guidance issued by the UK Home Office and international bodies, including the United Nations and International Labour Organisation.

The Company's standards require anti-slavery due diligence to be undertaken on all 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.

The 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. It also participates in the 'Industrial Federation for Human Rights, Tokyo', which aims to establish respect for human rights as a core part of its corporate culture.

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, 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.

Further information can be found as follows:

- Slavery and Human Trafficking Statement: **www.smbcgroup.com/emea/notices-reporting/corporate-disclosures#antislavery**

3. People and culture

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 Board recognises the importance of the Company attracting, developing and retaining diverse talent. At an executive level, the diversity and inclusion initiatives are coordinated and overseen by the EMEA Diversity and Inclusion Steering Committee, the chair of which is responsible for reporting to the Board and Executive Committee on the progress made.

Diversity and Inclusion Strategy

Building equitable systems

Ensuring that policies and processes are as fair, equitable and inclusive as possible, and support the removal of barriers that negatively impact specific groups.

Promoting balance

Attracting, developing and retaining diverse talent at all levels of the organisation, to ensure that our workforce is representative of the locations in which we operate and the global profile of our customers.

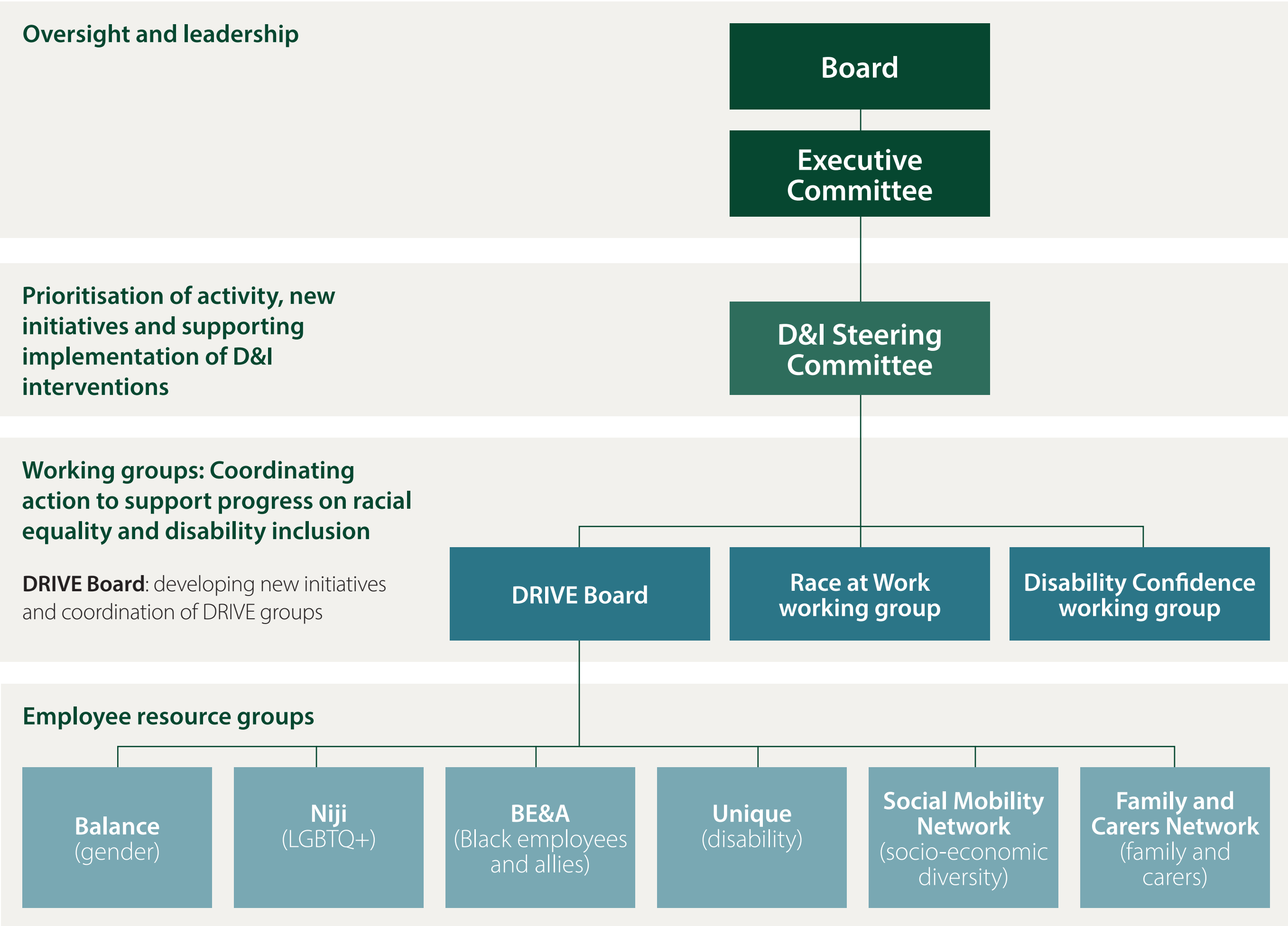
Lead with respect

Consciously creating an inclusive culture in which different perspectives are valued and leaders are inclusive role models.

Driving advocacy

Playing our part in ensuring that D&I is prioritised not only within our own organisation, but also with our customers and through our wider relationships.

Diversity and Inclusion Governance



Building equitable systems

Building equitable systems includes evaluating the impact of the Company's processes and policies on different groups. The Company monitors its recruitment and talent development processes on an ongoing basis to look for bias that could create additional barriers for certain groups and designs interventions to address lack of equity.

The Company seeks to support female talent progression through a networking and mentoring programme called 'InspirHer!' through which senior female leaders provide support on how to navigate careers and take ownership for personal development and progression into senior roles. Of this year's participants in the programme, 79% indicated they would recommend it to their colleagues.

SMBC Group is a global signatory to the Valuable 500 and, in the year, the Company reviewed the effectiveness of its approach to implementing workplace adjustments to support disabled colleagues and joined the UK Government's Disability Confident scheme. The proactive consideration by the Company of the needs of disabled colleagues and strengthening its commitment as a disability inclusive employer is the focus of the work of its newly established Disability Working Group, which reports to the Diversity and Inclusion Steering Committee.

3. People and culture continued

Promoting balance

SMBC Group is a proud signatory of the Women in Finance Charter, and this year the Company achieved its target to have 30% female representation in Director and above roles by 31 July 2023. In recognition of the importance of sustaining the focus on gender diversity, and in order to further accelerate progress, the Company set a new target at the more senior level of Executive Director and above of 30% by 2027. The Company adjusted the population covered by its Women in Finance Charter target to focus more directly on building a strong pipeline for senior leadership roles.

Increased focus on supporting internal mobility has resulted in positive gender diversity for internal hires, with more than half of internal senior appointments being female. At a more junior level, the Company has partnered with Code First Girls, a technology organisation aimed at introducing more female talent into IT to support gender balance in an industry where women continue to be under-represented.

The Company's consolidated UK gender pay report can be found here at www.smbcgroup.com/emea/notices-reporting/corporate-disclosures#genderpay. The Company believes that pay reporting helps it learn more about the key drivers of any gaps and enables it to identify interventions that will effectively address the Company's needs in relation to diversity and inclusion.

Leading with respect

The Diversity and Inclusion Steering Committee is responsible for setting the strategic direction of the Company's Diversity and Inclusion agenda, monitoring progress against priorities, and ensuring focus is given to key issues, as well as fostering collaboration across SMBC's EMEA region. The Committee's terms of reference, membership and associated governance was updated during the year to ensure it can effectively discharge its responsibilities and achieve its desired impact.

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 and inclusion and overall reward to drive greater accountability. The Diversity and Inclusion metric in senior management performance evaluation accounts for approximately 10% of variable remuneration and serves to increase ownership of diversity targets and the expectation of role model inclusive leadership to create psychological safety, foster allyship and support belonging.

Driving advocacy

The DRIVE (diversity, respect, inclusion, value and equality) employee resource groups play a key role in helping everyone in the Company understand the different experiences people may have as a result of their identity. Many colleagues attended at least one of the 25 DRIVE events that took place during the last year.

Aligned with the Company's priority to be representative of the communities in which it operates and the customers it serves, this year the Company has introduced a new Social Mobility Network, focused on driving engagement with colleagues to support activities taking place across the Company to widen access to careers in financial services, and a Family & Carers Network, to help the Company ensure it is providing the right support for working parents and employees with care-giving responsibilities.

People development

The development of the people who work for the Company is a core element of the Human Resources Strategy on which the Board receives regular updates. During the year, and in response to employee feedback, all line managers received training on how to have effective conversations with their teams on performance management and development. In support of this, additional resources were also made available on how to prepare and deliver personal development plans. The Company further supports its people by making available a series of talent programmes to develop leadership capability and enable the Company to focus on critical organisational needs.

Shortly after the year end, SMBC Group was included in the 2024 LinkedIn Top Companies list in the UK, which highlights the 25 best large workplaces in the UK for growing a career. This list was compiled using LinkedIn data and methodology looking at different aspects of career progression including rate of promotion and skills gained, and recognises employers that make a substantial investment in the employee experience, leading the way in attracting and retaining employees.

Culture

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

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

The Chair of the Board and the CEO are accountable for the Company's culture, with further responsibility delegated to the senior leadership team. At an executive level, culture activities are coordinated by an EMEA Culture Forum, chaired by the head of Human Resources. Culture Champions have been allocated by each department and they are responsible, with support from their leadership team, to develop and implement culture action plans.

The Board and Executive Committee receive regular updates on the culture activities undertaken and the results of employee engagement surveys, and guide the Company's response. During the year, the overall employee engagement score has remained consistent.

4. Communities

The Company recognises the importance of contributing to society and is increasingly connecting its work to its efforts on sustainability and diversity and inclusion, within the social value framework. The CSR activities in the year included:

- A fundraising appeal in support of the humanitarian aid work of the International Committee of the Red Cross in response to the Turkey-Syria earthquake.
- The hosting of a programme of team and individual volunteering opportunities, resulting in a three-fold increase on the number of hours donated in the year.
- Donation to the Broadgate Community Fund, to anchor the Company's relocation to 100 Liverpool Street and to support the neighbouring communities aligned to the Company's Culture Statement. Six local community organisations benefitted from donations from the fund, focused on the themes of employability skills and social exclusion.
- The evolution of the social mobility and schools outreach programme.

The Company's Corporate Social Responsibility Strategy comprises four pillars:

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

5. Task Force on Climate-related Financial Disclosures

SMBC Group recognises that addressing climate change issues is one of the most important global concerns of the 21st century.

The Company fully supports SMBC Group's climate objectives and works closely with colleagues across the 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 can be accessed here: **https://www.smfg.co.jp/english/sustainability/materiality/environment/climate**

Governance

Sustainability governance – oversight

The Board, supported by its Committees, is responsible for setting and monitoring the development of the Sustainability Strategy.

Sustainability is an important element of the Board's ongoing education plan. In addition, certain members of the Board received briefings from professional advisors on climate matters.

Sustainability governance – implementation and execution

The General Counsel is the senior manager responsible for overseeing the Company's climate and sustainability initiatives. The General Counsel's 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.

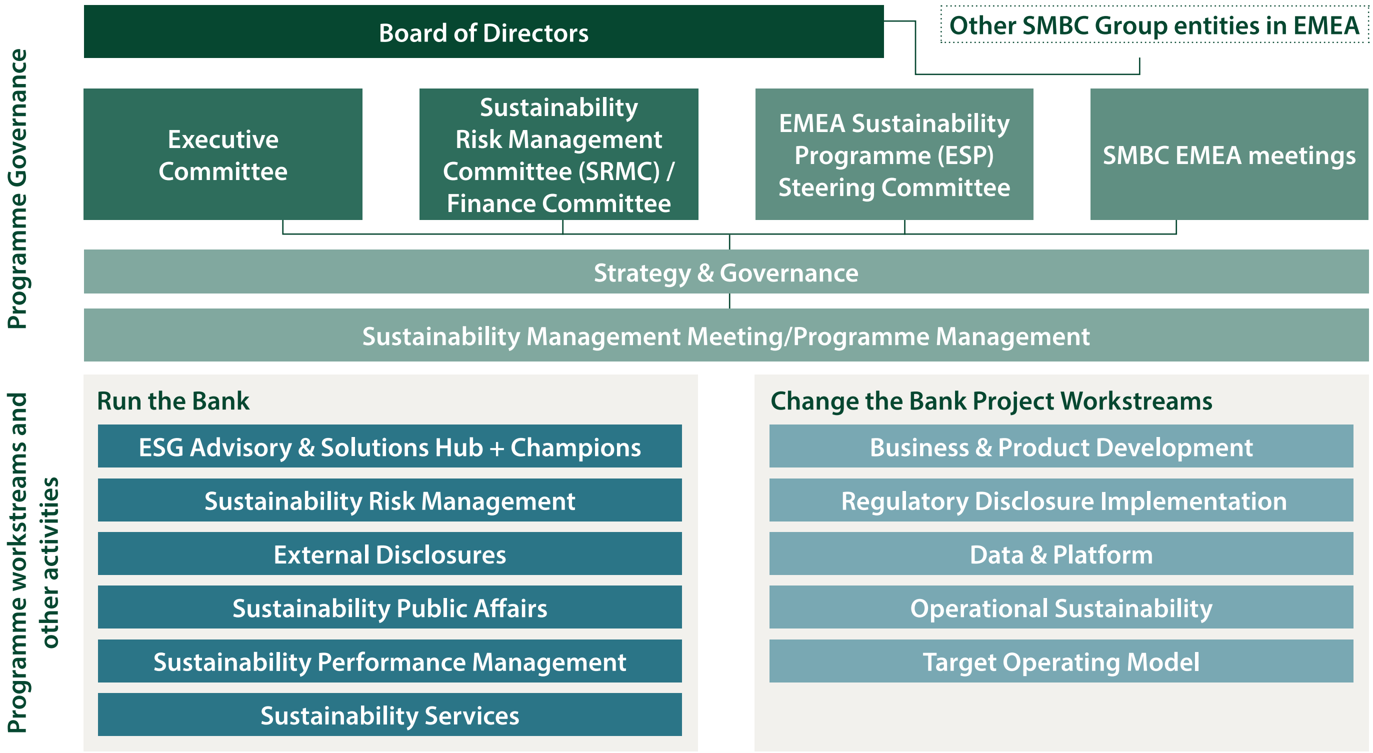
The General Counsel is supported in this work by the EMEA Sustainability Programme (ESP), the EMEA SRMC, the Head of Sustainability Strategy and functional specialists.

The ESP is responsible for overseeing SMBC EMEA'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.

The SRMC oversees sustainability risk governance in EMEA and provides recommendations to the Board and other relevant meetings on sustainability risk matters.

The SRMC is the primary escalation point for business-as-usual sustainability risk matters, providing executive review and governance of the Sustainability Risk Framework and sustainability risk-related items for the Company, SMBC BI, and other SMBC Group entities and branches across the EMEA region. The EMEA Sustainability Programme Steering Committee remains in place for change projects and processes. The SRMC allows for effective information sharing, governance, and escalation or recommendation of items to the relevant boards or approval forums across the region.

5. Task Force on Climate-related Financial Disclosures
continued



Overview of meetings

ESP Steering Committee

Purpose and responsibilities

– Setting the Sustainability Strategy and overall ownership of the ESP's business plan.
– Considering the SMBC Group's competitive position and driving strategic progress.
– The Committee has delegated day-to-day responsibility for delivering the ESP to the Sustainability Programme Management.
– Challenging the Sustainability Programme Management and workstreams that timely progress is being made and approving resource needs.

Workstreams

Purpose and responsibilities

– Progressing the ESP in their areas of expertise including developing and delivering on a work plan to support the strategy.
– Strategic and governance matters relating to each workstream reviewed by the Head of Sustainability Strategy.

Sustainability Programme Management Meeting

Purpose and responsibilities

– Delivery of the ESP's objectives and day-to-day management of the ESP.
– Assessing that business and regulatory requirements are met.
– Project planning, early identification and management of issues and risks, addressing working group interdependencies and assessing operating model impacts.

Sustainability Risk Management Committee

Purpose and responsibilities

– Champion and promote the development and integration of effective sustainability risk management across the organisation and region.
– Provide executive review and governance as the primary sustainability risk management escalation committee in the second line.
– Support the sustainability risk team to consistently deliver effective and proactive Sustainability Risk management and regulatory compliance through a Sustainability Risk Framework integrated across the business in EMEA.

TCFD Strategy

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

The Company organises climate-related risks by category. These risks are anticipated to have extensive knock-on effects and materialise over various timeframes, as set out in the table below.

Climate change – examples of main risk events by category

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

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

5. Task Force on Climate-related Financial Disclosures continued

Risk Management

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.

Risk-based approach to client assessment

Sustainability risk is assessed and managed at the client or transaction level across three key areas: net zero alignment, sustainability and reputation risk, and greenwashing risk.

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

- Climate Change Ratings Assessment
- Portfolio monitoring and reporting
- Stress testing and ICARA
- Risk Register/Taxonomy
- Principal and emerging risks
- Regulatory Horizon Scanning Tool
- Risk Appetite Framework

Climate Change Ratings Assessment (CCRA) tool

SMBC EMEA continues to develop sustainability risk management tools to better understand the impacts of sustainability risk, including climate change. CCRA is one such example, having being internally developed in 2020. CCRA is embedded within the Company's sustainability framework and is an important component of the risk management toolkit, by facilitating individual ratings to be performed to generate an overall score for each customer for transition risks (financial losses arising from the transition towards a low carbon economy) and physical risks (financial losses arising as a result of climate and weather-related events). These ratings, combined with input from external data providers, such as greenhouse gas emissions, asset intensity, sectoral vulnerability to transition risk and country-level vulnerability to physical risk, enables the Company to better understand the distribution of climate-related risks embedded within the portfolio, providing a means of oversight through the transactional approval process in a single platform.

The CCRA, in conjunction with other components of the sustainability framework, assists the Company in its efforts to understand customers' sustainability risk, energy transition plans and their alignment with sector pathways and Company's goals, with the ultimate aim of reducing financed emissions as the Company seeks to deliver against its net zero target. Future enhancements are planned for CCRA capabilities through the delivery of environmental and social due diligence forms which will include further qualitative assessments as part of the client engagement process to cover the full spectrum of ESG monitoring.

Portfolio monitoring and reporting

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

Stress testing and ICARA

SMBC EMEA has undertaken climate risk scenario analysis and stress testing since 2019 with a modelling horizon of 30 years. The scope of the stress testing is consistent with the scope of the CCRA scorecard, with the majority of the Company's portfolio covered.

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

SMBC EMEA has conducted a gap analysis by comparing the Bank of England (BoE) results and their observations on firms' practices with SMBC EMEA's climate stress tests results and methodology. The result of the gap analysis showed that SMBC EMEA had made good progress in integrating climate risk into its existing risk and reporting frameworks. The Company's climate risk stress test results are broadly in line with CBES' participants with respect to impact on annual profits. As part of the overall remediation plan based on this gap assessment, the Company's climate stress test methodology will be further enhanced to better align with the CBES participants and to address the data and modelling gaps identified.

Risk Register/Taxonomy

An internal taxonomy of key risks and controls is 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. The Company continues to enhance the integration of sustainability risk factors into the risk register in preparation for International Sustainability Standards Board (ISSB) adoption.

Regulatory Horizon Scanning Tool

SMBC EMEA uses a regulatory horizon scanning tool to monitor sustainability-related consultations and legislative and regulatory developments across EMEA. Outputs from this tool are triaged and reviewed by relevant teams and subject matter experts. Items requiring further action to meet expectations are formally escalated and assigned to a workstream to oversee delivery and ensure compliance.

Risk Appetite Framework

With effect from 1 April 2023, SMBC EMEA introduced climate-related targets to manage portfolio greenhouse gas (GHG) emissions in each sector/business unit to align with the 1.5°C scenario. The Company is aligned to the SMBC EMEA's climate-related targets. The Company has KRIs and control measures in respect of climate and sustainability within its Risk Appetite Framework and intends to further develop its capabilities so that further strategic climate and sustainability risk appetite steering measures are incorporated in the framework in the future.

Metrics and Targets

Management Information

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.

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

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.

Under the reporting requirements, the Company has measured mandatory Scope 1, 2 and 3 emissions for UK operations of the Company within the financial reporting period of 1 April 2023 to 31 March 2024. This includes energy consumption associated with premises occupied, energy associated with data centres and business travel for UK-based employees (including fuel associated with grey fleet). Furthermore, water and waste emissions associated with the headquarters building are also voluntarily provided.

The results show that the Company's total energy use and total gross GHG emissions amounted to 359 MWh and 73.15 gross tonnes of CO_2 equivalent (tCO_2e) respectively in the financial year. The Company has opted to demonstrate emissions intensity through the metrics tCO_2e per full-time employee (FTE). This metric has reduced by 73% compared to the previous reporting year, down to 0.38 tCO_2e/FTE.

Energy consumption (MWh), both direct and indirect, has decreased by 75% compared to the previous reporting period. Additionally, location-based Scope 1 and 2 emissions in the period have reduced by 74%. This is driven by an energy optimisation programme and, furthermore, this year has seen a large decrease in estimated data.

5. Task Force on Climate-related Financial Disclosures continued

– This is mainly due to consolidation of the estate, via an office closure during the reporting period and staff being moved to the newer, more efficient shared headquarter premises, 100 Liverpool Street (which is a BREEAM 'outstanding' construction, plus achieved an 'Excellent' BREEAM fit-out rating in September 2022). The building also has a renewable energy offset on gas as well as a REGO backed renewable energy tariff.

– We have had more focus on data collection, which has reduced the need to estimate the data, which has also impacted a reduction on our carbon emission for Scope 1 and 2, however for Scope 3 this has increased due to more business travel and quality of data.

Metric	FY2023	FY2022
Total energy use (MWh)*	**358.91**	1,454.24
Total GHG emissions Scope 1 & 2 (location-based tCO_2e)	**73.15**	278.37
Total GHG emissions Scope 1 & 2 (market-based tCO_2e)	**8.86**	28.26
Total SECR mandatory GHG emissions (location-based tCO_2e)	**73.15**	278.37
Total SECR mandatory GHG emissions (market-based tCO_2e)	**8.86**	28.26
– Of which Scope 1 (location-based tCO_2e)	**8.86**	48.06
– Of which Scope 2 (location-based tCO_2e)	**64.29**	230.30
– Of which Scope 2 (market-based tCO_2e)	**0.00**	0.00
– Of which Scope 3 (grey fleet tCO_2e)	**–**	–
Scope 3 emissions (tCO_2e)**	**1068.32**	527.74
Emissions per employee (tCO_2e/FTE)	**0.38**	1.39

* 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.

A range of energy efficiency activities have been enacted across the period. One project, beginning in June 2023, involved working with the site landlord to reduce baseload consumption by optimising out of hours and weekend consumption, which has resulted in an average monthly saving of circa 7,000kWh across the whole site. This demonstrates the commitment to decarbonisation and that despite being hosted in a BREEAM excellent premises, proactive management continues to improve the building performance and reduce the Company's overall emissions and energy footprint.

Scope 3 emissions have increased as a result of a further increase in office occupancy. This has also been driven by the improvement in data collection and reporting.

Boundary

Included within its boundary are Scope 1 and 2 emissions, as well as Scope 3 emissions. UK Government's GHG Conversion-factors for Company Reporting have been used as part of the carbon emissions calculation. The Company is using the UK Government GHG-conversion-factors-2023 version 1.1. This represents a change from the prior year when the Company used the Government GHG-conversion-factors-2022 version 2.0.

Methodology

The methodology the Company uses to account for its operational emissions aligns with the GHG Protocol Corporate Accounting & Reporting Standard. The Company uses the Operational Control boundary definition to define its carbon footprint boundary. The reporting period for compliance is 1 April 2023 to 31 March 2024.

Governance

The Board of Directors

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

Name	Board of Directors	Committees			
		Audit	Nominations	Remuneration	Risk
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	–	–	–	–
Mehul Desai ●	M	–	–	–	–

● Joined after the year end
C Chair of Board or Committee
M Member of Board or Committee

+ A list of the changes to the Board in the year can be found in the Directors' Report on **page 32**.

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 is a non-executive director of SMBC BI and has chaired the risk committees of a variety of financial institutions, including Lloyd's of London. She built up the banking risk practice at EY and was head of the risk governance practice for Europe, the Middle East, India and Africa. 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

An independent non-executive Director of SMBC Bank International plc and Handelsbanken PLC.

Board of Directors continued

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 Asia Dragon 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 Chief Risk Officer (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.

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, Inc., and within SMFG, 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 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 BI, 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, Chair of the Supervisory Board of SMBC Bank EU AG and Chair of the Supervisory Board of Shimano Europe B.V.

Antony Yates

Chief Executive Officer

Appointed to the Board:
5 July 1995

Skills and experience
Antony is the CEO of the Company, a position he has held since 1995, Deputy Head of EMEA Division and SMBC Group. In addition he is a Deputy CEO of SMBC BI where he is responsible for oversight of the securities and S&T businesses. He has significant experience in all aspects of the securities and derivatives businesses of SMBC Group globally. He is an executive officer of SMFG, SMBC and SMBC Nikko Securities Inc.

Other appointments
Antony is appointed to the following SMBC Group companies: SMBC Derivative Products Limited (executive Chair), SMBC Capital Markets Asia Limited (executive Director), SMBC Bank EU AG (Supervisory Board member) and SMBC Bank International plc (executive Director).

Mehul Desai

Chief Financial Officer

Appointed to the Board:
1 April 2024

Skills and experience
As a Chartered Accountant, Mehul has more than 30 years' experience working in finance for a range of global investment banks and brokers. In addition to his responsibility for all aspects of financial control, regulatory reporting, treasury and tax reporting, Mehul also has a proven track-record with overseeing and enhancing firm-wide operational matters and leading organisational change on an EMEA-wide basis.

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

Governance

Statement of Corporate Governance arrangements

The Board is committed to maintaining high standards of corporate governance within the Company, and for the year ended 31 March 2024 has applied the Wates Corporate Governance Principles for Large Private Companies (Wates Principles). Information on how the Wates Principles have been applied can be found as follows:

Principle 1 – Purpose and Leadership

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. The purpose statement, together with the Company's values and culture, form a framework that guides 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. Further information on the Company's purpose, values and culture can be found on **page 5**.

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 sustainable growth objective, it must exercise high standards of business conduct. Oversight of conduct is achieved primarily through the BRCC, Executive Committee and the Control & Conduct Assessment Forum (CCAF), which during the year have considered metrics related to the conduct of the Company's employees, including RAG indicators and analysis of topics including:

- internal policy breaches in areas including employees' personal account dealing and declaration of outside business interests; and
- completion rates for mandatory training.

The BRCC has also undertaken deep-dive reviews where it has deemed it necessary to consider a matter in further detail. Topics in the year have included:

- status of Know Your Customer (KYC) account reviews and framework enhancements;
- enhancements to the Company's Compliance and Sanctions frameworks; and
- resourcing in key Control and Support functions.

Employees are updated regularly on major business initiatives and achievements through emails from the Company's CEO alongside town hall meetings. In addition, news articles relating to the wider SMBC Group are posted regularly on the SMBC Group's intranet. These communications often include examples of business transactions or internal project activities to illustrate how the Company's and the SMBC Group's values, culture, purpose and strategy have been implemented.

The Board plays a pivotal role in developing and promoting the Company's purpose through collaborative efforts with management by ensuring that the corporate strategy and day-to-day operations are delivered in a manner that is consistent with the Company's purpose. The Board continues to play a key role in monitoring how the Company's culture is being embedded to ensure alignment with the Company's business priorities and those of the wider SMBC Group.

Principle 2 – Board composition

Board size and structure

At the date of signing the financial statements, the Board comprised seven Directors. The non-executive Directors Ms Jackson, Mr Souchon and Ms Turner, are deemed independent as they have no material business or other relationships with the Company that could influence their exercise of independent judgement. Mr Yazawa is nominated by the Company's shareholder and Mr Kawafune is Head of SMBC's EMEA Region and therefore while non-executive Directors, they are not deemed independent. A biography for each Director can be found on **pages 27 to 29**.

The Board recognises the importance of a clear division of responsibilities between executive and non-executive roles and in particular a clear delineation of the Chair's responsibility to lead the Board and the CEO's responsibility for running the business.

The Chair leads the Board and is responsible for its overall effectiveness, fostering a productive Board dynamic and facilitating open and constructive discussion. The CEO has responsibility for the overall leadership and management of the Company and is assisted in his role by the other executive Directors and senior management team.

Diversity

The Board has in place a Diversity Policy which states that a target of at least 25% of the Board will be made up of women, while also ensuring an appropriate mix of skills, experiences, and competencies on the Board. The Board also commits to taking positive action to source applications from Asian, Black and other Minority Ethnic candidates. At the end of the year, female representation on the Board was 29% of the Directors. All candidates considered for appointment to Board and senior management positions are evaluated for their competence in relation to diversity, equality, and inclusion. In addition, the level of diversity on senior management succession plans is considered as part of the Nominations Committee annual review.

The Nominations Committee reviews the Company's broader diversity and inclusion activity, including the progress being made against the Women in Finance Charter commitments and the Company's focus on disability, race, ethnicity, sexual orientation, social mobility and gender diversity.

Length of service

Consideration of the length of service of Directors is a key element of the wider consideration of Board composition and succession planning, and for the non-executive Directors, it is an important aspect that is considered in determining continued independence.

Ms Jackson has held the position of Chair since July 2019 and as at the date of this report, none of the non-executive Directors have served on the Board for more than nine years from the date of their appointment.

Governance continued

At the year end

Board composition – Gender diversity

Male	4
Female	2

Board composition – Types of Directors

Independent Non-Executive	3
Non-Executive	2
Executive	1

Length of service
At year end

3–6 years	2
6–9 years	2
9+ years	2

At the date of signing the financial statements

Board composition – Gender diversity

Male	5
Female	2

Board composition – Types of Directors

Independent Non-Executive	3
Non-Executive	2
Executive	2

Length of service
At the date of signing the annual report

0–3 years	1
3–6 years	1
6–9 years	3
9+ years	2

Board appointments

The Nominations Committee is responsible for assessing and recommending Director candidates to the Board for approval. As part of this process, the Committee considers a candidate's skills, experience and values and has regard to the level of diversity, experience, and competency of the Board.

During the year, on the recommendation of the Nominations Committee, the Board approved the appointment of Mr Desai as executive Director, following the reassignment of Mr Ishii to another role within SMBC Group. Mr Desai joined the Board on 1 April 2024 and brings considerable business experience to the Board, being the Company's CFO.

Role profiles

The Board-approved Corporate Policy Manual sets out information of the roles of the Directors as follows:

Position	How achieved
Board and Committee Chair	
Ensuring that Board members operate effectively as a team and that debate is encouraged and facilitated, whilst achieving closure of items.	– Board members regularly interact informally outside scheduled meetings, maintaining frequent communication. – The Chair fosters effective collaboration amongst members to encourage open communication, promoting active listening and ensuring that each member's expertise is valued. – All actions stemming from meetings are documented and monitored until completion, with the Board overseeing all related matters.
Ensuring appropriate time is allocated for the consideration of agenda items.	– Meeting agendas are set by the respective Chair in consultation with the Company Secretary. – 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 which is updated regularly to reflect the requirements and areas of focus of the Board and Committees. The forward planner, along with each of the Board Committee's terms of reference, were reviewed in the year in preparation for the transfer of the securities business to SMBC BI and to reflect other updates, where required.
Ensuring members have sufficient time to consider issues and obtain answers to questions or concerns and are not faced with unrealistic deadlines for decision-making.	– Meeting papers were circulated to Directors as far in advance of meetings as possible and, typically, at least one week before a meeting.
Ensuring that the meeting receives clear, accurate and timely information.	– Meeting papers are circulated to Directors as far in advance of meetings as possible and, typically, at least one week before a meeting. – Guidance documentation was issued by the Company Secretariat to assist management in the preparation of papers.
Committee Chair	
Reporting to the Board the activities of the Board Committees and recommending items to the Board for approval as required.	– Committee reports were a standing Board agenda item in which Chairs reported the key items discussed and proposed items recommended to the Board for approval.
Non-executive Directors	

– Provision of independent and objective advice on the Company's strategy, and performance.
– Contribute to the establishment and maintenance of effective corporate governance structures.
– Assessment and monitoring of the Company's risk management policies and procedures.
– Evaluating the performance of the executive management team including monitoring financial performance, operational efficiency, and achievement of strategic goals
	– Through a combination of active engagement, strategic oversight and collaboration including:
	  – working with executive management to identify potential risks and ensure appropriate mitigation strategies are in place;
	  – engaging with key stakeholders to understand and represent their interests in board discussions; and
	  – contribution to the development and refinement of the Company's strategic direction.

– 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 (see **page 43**.)

Governance continued

Position	How achieved
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. – Departmental reports considered monthly by the Executive Committee. – An escalations framework was in place through which senior management provided prompt notification to the Board of certain business events. This document was updated regularly in the year to reflect business developments and specific requests from the Board and Committees.
– To be knowledgeable about all aspects of the business even if they have responsibility for a particular area of the business.	– All new Directors receive a comprehensive induction tailored to the individual following a skills gap analysis, taking into account their background, knowledge and previous experience. – This is supplemented by briefings given as part of the Board education plan. – All executive Directors are members of the Executive Committee at which Company-wide matters were considered (**see page 48**).

Independence

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

Conflicts of interest are also considered at each meeting so that these can be identified and managed on a case-by-case basis.

Board professional development

The Chair is responsible for leading the development and monitoring the effective implementation of policies and procedures for the induction, training, and professional development of all members of the Board.

All new Directors are given a personalised induction and development plan. These plans are considered by the Nominations Committee and updated in discussion with the Director during the induction period.

Ongoing Board education was also provided in the year covering topics including managing conduct risk, sustainability risk, cyber and IT security and a deep dive on SMBC DP. These topics were suggested by individual Directors, identified during Board discussions, or reflected specific matters of importance to the Company's stakeholders.

Principle 3 – Director responsibilities

Accountability

The Directors each have in place a role description document and, as required by the Senior Managers Regime, a Statement of Responsibilities. Any changes to an individual's Statement of Responsibilities requires the approval of the Board so that oversight can be given to the allocation of responsibilities. These documents are supported by a Board-approved Corporate Policy Manual giving further information on the roles and responsibilities of the Directors.

Board and Committees

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. The members of the Executive Committee are determined by the Board. To maintain Committee independence, no executive Directors are members of the Audit, BRCC, Nominations and Remuneration Committees. Additionally, Committees hold meetings as required in the absence of members of executive management.

The Chair of each Committee provides a report on the Committee's activities at each Board meeting. The responsibilities of the Board and Committees are detailed in their terms of reference, which are reviewed regularly and updated as required.

Time commitments

On joining the Board, non-executive Directors receive a letter of appointment setting out the time commitment expected of them. Prior to appointment, new Directors are required to confirm their significant other time commitments.

The Board considers that each of the non-executive Directors has sufficient time to meet their responsibilities to both the Board and any Committees of which they are a member.

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.

Independence of External Audit arrangements

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

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

Governance continued

Principle 4 – Opportunity and Risk

Opportunity

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

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

The CEO reports quarterly 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 risk appetite and discussed by the Board.

The development of the strategy and identification of strategic opportunities are discussed at various senior executive-level meetings held throughout the year.

Risk

The Risk Management Framework is designed to ensure that effective risk governance and management is in place across all business activities. The Company recognises the importance of the Three Lines of Defence model for risk management. Further information can be found in the Risk and Controls section.

The BRCC ensures that the identification and appropriate management of both inherent and emerging risks is appropriate for the Company. The other Board Committees also consider specific aspects of risk and further detail can be found in the individual Committee reports from **page 44**.

Principle 5 – Remuneration

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 46**.

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 to promote steady growth and keen risk awareness. Consistent with this:

- All employees are eligible to participate in the annual performance-related bonus scheme with variable pay outcomes determined by the performance of the Company, relevant department and both the contribution and conduct of the employee.
- The Remuneration Committee assessed the risk adjustments inherent within the overall bonus pool calculation to ensure these took suitable account of the Company's performance in the year and the current and future risk environment.
- Base salary levels, and both individual variable award levels (individual bonus awards) and total variable award funding levels (bonus pools), were benchmarked against relevant peer organisations. The results of this benchmarking exercise were discussed by the Remuneration Committee and help inform the Company's approach to remuneration strategy.
- 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 Group's five cultural pillars (including ESG and DEI targets), as well as an assessment of the individual's conduct. In addition the Remuneration Committee reviewed and approved the variable and salary awards made to all Material Risk Takers.

Principle 6 – Stakeholder relationships and engagement

Stakeholders – overview

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

- Customers
- Environment and community
- Colleagues
- Suppliers
- Regulators
- SMBC Group

Stakeholder engagement

The Company engages with stakeholders in many ways and at all levels of the business. 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. Stakeholder interactions therefore 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 results 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, providing quality and innovation through our products and services. The Company engages with its customers on a continuous basis to understand their needs and to inform them of the Company's strategy and operations and the impact upon them.

Interaction with customers is primarily through relationship managers and product specialists, but the CEO and other 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 the 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 which hosts 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.

Governance continued

Environment and community

The Company recognises the importance of working towards building and sustaining a better world. It aims to create social value by balancing economic growth with initiatives aimed at tackling social issues.

The Board and its Committees, supported by the EMEA Sustainability Programme, have been actively engaged in overseeing and developing the Company's sustainability capabilities in the year. Further information on this can be found on **pages 11 to 13**.

Details of the Company's sustainability activities are available to all employees through the intranet, and this includes 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 2023 which included events to increase awareness on topics such as social value creation, sustainability risk management and the Three Lines of Defence, and an introduction to the Group's three-year EMEA Operational Sustainability Programme.

During the year the Board received a quarterly report on ESG matters which covered ongoing work on sustainability materiality assessments, updates on Facilitated Emissions, the Group's Net Zero Strategy and the UK Transition Plan Taskforce Disclosure Framework approach. The Board also approved amendments to the Sustainability Strategy to include a more specific focus on Sustainability Risk Management as one of the Company's strategic pillars.

The BRCC also received an update on ESG Risk Monitoring which provided detailed information on Sustainability-linked monitoring via KRIs which are mapped to four EMEA Sustainability Statements covering clients, solutions, operations and business. The resulting ESG dashboard has been presented to the BRCC on a quarterly basis since October 2023.

The Company supported the SMBC Group announcement 'Strengthening Efforts Against Climate Change' in May 2023. This press release announced the SMBC Group's progress and future plans in response to climate change, including an update on the SMBC Group's Sustainability Strategy and efforts to reduce emissions across several sectors.

In conjunction with SMBC BI, 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.

The Company also participated in the #PositivelyPurple initiative during December 2023, focusing on contributions people with disabilities make to our communities and the economy and addressing the barriers they face worldwide. As part of celebrations for Disability History Month in November and December 2023, the Company focused on spreading awareness of visual impairment, with events to allow colleagues to experience a simulation of a variety of visual impairments to gain an understanding of the challenges people can face in their day-to-day lives, an introduction to the work done by Guide Dogs and a session with a guest speaker on the impact of visual impairment. The Company also held a session on autism in November 2023 which included the benefits of a neurodiverse workplace and advising on a range of behaviours that can be adopted to support neurodiverse colleagues.

Colleagues

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

The Board seeks feedback from colleagues in a combination of ways, including through direct engagement and 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. Additional insights have been provided through individual briefing meetings with non-executive Directors.

The results of these interactions are being used by the Company to inform its approach to talent management and employee mobility, overseen by the Nominations Committee.

In addition to attending Board events, Directors have participated in events at individual department level, such as conferences, and for the Company as a whole, such as those arranged by the DRIVE network groups.

Other notable engagement with employees in the year included:

- Regular emails from the SMBC Head of EMEA, which also included reference to the Company's business achievements, and town hall meetings where senior executives provided updates on business matters.
- Intranet used to explain strategic and business initiatives, provide updates on business projects and include employee voice stories on matters important to individuals.
- Updates to employees Handbooks to include updated policies on a range of topics, including sickness and absence, learning & development, mandatory leave for employees, and bonus eligibility and performance management.
- Employee disclosure of diversity information on a confidential basis so the Company can better understand the diversity of its workforce.
- Mental Health Awareness Week held in May 2023 and an Awareness Day in October 2023 where tips on improving mental health were issued to all colleagues, along with an introduction to a wellbeing app offered free to all colleagues across EMEA to prevent and manage stress, anxiety and related conditions.
- Annual Inclusion Month in September 2023 with the objective of enabling employees to identify and embed actions to promote diversity and inclusion in the Company. Events were held including webinars exploring how bias creates barriers to inclusion and a flagship event on allyship, while tips were sent to all colleagues via email including inspiring quotes and guidance on how to create an inclusive culture and bridge gaps to ensure that everyone is included.
- Sharing of gender pay statistics for the Company and other EMEA Group entities with all colleagues to demonstrate transparency and highlight current progress on ensuring gender equity in compensation, as well as sharing the Board's commitment to focusing further on this area and outlining the next steps senior management are taking to eliminate barriers to career progression and entry into financial services.

Speak Up

Speak Up is a key component of the Governance and Risk Management Framework. The 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 employees 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, which include an independent firm working in partnership with the Group through which reports can be raised anonymously.

Governance continued

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 resources that the Company may or may not possess itself.

Engagement with suppliers is conducted via a dedicated team and with executives who require supplier services. A procurement process is in place for all engagements, and this requires that a rigorous due diligence process is undertaken on the supplier before engagement. These checks include steps relating to compliance with laws and regulations, such as anti-bribery and corruption, modern slavery, and cost management. Ongoing monitoring of suppliers is also undertaken, while particular focus is given to relationships with outsourcing providers, and such engagements are subject to the Company's third party risk management framework. Any new or modified outsourcing relationships deemed critical to the operations of the Company require the approval of the Outsourcing Oversight Committee.

During the year, the Company paid 69% of its invoices within 30 days, with the average being payment within 38 days.

Reflecting developing regulatory expectations, the Company is enhancing its third party risk management framework in order to increase efficiencies and align its approach with the wider SMBC Group in EMEA, including the expansion of the remit of this area to include a non-outsourcing framework. The BRCC continues to regularly monitor the progress of these enhancements and the linkage this work has in other matters under its consideration, such as operational and cyber resilience.

The Board annually reviews and approves the Company's Statement of Compliance with the UK's Modern Slavery Act 2015. Anti-Slavery checks are included as part of due diligence processes, including the supply chains of vendors and other counterparties.

The SMBC Group has a dedicated Procurement team which handles all aspects of sourcing, purchasing, contract management and supplier assurance to ensure that the requirements of both our Company and the suppliers who provide us with goods and services are treated in an efficient, equitable and ethical manner.

Regulators

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

During the year, individual Directors and members of the Executive Committee have met FCA representatives 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 CEO and CRO letters and have overseen the Company's response on matters including the annual evaluation letters, the evolving sanctions environment and US Dollar interbank offered rate (IBOR) transition.

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

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

SMBC Group

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 SMBC Group's franchise in EMEA and provision of services to a number of SMBC Group companies in EMEA. The Company has therefore identified SMBC Group as a key stakeholder.

The Company engages closely with SMBC and SMBC Group-affiliated companies at all levels. A representative of the shareholder, Mr Yazawa, is appointed to the Board and provided quarterly updates on SMBC Group strategy and significant business developments during the year. He has also acted as a link between the Board and SMBC Group on matters requiring SMBC 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.

The executive Directors are also appointed to the boards of other SMBC Group companies in EMEA , including main affiliates SMBC Derivative Products Limited and SMBC Bank EU AG, and there has been increasing senior-level engagement with the 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 on other business progress and strategies being conducted by other entities. 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 SLA KPI performances at the monthly Executive Committee and CCAF meetings.

The Company's Primary Markets Planning team is dedicated to supporting EMEA Capital Markets strategy and planning (including cross-regional business), as well as maintaining close communication with SMBC Group entities in the US to ensure alignment with the SMBC Group's global strategies.

Governance structure

The Board of Directors is responsible for promoting the Company's success for the benefit of its shareholders, while having regard to certain factors, as set out more fully on page 48.

The Board operates within a formal schedule of matters reserved, with certain responsibilities delegated to its Committees shown below. The detailed responsibilities of the Board's Nominations, Audit, Risk and Compliance (BRCC) and Remuneration Committees, along with an overview of how they have discharged those responsibilities during the year are set out on **pages 43 to 47**.

The Chair of each Committee provides a report on the Committee's activities at each Board meeting.

The responsibilities of the Board and Committees are detailed in their terms of reference, which are reviewed regularly and updated as required.

Further Committees are in place at an executive level in order the facilitate the effective management of the business. The activities of these Committees are escalated, as necessary, to the relevant Board Committee.

Board activities

During the year, the Board met seven times. The below table sets out the key areas of focus for the Board in the year.

Responsibility in the Board's terms of reference	Principal 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. Regular oversight of preparations for the transfer of the securities business and associated considerations for CM Ltd. Many of the Company's employees who will transfer to SMBC BI will continue to provide services to the Company as set out through a SLA. The Board reviewed the SLA. – Reviewing the status of significant project activity. – Consideration of business performance and drivers of performance. – Receiving reports on new products. – Receiving reports on items of long-term strategic importance to the business such as Artificial Intelligence.
Financial	– Approval of the annual report and accounts, Investment Firms Prudential Regime (IFPR) disclosures and UK Tax Strategy. ● – Budget ●
Risk management and internal controls	– Approval of the ICARA documents including recovery and resolution documentation. ● – Deep dives into Compliance and Sanctions frameworks and consideration of further enhancements, including management of intra-group provision of services. – Review and monitoring of internal audit and internal control failings and remediation plans put in place by management. – Approval of key regulatory compliance items including the Company's Statement of Compliance with the UK Modern Slavery Act, and the EMEA Anti-Bribery and Corruption Statement. ●
People	– Approval of senior management appointments. ● – Considering diversity and inclusion initiatives. – Received updates on People and Talent Management programmes.
Governance	– Receiving updates on the Company's subsidiary, DP Ltd. – Approval of a series of procedural steps, models and documentation ahead of the formal approval of the transfer of the securities business to SMBC BI. ● – Approval of the annual IT budget and headcount. ●
Projects	– Received updates on strategic and mandatory project activity.
ESG	– Approved updates to the SMBC Group's Sustainability Strategy. ● – Considered the challenges and opportunities associated with climate change developments.
Stakeholders	– Discussed the SMBC Group's CSR initiatives.

● Approved by the Board

● Approved by the Board following Board Committee recommendation

Audit Committee Report

Responsibilities

The Audit Committee's responsibilities include:

- considering matters related to the preparation and audit of the annual report and financial statements, engagement with the external auditor, internal financial controls and taxation;
- safeguarding the independence and overseeing the performance of the Audit Department, considering the results of Internal Audits and the appointment and dismissal of the Co-General Managers of the Audit Department; and
- assessing the effectiveness of the Company's whistleblowing arrangements.

Composition

The Committee comprises solely of non-executive Directors and is chaired by Mr Souchon.

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

Activities

During the year, the Audit Committee met five times. The below table sets out the key areas of focus for the Committee in the year.

Responsibility in the Audit Committee's terms of reference	Principal 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	– Oversight of the systems design for financial processes within the Company. – IFPR requirements. – Receiving regular updates from the General Counsel on legal governance matters such as litigation.
Internal controls	– Considering the adequacy and effectiveness of the Company's systems of internal control, including ongoing enhancements to the Three Lines of Defence model.
Taxation	– The UK Tax Strategy, recommended by the Committee to the Board for approval. ● – Intra-group transfer pricing arrangement, reflecting the services received by the Company from other SMBC Group companies. – Updates on the Pillar 2 OECD initiative. – Updates on Tax planning and potential impacts of transferring the securities business to SMBC BI.
External Audit and Internal Audit	– Evaluating the effectiveness, performance and objectivity of both the Internal and External Audit functions. – Approval of the Internal Audit plan for the coming year, along with further adjustments to flexibly react to the internal control environment. ● – Approval of the Internal Audit Charter and Audit Manual. ●
Whistleblowing	– Reviewing the integrity, independence and effectiveness of the whistleblowing systems and controls.

● Approved and recommended to the Board for approval

Nominations Committee Report

Responsibilities

The Nominations Committee's responsibilities include:

– assessing and recommending candidates to the Board to fill Board, Senior Manager function and other senior executive management vacancies; and
– reviewing Board and senior management succession plans.

Composition

The Committee comprises solely of non-executive Directors and is chaired by Ms Jackson. On the invitation of the Chair, meetings are also attended by Ms Turner, Mr Yates and the Head of Human Resources.

Activities

During the year, the Nominations Committee met three times. The below table sets out the key areas of focus for the Committee in the year.

Responsibility in the Nominations Committee terms of reference	Principal matters considered
Talent review	– Update on programmes to enhance internal talent growth.
Diversity and inclusion	– Overseeing the implementation of the Company's 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. – Appointment of senior-level management appointments. ●
Board composition	– Appointment of Mehul Desai to the Board including assessment of his fitness and propriety and the learning and development plan. ●

● Recommended to the Board for approval

Remuneration Committee Report

Responsibilities

The Remuneration Committee's responsibilities include:

- overseeing the development and implementation of remuneration policies and practices, which includes specific responsibility for recommending the Remuneration Policy to the Board for approval; and
- other significant remuneration matters, including approving the remuneration of Material Risk Takers (MRTs) and the bonus fund cap calculation.

Composition

The Committee comprises the non-executive Directors and is chaired by Mr Souchon. On the invitation of the Chair, meetings are also attended by Mr Yates, the Head of Human Resources and, as necessary, the Chief Risk Officer.

Activities

During the year, the Remuneration Committee met five times and the principal matters considered included:

Responsibility in the Remuneration Committee's terms of reference	Principal matters considered
Remuneration review	– The strategy for the remuneration reviews for the year ended 31 March 2024 was approved together with a review of the bonus pool funding calculations and the remuneration of individual MRTs. – The variable pay and salary awards made to all MRTs were reviewed and approved. – The release of deferred awards to MRTs from previous years was also approved following assessment of their conduct.
Remuneration policies and documents	– Recommendation to the Board of revisions to the Remuneration Policy and Cash & Phantom Share Scheme to ensure that the documents remained current. ● – Approval of updates to the MRT identification guidelines. ● – Approval of the MiFIDPRU remuneration disclosure MIF008 and MIFIDPRU disclosure report IFPR. ●

● Recommended to the Board for approval

Board Risk and Compliance Committee Report

Responsibilities

The BRCC's responsibilities include:

- considering risk management structures and systems;
- the status of risk relative to risk appetite and the main areas of risk faced by the Company;
- the ICARA document, the Risk Appetite Framework, the recovery and resolution documentation, and regulatory engagement and compliance; and
- safeguarding the independence of, and overseeing the performance of, the Risk function and the Compliance function.

Composition

The Committee comprises the non-executive Directors and is chaired by Ms Turner. On the invitation of the Chair, meetings are also attended by members of management, including Mr Yates, the Co-Heads of the Audit Department, the Chief Risk Officer, the Chief Financial Officer, the Money Laundering Reporting Officer (MLRO), the Chief Compliance Officer and the General Counsel.

Activities

During the year, the BRCC met four times and the principal matters considered included:

Responsibility in the BRCC's terms of reference	Principal matters considered
Risk management and internal controls	– Reviewing principal and emerging risks and the status of risk relative to risk appetite. – Approving changes to key risk management policies such as the Enterprise Risk Management Policy. – Reviewing the Risk Culture Statements Disclosures and the annual Compliance strategy. – Overseeing enhancements to the Risk Management and Compliance areas in line with recommendations from Internal Audit. – Receiving regular updates on the resourcing of control functions and plans to further bolster relevant teams. – Review and approval of the Contingency Funding Plan. ●
Climate and sustainability	– Considered matters including development of ICARA scenario analysis, development of the climate risk appetite framework and enhancements to the environmental and social risk management controls. – Approving the new EMEA Sustainability Risk Framework. ●
Financial crime prevention	– Receiving the annual report from the Money Laundering Reporting Officer. – Reviewing the financial crime prevention risks and controls and enhancements to Know Your Customer processes. – Receiving an update on the Company's negative news screening processes. – Deep dives into sanctions considerations.
Conduct risk	– Receiving quarterly updates on Conduct risk and related management information.
Projects	– Reviewing the Company's preparedness to implement the operational resilience requirements of the UK regulators and approving the annual Operational Resilience Self-Assessment. – Reviewing progress on Trade and Transaction Reporting processes ahead of the planned operationalisation.

● Recommended to the Board for approval

Executive Committee Report

Responsibilities

The Executive Committee is responsible for overseeing the management of the Company's daily business operations.

Composition

The Committee is chaired by the CEO and attended by members of the senior management team. The Committee meets monthly and reports to the Board of Directors. The independent non-executive Directors receive a copy of the papers and minutes of all Committee meetings.

Activities

The Executive Committee is responsible for the supervision and management of the Company's daily operations and for overseeing the work of the Risk Management Steering Committee and its sub-committees.

During the year, the principal matters considered included:

Responsibility in the Executive Committee's terms of reference	Principal matters considered
Objectives and strategy	– Review and recommendation to the Board of the annual budget and business plan. – Discussion of key strategic developments. – Receiving updates on enhancements to finance processes. – Receiving updates on the development of the cross-border marketing framework. – Receiving updates from Front Office teams on new products, strategic initiatives within their business lines and the views of the business on strategic objectives already achieved. – Consideration of the Company's strategic alliance with key business partners.

Section 172(1) Statement

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

The Board recognises that the Company's success is dependent on its stakeholders and that the Company's activities impact its stakeholders in different ways.

When presenting to the Board and its Committees, members of management are required to identify in supporting documentation the stakeholder groups relevant to the item, with approval items also requiring confirmation of the Section 172(1) factors, which are then considered by the Directors in their discussions and decision-making. Information on how in the year the Directors have had regard to these factors when performing their duty under Section 172(1) can be found throughout the Strategic Report, with key references indicated below.

Section 172(1) factor	Further information
(a) likely consequences of any decision in the long term	During the year, the Board approved the Medium-Term Business Plan and monitored performance against the core business objectives and financial targets. The Medium-Term Business Plan, together with the Board-approved ICARA documents are prepared on a three-year time horizon. Further information on the linkage between strategy and culture and values can be found on **page 5**.
(b) interests of employees	Employees are identified as one of the Company's key stakeholder groups and the Board regularly considers their views and opinions. Further information can be found on **page 39**.

Section 172(1) factor	Further information
(c) need to foster business relationships with suppliers, customers and others	Suppliers and customers are identified as key stakeholder groups. Information on how the Company has interacted with these groups can be found on **pages 37 and 40**.
(d) impact of the company's operations on the community and the environment	The creation of social value is a key part of the SMBC Group's sustainability objectives. The Board monitors the progress of its CSR strategy and further information on the SMBC Group's community activities can be found on **page 38**. Information on the way in which the Company monitors the risks and opportunities arising from climate change can be found on **pages 23 - 25**.
(e) desirability of the company maintaining a reputation for high standards of business conduct	The Board recognises the need for the Company to exercise high standards of business conduct. Oversight of conduct is exercised primarily through the BRCC and the Executive Committee, and information on how they do so is set out on **page 14**.
f) need to act fairly as between members of the company	As the Company is a subsidiary of SMBC and SMBC Nikko Securities Inc., 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. There is close collaboration with SMBC and other member companies of SMBC Group to progress the SMBC Group's overall Mission and Vision. Further information can be found on **page 41.**

Example of how the Section 172(1) matters and stakeholder interests have been considered

Stakeholder engagement has been an important part of the Company's preparations for the securities business and employee transfer to SMBC BI, and the Board has received regular updates on the stakeholder engagement undertaken, the feedback from that engagement and how the Company has responded. This project has also required the Board to consider particularly the Section 172(1) matters relating to the likely long-term consequences of the business transfer, the interests of employees, business relationships with suppliers and customers and the maintenance of high standards of business conduct. The fair treatment of the Company's customers migrating to SMBC BI was recognised as a key principle at the outset of the transfer project. During the year, the Company launched a communications programme with the objective of ensuring that customers received clear, concise and timely communications on the migration timeframe and actions required to ensure they are ready to transact with SMBC BI. Customer enquiries were managed by a dedicated customer communications team, and regular information on responses and queries received, including average resolution time, was presented to senior management weekly. In addition, the Board received regular reports on customer response rates and plans for future engagement. The feedback received from customers enabled the Company to improve its communications over time and facilitated individual customer conversations.

Similar engagement methods were employed for impacted suppliers, with this being coordinated by a dedicated workstream responsible for negotiating new contractual arrangements. A programme of communication and consultation was also put in place to update and support colleagues who are expected to transfer to SMBC BI. They were kept informed of the transfer through a dedicated intranet site, senior leader town hall meetings and regular updates in CEO emails. Discussion and feedback sessions were also held. In response to feedback received, SMBC BI ran a series of senior management briefing sessions to enhance knowledge of the securities business across the SMBC BI, and a session was held for the transferring staff to welcome them to SMBC BI and to familiarise them with SMBC BI's products and services.

Members of the Board and senior management team also met the FCA at continuous assessment and specific meetings to discuss aspects of the transfer process, with the Board actively engaged in overseeing the progress of the Company and SMBC BI's response to enquiries received.

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

Antony Yates
Director
17 July 2024

Directors' report

The Directors submit their report and the audited financial statements for the year ended 31 March 2024.

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

Other information	Section	Page
Principal and emerging risks	Risks and Uncertainties	**10**
Policy on the employment of disabled persons	People and Culture – Diversity and Inclusion	**17**
Streamlined Energy and Carbon report	Task Force on Climate-related Financial Disclosures	**25**
Statement of corporate governance arrangements	Corporate Governance	**30**
Engagement with employees	Section 172(1) Statement	**48**
Engagement with suppliers, customers and other stakeholders	Section 172(1) Statement	**49**
Managing risk	Risk Management	**53**
Financial instruments	Note 1 to the financial statements	**69**
Hedge accounting	Note 1.vi to the financial statements	**73**

Results and dividends

The Company recorded net loss of USD 2.1 million for the year ended 31 March 2024 (2023: net loss of USD 4.6 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 Governance report on **page 27**. 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	Resigned 12 October 2023
Mehul Desai	Executive Director	Appointed 1 April 2024

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 (2023: nil).

Overseas office

At the date of signing this report, the Company had one overseas subsidiary, based in Hong Kong, and branches in Hong Kong and Abu Dhabi.

Research and development

The Marketing Department develops 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.

Likely future developments

In last year's annual report, it was announced that the Company had approved a business transfer plan to support the creation of a Universal Bank within SMBC BI. A central part of this process will be the sale of the Company's securities business to SMBC BI. Further details can be found on **page 6** and details of the expected changes to the risk profile of the Company following the transfer can be found on **page 57**. The Company will continue to undertake the Derivatives business.

Going concern

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

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

Disclosure of information to auditor

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

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

Auditor

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

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

Antony Yates
Director
17 July 2024

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the United Kingdom (IFRSs as adopted by the UK) and applicable law.

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

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

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

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

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

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

Antony Yates
Director
17 July 2024

Risk Management and Controls

This section sets out the Company's approach to managing and identifying risks and the fostering of a sound risk culture. Information on the Company's principal and emerging risks can be found on page 10. 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.

Enterprise Risk Management Framework

The Enterprise-Wide Risk Management Policy (EWRMP) outlines the fundamental structure for the management of the risks that the Company is exposed to in the pursuit of its strategic objectives. This framework articulates the governance arrangements, roles and responsibilities, appetites and limits, processes and reporting that are in place across the Company to monitor and manage the aggregate risks to the Company relative to the risk appetite.

The Company understands the importance of establishing and embedding a robust risk management culture across the Company. Therefore the framework is designed to ensure effective risk governance and management is in place across all business activities.

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

- Risk Governance Structure – who is responsible for the Company's risk management and what authorities are given.
- Risk Identification and Assessment – what risks the Company faces and how important each risk is.
- Risk Strategy and Risk Appetite – what level of risk for each risk type and on an aggregate basis the Company is prepared to take in the pursuit of strategic objectives of the Company.
- Risk Measurement – how risks are individually and collectively measured and recognised.
- Risk Monitoring and Reporting – how risks are monitored, controlled and reported to the Board, executive management and business owners.
- Stress Testing – scenario analysis of potential downside risks.
- Capital, Liquidity and Funding Planning and Management – how the Company's capital and liquidity resources should be managed.

Risk governance structure

The Company has developed an integrated and proactive approach to risk management and the Board is supported by management-level and sub-management-level committees.

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

Risk Management and Controls continued

Executive-level risk and control committees

The risk management and control committees are executive-level committees that have been established to consider certain areas of risk as follows:

Asset and Liability Management Committee

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

Compliance & Financial Crime Committee

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

Enterprise Risk Management Committee

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

Model Risk Committee

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

Operational Risk and Resilience Committee

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

Sustainability Risk Management Committee

Examines and discusses matters related to sustainability risk management issues, including developing effective sustainability risk management through a Sustainability Risk Framework integrated across the business in EMEA. It also reviews matters such as sustainability risk appetite setting, topic monitoring, and review and observation of the Risk Appetite Framework (RAF), control measures, KRI thresholds and the control environment.

The 'Three Lines of Defence' Model

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 the 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.

Risk identification and assessment

The key principles used for risk identification and assessment are to:

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

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

Enterprise Risks:
- Top 10 and Emerging risks
- Risk Register

Operational/Conduct Risk:
- Scenario analysis
- Product Approval Framework
- Risk Register
- Operational Risk Event reporting
- Risk Issue reporting
- Early Warning Indicators (EWIs) and KRIs

Credit/Market/Liquidity Risk:
- EWIs and KRIs
- Scenario analysis and stress testing
- Reverse stress testing
- Sustainability Risk, including climate change

Risk appetite

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.

Business model

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

Solvency and liquidity

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

Conducting business

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

Operational resilience

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

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 measurement

The key principles for risk measurement and monitoring are to:

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

Risk Management and Controls continued

Risk monitoring and reporting

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

- Ensuring that senior management is provided with the necessary information regarding the Company's principal risks so that an informed view of the Company's risk profile can be made.
- Ensuring that all material risks are reported and deliver a complete view of the whole range of risks facing the Company.
- The principal risks facing the Company are reported at the appropriate Risk and Control Committee meetings. These Committees have responsibility for the principal risk categories and related risk management matters.
- Delivering a Risk Report that incorporates the key themes/messages from the Risk and Control Committees to the Executive Committee monthly.

Stress testing

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

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

The Company's RST is developed in conjunction and alignment with the Risk Assessment processes (Risk Register and Emerging Top 10 Risks) and is included in the ICARA.

Capital, liquidity and funding planning and management

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

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

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

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

Change to risk profile due to the transfer of the securities business to SMBC BI

As noted on **page 6**, the Company is expected to transfer its securities business and employees to its affiliate organisation, SMBC BI during the current fiscal year ending 31 March 2025. The Company's underlying risk profile is therefore likely to be impacted, with the main changes summarised as follows:

- Counterparty Credit Risk is expected to reduce due to the transfer of the repo business. The impact is likely to be relatively low, as the current repo exposures are cash collateralised on a daily basis and are of comparatively short duration. The derivatives business currently constitutes the vast majority of counterparty credit risk exposure and will remain in place post transfer.
- Market risk is likely to materially reduce with the transfer of the fixed income trading inventory. The remaining derivatives business is otherwise fully hedged with back to back, cash flow matched trades with the Company's US affiliate SMBC Capital Markets Inc., therefore residual market risk is low.
- Liquidity risk is likely to reduce overall due to the reduced volume of settlement and cash flows that arises from the securities business. However, it should be noted that the transfer of unencumbered trading securities assets will reduce the Company's available liquidity contingency options, which will need to be otherwise replenished through Treasury operations.
- The nature of operational risk is likely to change, although it is a matter of judgement as to whether it will increase or decrease overall. One consideration is that the likelihood of trading errors will fall due to the reduced overall trading volume, while another is that the process of transfer itself may introduce potential new sources of operational loss (e.g. due to systems integration or transfer of personnel).
- The Company will have an increased reliance on SMBC BI and other vendors for the provision of services. The Company will continue to maintain an appropriate over-arching Third Party Risk Management Framework, which will monitor service level and provide escalation where service levels fall below agreed thresholds.

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 2024 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 2024 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.

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 business transfer plan approval to sell the securities business
- Material reduction in trading revenues associated with 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.

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

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: 17 July 2024

Group statement of profit or loss
For the year ended 31 March 2024

	Notes	Year ended 31 March 2024 USDm	Year ended 31 March 2023 USDm
Net trading income		**104.5**	166.3
Fees and commissions income		**97.7**	53.5
Fees and commissions expense		**(35.9)**	(20.2)
Net fees and commissions income		**61.8**	33.3
Interest income	2	**722.9**	241.2
Interest expense	3	**(679.5)**	(234.1)
Net interest income		**43.4**	7.1
Total income		**209.7**	206.7
Staff costs	4	**(75.6)**	(78.1)
Depreciation and amortisation	16, 17	**(6.9)**	(9.4)
Other operating expenses	6	**(106.3)**	(106.0)
Operating expenses		**(188.8)**	(193.5)
Profit before taxation		**20.9**	13.2
Taxation	7	**(14.5)**	(10.2)
Profit for the financial year, comprising		**6.4**	3.0
Profit from continuing operations		**7.6**	39.1
Loss from discontinued operations	35	**(1.2)**	(36.1)
Company loss for the financial year, comprising		**(2.1)**	(4.6)
(Loss)/profit from continuing operations		**(0.9)**	31.5
Loss from discontinued operations	35	**(1.2)**	(36.1)

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

The notes on pages 69 to 124 form an integral part of these financial statements.

Group statement of comprehensive income For the year ended 31 March 2024

	Notes	**Year ended 31 March 2024 USDm**	Year ended 31 March 2023 USDm
Profit for the financial year		**6.4**	3.0
Other comprehensive income, net of tax, including			
Items that will be reclassified to profit or loss:			
– Net (losses)/gains from cash flow hedges, net of tax		**(1.8)**	2.9
– Net gains/(losses) on financial assets held at fair value through other comprehensive income (FVOCI)		**4.2**	(4.9)
Total comprehensive income for the financial year attributable to equity holders of the Group		**8.8**	1.0

The notes on pages 69 to 124 form an integral part of these financial statements.

Group statement of financial position
As at 31 March 2024

	Notes	31 March 2024 USDm	31 March 2023 USDm
Assets			
Cash at banks	9	**1,012.4**	1,025.2
Investment securities	10	**2,446.8**	1,724.6
Derivative assets	11	**12,265.2**	11,441.7
Other trading assets, at fair value	12	**59.1**	61.8
Securities purchased under agreements to resell	13	**12,888.9**	9,148.0
Collateral placed	14	**2,939.0**	3,221.2
Other debtors	15	**310.9**	508.3
Intangible assets	16	**17.4**	13.7
Property, plant and equipment	17	**4.2**	5.1
Deferred tax asset	7	**3.4**	4.7
Total assets		**31,947.3**	27,154.3
Liabilities			
Securities sold, not yet purchased	10	**965.9**	945.7
Derivative liabilities	11	**12,083.8**	11,669.2
Other trading liabilities, at fair value	12	**175.4**	178.4
Securities sold under agreements to repurchase	13	**11,012.2**	7,028.3
Collateral received	18	**3,422.3**	3,309.4
Other creditors	19	**2,409.6**	2,154.0
Total liabilities		**30,069.2**	25,285.0
Net assets		**1,878.1**	1,869.3
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		**575.2**	568.8
Other reserves		**(1.1)**	(3.5)
Total equity		**1,878.1**	1,869.3
Included in the above are items held for sale			
Assets	35	**15,020.2**	
Liabilities	35	**12,183.0**	

The notes on pages 69 to 124 form an integral part of these financial statements.

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

Antony Yates
Director
Company number 02418137
17 July 2024

Company statement of financial position
As at 31 March 2024

	Notes	31 March 2024 USDm	31 March 2023 USDm
Assets			
Cash at banks	9	**756.8**	757.1
Investment securities	10	**2,396.8**	1,674.6
Derivative assets	11	**12,230.2**	11,390.8
Other trading assets, at fair value	12	**59.1**	61.8
Securities purchased under agreements to resell	13	**12,888.9**	9,148.0
Collateral placed	14	**2,939.0**	3,221.2
Other debtors	15	**319.5**	520.7
Investment in subsidiary undertaking	33	**202.0**	202.0
Intangible assets	16	**17.4**	13.7
Property, plant and equipment	17	**1.9**	4.6
Deferred tax asset	7	**3.4**	4.7
Total assets		**31,815.0**	26,999.2
Liabilities			
Securities sold, not yet purchased	10	**965.9**	945.7
Derivative liabilities	11	**12,049.0**	11,619.1
Other trading liabilities, at fair value	12	**175.4**	178.4
Securities sold under agreements to repurchase	13	**11,012.2**	7,028.3
Collateral received	18	**3,388.8**	3,254.9
Other creditors	19	**2,406.6**	2,156.0
Total liabilities		**29,997.9**	25,182.4
Net assets		**1,817.1**	1,816.8
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		**514.2**	516.3
Other reserves		**(1.1)**	(3.5)
Total equity		**1,817.1**	1,816.8
Included in the above are items held for sale			
Assets	35	**15,020.2**	
Liabilities	35	**12,183.0**	

The notes on pages 69 to 124 form an integral part of these financial statements.

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

Antony Yates
Director
Company number 02418137
17 July 2024

Group statement of changes in equity
For the year ended 31 March 2024

	Called up share capital USDm	Share premium USDm	Retained earnings USDm	Other reserves: Cash flow hedges reserve USDm	Other reserves: FVOCI reserve USDm	Total equity USDm
At 1 April 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
At 1 April 2023	**1,139.0**	**165.0**	**568.8**	**1.4**	**(4.9)**	**1,869.3**
Profit for the year	**–**	**–**	**6.4**	**–**	**–**	**6.4**
Net losses arising on cash flow hedges	**–**	**–**	**–**	**(1.8)**	**–**	**(1.8)**
Net gains arising on financial assets held at FVOCI	**–**	**–**	**–**	**–**	**4.2**	**4.2**
Total comprehensive income for the year	**–**	**–**	**6.4**	**(1.8)**	**4.2**	**8.8**
At 31 March 2024	**1,139.0**	**165.0**	**575.2**	**(0.4)**	**(0.7)**	**1,878.1**

The notes on pages 69 to 124 form an integral part of these financial statements.

Company statement of changes in equity For the year ended 31 March 2024

	Called up share capital USDm	Share premium USDm	Retained earnings USDm	Other reserves: Cash flow hedges reserve USDm	Other reserves: FVOCI reserve USDm	Total equity USDm
At 1 April 2022	1,139.0	165.0	520.9	(1.5)	–	1,823.4
Profit 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
At 1 April 2023	**1,139.0**	**165.0**	**516.3**	**1.4**	**(4.9)**	**1,816.8**
Loss for the year	**–**	**–**	**(2.1)**	**–**	**–**	**(2.1)**
Net losses arising on cash flow hedges	**–**	**–**	**–**	**(1.8)**	**–**	**(1.8)**
Net gains arising on financial assets held at FVOCI	**–**	**–**	**–**	**–**	**4.2**	**4.2**
Total comprehensive income for the year	**–**	**–**	**(2.1)**	**(1.8)**	**4.2**	**0.3**
At 31 March 2024	**1,139.0**	**165.0**	**514.2**	**(0.4)**	**(0.7)**	**1,817.1**

The notes on pages 69 to 124 form an integral part of these financial statements.

Group statement of cash flows For the year ended 31 March 2024

	Notes	31 March 2024 USDm	31 March 2023 USDm
Cash flows from operating activities			
Profit for the financial year		**6.4**	3.0
Adjustments to reconcile net income to net cash from operating activities:			
Adjustments for non-cash items:			
Depreciation and amortisation	16, 17	**6.9**	9.4
Tax expense	7	**14.5**	10.2
Changes in operating assets and liabilities:			
Change in investment securities and repurchase contracts	10, 13	**(459.0)**	(513.4)
Change in trading assets, at fair value	12	**2.7**	1,305.5
Change in trading liabilities, at fair value	12	**(3.0)**	(827.7)
Change in collateral placed	14	**282.2**	183.1
Change in other debtors	15	**203.7**	(261.6)
Change in derivative assets	11	**(823.5)**	(3,286.9)
Change in deferred tax assets	7	**1.3**	(0.4)
Change in derivative liabilities	11	**414.6**	3,473.6
Change in collateral received	18	**112.9**	(689.3)
Change in other creditors	19	**255.6**	774.3
Net (losses) /gains arising on cash flow hedges		**(1.8)**	2.9
Net gains/(losses) arising on financial assets held at FVOCI		**4.2**	(4.9)
Corporation tax paid	28	**(20.7)**	(15.6)
Net cash flows from operating activities		**(3.0)**	162.2
Cash flows from investing activities			
Purchase of intangible assets	16	**(7.3)**	(5.0)
Purchase of property, plant and equipment	17	**(2.5)**	–
Net cash outflow from investing activities		**(9.8)**	(5.0)
Net change in cash		**(12.8)**	157.2
Cash and cash equivalents at beginning of year	9	**1,025.2**	868.0
Cash and cash equivalents at end of year	9	**1,012.4**	1,025.2
Net change in cash		**(12.8)**	157.2

The notes on pages 69 to 124 form an integral part of these financial statements.

Company statement of cash flows
For the year ended 31 March 2024

	Notes	**31 March 2024 USDm**	31 March 2023 USDm
Cash flows from operating activities			
Loss for the financial year		**(2.1)**	(4.6)
Adjustments to reconcile net income to net cash from operating activities:			
Adjustments for non-cash items:			
Depreciation and amortisation	16, 17	**6.3**	8.8
Tax expense	7	**11.6**	11.2
Changes in operating assets and liabilities:			
Change in investment securities and repurchase contracts	10, 13	**(459.0)**	(528.4)
Change in trading assets, at fair value	12	**2.7**	1,305.5
Change in trading liabilities, at fair value	12	**(3.0)**	(827.7)
Change in collateral placed	14	**282.2**	183.1
Change in other debtors	15	**207.8**	(274.6)
Change in derivative assets	11	**(839.4)**	(3,258.5)
Change in deferred tax assets	7	**1.3**	(0.4)
Change in derivative liabilities	11	**429.9**	3,445.5
Change in collateral received	18	**133.9**	(720.9)
Change in other creditors	19	**250.6**	774.7
Net (losses) /gains arising on cash flow hedges		**(1.8)**	2.9
Net gains/(losses) arising on financial assets held at FVOCI		**4.2**	(4.9)
Corporation tax paid	28	**(18.2)**	(14.5)
Net cash flows from operating activities		**7.0**	97.2
Cash flows from investing activities			
Purchase of intangible assets	16	**(7.3)**	(5.0)
Net cash outflow from investing activities		**(7.3)**	(5.0)
Net change in cash		**(0.3)**	92.2
Cash and cash equivalents at beginning of year	9	**757.1**	664.9
Cash and cash equivalents at end of year	9	**756.8**	757.1
Net change in cash		**(0.3)**	92.2

The notes on pages 69 to 124 form an integral part of these financial statements.

Notes to the financial statements For the year ended 31 March 2024

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.

Having considered the expected effect of the transfer of its securities business to SMBC BI, disclosed in the Strategic Report and note 35, the Directors believe that the main types of risk (counterparty credit, market and liquidity risks) will decrease to a various extent as a result. The Company's reliance on SMBC BI services will increase but with an appropriate level of governance and risk management this should not pose a risk to its ability to operate.

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 current challenges to global markets due to the present geopolitical instability. Fresh conflict which began between Israel and Gaza during the year has destabilised the region and has significant potential for further escalation. The conflict between Russia and Ukraine has entered into its third year, with both sides preparing for long-term military action. It continues to exert pressure on energy and food prices, leading to higher inflation, and results in additional costs of supporting Ukraine, maintaining and imposing new sanctions on Russia for Western countries. Recent general elections in the UK and later in 2024 in the US may bring about additional market uncertainty and volatility.

Notwithstanding the above, the financial markets have become comparatively more stable. Global inflation rates have declined leading to growing confidence that the high interest rates imposed to curb inflation will soon be reduced.

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

The Group's latest ongoing 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) US experiencing market volatility ahead of elections and implementing protectionist policies, tensions between US and China over Taiwan leading to reciprocal sanctions and recession in both countries;
b) disruption to oil and gas supply chains due to the conflict in the Middle East, resulting in inflation spikes, interest rate increases and recession in the UK and Europe; and
c) higher cost of imported materials in Japan due to regional conflicts, high public spending and unsustainable government debt bringing the country into recession and resulting in a credit rating downgrade of the sovereign debt and major banks, including SMBC Group.

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.

Notes to the financial statements For the year ended 31 March 2024 continued

1. Accounting policies continued

The ICARA RST analysis demonstrates that business failure due to capital erosion or liquidity exhaustion would require highly severe events to drive loss figures of a sufficient magnitude, coupled with unavailability of capital support from SMBC Group, in order to reach the capital and liquidity breaking points. This effectively requires a global fiscal chaos, in particular across the Asia-Pacific region, causing a collapse of the Japanese financial markets combined with a withdrawal of USD payment systems worldwide.

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

The Group is well capitalised, as disclosed in note 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 its 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 S.408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. The loss dealt with in the financial statements of the Company was USD 2.1 million in the year ended 31 March 2024 (2023: loss of USD 4.6 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

IFRS 17 Insurance Contracts was issued in May 2017 and became effective for financial periods beginning on or after 1 January 2024. The standard did not have a material effect on these financial statements.

Foreign currency translation

Foreign currency assets and liabilities are translated into US Dollar equivalents at rates of exchange ruling at the balance sheet date. Gains and losses resulting from remeasurement 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.

Notes to the financial statements For the year ended 31 March 2024 continued

1. Accounting policies continued

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.

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 their 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.

Notes to the financial statements For the year ended 31 March 2024 continued

1. Accounting policies continued

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 the Company use the following annual rates in calculating depreciation:

Leasehold assets:	
Leasehold property	Over the remaining life of the lease
Costs of adaption of leasehold property	Over the remaining life of the lease
Other:	
Computers and similar equipment	3-5 years
Fixtures, fittings and other equipment	5 years

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

Leases

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

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 time value of money over the vesting period. The estimated amounts of bonuses are reviewed on a regular basis; the effect of any remeasurements is taken to profit or loss.

Assets held for sale and discontinued operations

Under IFRS 5, assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets may be sold individually or in 'disposal groups' comprising various assets and directly associated liabilities. The activities of disposal groups, which can be clearly distinguished from the rest of the entity and represent a separate major business line or geographical area of operations, are referred to as 'discontinued operations'.

In order to be classified in this category, the assets or disposal groups should be available for immediate sale in their present condition and the sale should be highly probable. The sale is highly probable when the appropriate level of management is committed to a plan to sell, an active programme to find a buyer has started and completion is expected within one year from the date of classification.

Non-current assets held for sale and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. If carrying amounts exceed the fair value less costs to sell, an impairment loss is recognised and allocated to the non-current assets within the group. Some assets, including deferred tax and financial instruments in the scope of IFRS 9, are excluded from remeasurement, either individually or as part of a disposal group.

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. The 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. The management has chosen to use, in line with market practice, the Overnight Indexed Swap curve (OIS) in order to more consistently manage the associated interest rate and funding risks.

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

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

ii) Estimates

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

Estimates are used where the fair value of derivative assets and liabilities cannot be derived from active markets and is determined using a variety of valuation techniques that employ mathematical models. The inputs to these models use observable market data where possible but, where observable market data 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 Adjustments (CVA) and Debit Valuation Adjustments (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 fair value adjustment (FVA) is calculated by applying future market funding spreads to the expected future funding exposure of any uncollateralised component of the over-the counter (OTC) derivative portfolio. This includes the uncollateralised component of collateralised derivatives in addition to derivatives that are wholly uncollateralised. The expected future funding exposure is calculated by a simulation methodology, where available. The expected future funding exposure is adjusted for events that may terminate the exposure such as the default of the Company or the counterparty.

The FVA, CVA and DVA are calculated independently of each other.

Notes to the financial statements For the year ended 31 March 2024 continued

2. Interest income

	Year ended 31 March 2024 USDm	Year ended 31 March 2023 USDm
Interest on collateral	**173.7**	43.4
Interest on reverse repo transactions	**443.1**	143.6
Interest on securities	**70.2**	50.6
Interest on deposits	**35.9**	3.6
	722.9	241.2

3. Interest expense

	Year ended 31 March 2024 USDm	Year ended 31 March 2023 USDm
Interest on collateral	**227.6**	90.0
Interest on repo transactions	**353.1**	112.4
Interest on borrowings	**98.7**	31.6
Interest on lease liabilities	**0.1**	0.1
	679.5	234.1

4. Staff costs

	Year ended 31 March 2024 USDm	Year ended 31 March 2023 USDm
Wages and salaries	**60.8**	66.1
Social security costs	**6.5**	6.0
Pension costs: Defined contribution scheme	**3.8**	2.9
Other staff costs	**4.5**	3.1
	75.6	78.1

The average number of Group and Company employees during the year was 199 (2023: 200) and 182 (2023: 184) respectively.

5. Directors emoluments

	Year ended 31 March 2024 USDm	Year ended 31 March 2023 USDm
Directors emoluments	**2.5**	2.6
Post-employment benefits	**–**	–
	2.5	2.6

Emoluments of the highest paid Director

	Year ended 31 March 2024 USDm	Year ended 31 March 2023 USDm
Directors emoluments	**1.7**	1.6
Post–employment benefits	**–**	–
	1.7	1.6

Directors emoluments comprise salaries and bonuses, some of which are deferred as stated in note 32. During the year, two Directors received a bonus (2023: two Directors).

Directors received no pension contribution in the year. One Director received cash in lieu of pension of USD 39 thousand (2023: USD 33 thousand).

No other benefits, long-term incentives or pension contributions were paid to Directors during the year (2023: nil).

Notes to the financial statements For the year ended 31 March 2024 continued

6. Other operating expenses

Other operating expenses include:

	Year ended 31 March 2024 USDm	Year ended 31 March 2023 USDm
Auditor remuneration		
Audit of these financial statements	**0.7**	0.6
Audit of financial statements of subsidiaries of the Company	**0.2**	0.1
Audit-related assurance services	**0.1**	0.2
Other assurance services	**0.6**	0.2
	1.6	1.1
Operating lease rentals	**0.4**	0.4
Outsourced services from related parties	**58.1**	55.2

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.

7. Taxation

	Year ended 31 March 2024 USDm	Year ended 31 March 2023 USDm
Current tax		
Current year UK tax	**18.7**	6.8
Adjustments for prior years	**(4.9)**	2.0
Foreign tax suffered	**0.3**	1.0
Current tax charge	**14.1**	9.8
Deferred tax		
Origination and reversal of temporary differences	**(0.9)**	0.5
Adjustments for prior years	**1.3**	(0.1)
Deferred tax credit	**0.4**	0.4
Total tax charge in income statement	**14.5**	10.2

Disclosure of tax in other comprehensive income

	Year ended 31 March 2024		Year ended 31 March 2023	
	Before tax USDm	**Net of tax USDm**	Before tax USDm	Net of tax USDm
Investment securities at FVOCI	**5.8**	**4.2**	(6.8)	(4.9)
Cash flow hedges	**(2.5)**	**(1.8)**	3.9	2.9
	3.3	**2.4**	(2.9)	(2.0)

Reconciliation of effective tax rate

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

	Year ended 31 March 2024		Year ended 31 March 2023	
	USDm	**Effective tax rate**	USDm	Effective tax rate
Profit before taxation	**20.9**		13.2	
Tax using the UK weighted average corporation tax rate of 25% (2023: 19%)	**5.2**	**25.0%**	2.5	18.9%
Banking surcharge	**0.9**	**4.3%**	1.4	10.6%
Advance Pricing Agreement adjustment	**12.2**	**58.3%**	3.9	29.5%
Adjustments for prior years	**(3.6)**	**(17)%**	2.0	15.2%
Other	**(0.2)**	**(1.0)%**	0.4	3.0%
	14.5	**69.4%**	10.2	77.2%

An Advance Pricing Agreement (APA) between the Group, its affiliate CM Inc., the UK tax authorities and US tax authorities defines the basis on which UK tax is charged on the profits of the global derivative products group. A new 7th APA is being negotiated with the UK and US tax authorities.

Corporation tax rate

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

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

On 17 November 2022, the UK Government confirmed its intention to implement the G20-OECD Inclusive Framework Pillar 2 rules in the UK, including a Qualified Domestic Minimum Top-Up Tax rule. This legislation, which was enacted in 2023, will seek to ensure that UK-headquartered multinational enterprises pay a minimum tax rate of 15% on UK and overseas profits arising after 31 December 2023. As the UK rate of corporation is now 25%, the impact of these rules is not expected to be material.

Deferred tax assets (Group and Company)

	Year ended 31 March 2024 USDm	Year ended 31 March 2023 USDm
Property, plant and equipment	**1.9**	1.9
Deferred compensation	**1.6**	1.4
Investment securities at FVOCI	**0.3**	1.9
Cash flow hedges	**0.2**	(0.5)
Intangible assets	**(0.6)**	–
Deferred tax assets	**3.4**	4.7

There is an unutilised tax loss of USD 4.3 million (2023: USD 4.0 million), for which no deferred tax asset is recognised.

Notes to the financial statements For the year ended 31 March 2024 continued

7. Taxation continued

Movement in deferred tax assets (Group and Company)

	1 April 2023	Recognised in income	Recognised in reserves	31 March 2024
Property, plant and equipment	**1.9**	**–**	**–**	**1.9**
Employee benefits	**1.4**	**0.2**	**–**	**1.6**
Investment securities	**1.9**	**–**	**(1.6)**	**0.3**
Cash flow hedges	**(0.5)**	**–**	**0.7**	**0.2**
Intangible assets	**–**	**(0.6)**	**–**	**(0.6)**
Deferred tax assets	**4.7**	**(0.4)**	**(0.9)**	**3.4**

	1 April 2022	Recognised in income	Recognised in reserves	31 March 2023
Property, plant and equipment	1.8	0.1	–	1.9
Employee benefits	0.8	0.6	–	1.4
Investment 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

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 3.8 million (2023: USD 2.9 million). The Group recognises expenses as employees render services within staff costs.

9. Cash at banks

	Group		Company	
	31 March 2024 USDm	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
Current accounts	**498.5**	539.4	**381.5**	402.5
Short-term deposits	**513.9**	485.8	**375.3**	354.6
	1,012.4	1,025.2	**756.8**	757.1

At the reporting date, USD 18.0 million of Group (2023: USD 42.1 million), and USD 13.8 million of Company (2023: USD 37.6 million) current accounts were placed with related companies.

Short-term deposits placed with related companies amounted to USD 1.5 million (2023: USD 1.5 million) for the Group and nil (2023: nil) for the Company.

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

10. Investment securities

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

- the purpose of facilitating customer orders and which also generate income from value fluctuations, dividends and coupons. These securities are accounted for at 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 for 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 2024 Group	**Listed on London Stock Exchange USDm**	**Listed on non-UK exchanges USDm**	**Not listed USDm**	**Total USDm**
Assets				
Floating rate notes	**28.9**	**267.2**	**6.1**	**302.2**
US Treasury securities	**–**	**571.7**	**–**	**571.7**
Other foreign government securities	**1.3**	**678.9**	**37.7**	**717.9**
Corporate bonds	**2.4**	**815.5**	**35.0**	**852.9**
Equity securities	**–**	**2.1**	**–**	**2.1**
Total	**32.6**	**2,335.4**	**78.8**	**2,446.8**
Liabilities				
Floating rate notes	**0.1**	**1.4**	**–**	**1.5**
US Treasury securities	**–**	**29.0**	**–**	**29.0**
Other foreign government securities	**–**	**717.4**	**–**	**717.4**
Corporate bonds	**5.5**	**212.5**	**–**	**218.0**
Total	**5.6**	**960.3**	**–**	**965.9**

Fair value as at 31 March 2024 Company	**Listed on London Stock Exchange USDm**	**Listed on non–UK exchanges USDm**	**Not listed USDm**	**Total USDm**
Assets				
Floating rate notes	**28.9**	**267.2**	**6.1**	**302.2**
US Treasury securities	**–**	**521.7**	**–**	**521.7**
Other foreign government securities	**1.3**	**678.9**	**37.7**	**717.9**
Corporate bonds	**2.4**	**815.5**	**35.0**	**852.9**
Equity securities	**–**	**2.1**	**–**	**2.1**
Total	**32.6**	**2,285.4**	**78.8**	**2,396.8**
Liabilities				
Floating rate notes	**0.1**	**1.4**	**–**	**1.5**
US Treasury securities	**–**	**29.0**	**–**	**29.0**
Other foreign government securities	**–**	**717.4**	**–**	**717.4**
Corporate bonds	**5.5**	**212.5**	**–**	**218.0**
Total	**5.6**	**960.3**	**–**	**965.9**

Notes to the financial statements For the year ended 31 March 2024 continued

10. Investment securities continued

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
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

11. Derivative assets and liabilities

Derivatives are financial instruments which derive their value from other assets, rates, prices, indices or other variables and which settlement does not usually involve the delivery of the underlying instrument. Derivative assets represent contracts with positive fair values and 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 2024 USDm**	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
Interest rate and currency swaps	**11,934.4**	10,875.5	**130,830.8**	113,720.7
Options	**303.6**	513.6	**14,709.4**	15,364.1
Forward contracts	**63.0**	84.4	**4,581.6**	3,927.8
Commodity swaps	**0.2**	0.8	**7.3**	10.7
Derivative reserves	**(36.0)**	(32.6)	**–**	–
Derivative assets	**12,265.2**	11,441.7	**150,129.1**	133,023.3
Interest rate and currency swaps	**11,736.8**	11,131.1	**142,554.5**	127,847.9
Options	**308.0**	513.5	**14,548.2**	15,615.1
Forward contracts	**60.1**	72.3	**4,393.2**	3,222.9
Commodity swaps	**0.2**	0.8	**7.3**	10.7
Derivative reserves	**(21.3)**	(48.5)	**–**	–
Derivative liabilities	**12,083.8**	11,669.2	**161,503.2**	146,696.6

	Carrying value		Notional principal	
Company	**31 March 2024 USDm**	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
Interest rate and currency swaps	**11,931.6**	10,869.4	**130,816.6**	113,706.8
Options	**271.5**	468.8	**12,861.2**	13,183.7
Forward contracts	**63.0**	84.4	**4,581.6**	3,927.8
Commodity swaps	**0.2**	0.8	**7.3**	10.7
Derivative reserves	**(36.1)**	(32.6)	**–**	–
Derivative assets	**12,230.2**	11,390.8	**148,266.7**	130,829.0
Interest rate and currency swaps	**11,734.0**	11,125.1	**142,535.9**	127,829.3
Options	**275.9**	468.8	**12,700.0**	13,460.2
Forward contracts	**60.1**	72.3	**4,393.2**	3,222.9
Commodity swaps	**0.2**	0.8	**7.3**	10.7
Derivative reserves	**(21.2)**	(47.9)	**–**	–
Derivative liabilities	**12,049.0**	11,619.1	**159,636.4**	144,523.1

Notes to the financial statements For the year ended 31 March 2024 continued

11. Derivative assets and liabilities continued

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

	Group		Company	
Carrying values	**31 March 2024 USDm**	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
Due within 1 year	**1,618.1**	645.9	**1,597.5**	619.7
Due within 1 to 5 years	**3,930.4**	4,252.6	**3,918.9**	4,246.3
Due within 5 to 10 years	**3,050.8**	2,950.1	**3,048.0**	2,931.7
Due within 10 to 15 years	**1,489.1**	1,513.5	**1,489.1**	1,513.5
Due in more than 15 years	**2,212.8**	2,112.2	**2,212.8**	2,112.2
Derivative assets	**12,301.2**	11,474.3	**12,266.3**	11,423.4
Due within 1 year	**1,653.9**	665.5	**1,633.4**	639.4
Due within 1 to 5 years	**3,892.4**	4,406.1	**3,880.8**	4,399.8
Due within 5 to 10 years	**3,042.2**	2,955.9	**3,039.4**	2,937.7
Due within 10 to 15 years	**1,618.7**	1,718.0	**1,618.7**	1,718.0
Due in more than 15 years	**1,897.9**	1,972.2	**1,897.9**	1,972.1
Derivative liabilities	**12,105.1**	11,717.7	**12,070.2**	11,667.0

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 2024 USDm**	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
Forward contracts	**–**	1.9	**–**	6.7
Derivative assets	**–**	1.9	**–**	6.7
Forward contracts	**0.6**	–	**7.0**	–
Derivative liabilities	**0.6**	–	**7.0**	–

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	**31 March 2024 USDm**	31 March 2023 USDm
Profit/(loss)	**1.0**	(2.7)

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 2024, 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.

Notes to the financial statements For the year ended 31 March 2024 continued

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:

Group and Company	Carrying value 2024 USDm	Carrying value 2023 USDm	Notional principal 2024 USDm	Notional principal 2023 USDm
Interest rate and currency swaps	**59.1**	61.8	**779.6**	901.0
Other trading assets	**59.1**	61.8	**779.6**	901.0
Interest rate and currency swaps	**175.4**	178.4	**1,222.9**	1,326.7
Other trading liabilities	**175.4**	178.4	**1,222.9**	1,326.7

Below is further analysis of carrying values by contractual maturity:

Group and Company	31 March 2024 USDm	31 March 2023 USDm
Due within 1 year	**1.0**	0.3
Due within 1 to 5 years	**14.7**	18.1
Due within 5 to 10 years	**0.5**	0.9
Due within 10 to 15 years	**19.6**	19.2
Due in more than 15 years	**23.3**	23.3
Other trading assets	**59.1**	61.8
Due within 1 year	**21.7**	20.4
Due within 1 to 5 years	**9.8**	11.7
Due within 5 to 10 years	**34.7**	25.8
Due within 10 to 15 years	**58.7**	59.0
Due in more than 15 years	**50.5**	61.5
Other trading liabilities	**175.4**	178.4

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 2024 USDm	31 March 2023 USDm
Amounts due from related parties	**6,308.2**	4,041.9
Amounts due from external parties	**6,580.7**	5,106.1
Securities purchased under agreements to resell	**12,888.9**	9,148.0
Amounts due to related parties	**2,370.0**	1,941.3
Amounts due to external parties	**8,642.2**	5,087.0
Securities sold under agreements to repurchase	**11,012.2**	7,028.3

The contractual maturity profile of repurchase agreements is as follows:

Group and Company	31 March 2024 USDm	31 March 2023 USDm
Due on demand	**536.5**	631.7
Due within 1 month	**7,819.0**	4,792.2
Due within 1 to 3 months	**3,068.0**	2,549.0
Due within 3 to 6 months	**1,465.4**	1,175.1
Securities purchased under agreements to resell	**12,888.9**	9,148.0
Due on demand	**1,300.8**	643.2
Due within 1 month	**7,627.6**	4,718.0
Due within 1 to 3 months	**1,604.6**	1,530.7
Due within 3 to 6 months	**479.2**	136.4
Securities sold under agreements to repurchase	**11,012.2**	7,028.3

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

Notes to the financial statements For the year ended 31 March 2024 continued

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 2024 USDm	31 March 2023 USDm
Collateral placed with related parties	**1,380.6**	1,650.8
Collateral placed with external parties	**1,558.4**	1,570.4
	2,939.0	3,221.2

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 2024 USDm	31 March 2023 USDm
Collateral placed with external parties	**153.1**	65.1
	153.1	65.1

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 2024 USDm	31 March 2023 USDm	31 March 2024 USDm	31 March 2023 USDm
Prepayments	**6.9**	10.1	**6.2**	9.3
Corporation tax	**14.0**	7.3	**11.4**	4.5
Other related party debtors	**82.2**	60.0	**94.4**	76.4
Failed trades with external customers	**150.5**	400.2	**150.5**	400.2
Other external debtors	**57.3**	30.7	**57.0**	30.3
	310.9	508.3	**319.5**	520.7

16. Intangible assets

Computer software	Group USDm	Company USDm
Cost		
Balance at 1 April 2022	18.0	17.8
Additions	5.0	5.0
Balance at 31 March 2023	23.0	22.8
Balance at 1 April 2023	**23.0**	**22.8**
Additions	**7.3**	**7.3**
Balance at 31 March 2024	**30.3**	**30.1**
Accumulated amortisation and impairment losses		
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
Balance at 1 April 2023	**9.3**	**9.1**
Charge for the year	**3.6**	**3.6**
Balance at 31 March 2024	**12.9**	**12.7**
Carrying amounts		
Balance at 31 March 2023	13.7	13.7
Balance at 31 March 2024	**17.4**	**17.4**

USD 2.8 million of internal development costs was capitalised during the year (2023: USD 1.1 million).

Notes to the financial statements For the year ended 31 March 2024 continued

17. Property, plant and equipment

	Leasehold property USDm	IT equipment USDm	Furniture and fixtures USDm	Total USDm
Group				
Cost				
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
Balance at 1 April 2023	**6.4**	**6.7**	**0.1**	**13.2**
Additions	**1.2**	**0.3**	**1.0**	**2.5**
Disposals	**(2.1)**	**(0.1)**	**–**	**(2.2)**
Balance at 31 March 2024	**5.5**	**6.9**	**1.1**	**13.5**
Accumulated depreciation and impairment losses				
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
Balance at 1 April 2023	**3.5**	**4.5**	**0.1**	**8.1**
Depreciation for the year	**1.9**	**1.4**	**–**	**3.3**
Disposals	**(2.0)**	**(0.1)**	**–**	**(2.1)**
Balance at 31 March 2024	**3.4**	**5.8**	**0.1**	**9.3**
Carrying amounts				
Balance at 31 March 2023	2.9	2.2	–	5.1
Balance at 31 March 2024	**2.1**	**1.1**	**1.0**	**4.2**

	Leasehold property USDm	IT equipment USDm	Furniture and fixtures USDm	Total USDm
Company				
Cost				
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
Balance at 1 April 2023	**4.2**	**6.5**	**–**	**10.7**
Additions	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**–**	**–**
Balance at 31 March 2024	**4.2**	**6.5**	**–**	**10.7**
Accumulated depreciation and impairment losses				
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
Balance at 1 April 2023	**1.8**	**4.3**	**–**	**6.1**
Depreciation for the year	**1.4**	**1.3**	**–**	**2.7**
Disposals	**–**	**–**	**–**	**–**
Balance at 31 March 2024	**3.2**	**5.6**	**–**	**8.8**
Carrying amounts				
Balance at 31 March 2023	2.4	2.2	–	4.6
Balance at 31 March 2024	**1.0**	**0.9**	**–**	**1.9**

Notes to the financial statements For the year ended 31 March 2024 continued

17. Property, plant and equipment continued

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

Leasehold property	Group USDm	Company USDm
Cost		
Balance at 1 April 2022	14.7	12.6
Additions	3.8	3.7
Disposals	(12.1)	(12.1)
Balance at 31 March 2023	6.4	4.2
Balance at 1 April 2023	**6.4**	**4.2**
Additions	**1.1**	**–**
Disposals	**(2.2)**	**–**
Balance at 31 March 2024	**5.3**	**4.2**
Accumulated depreciation and impairment losses		
Balance at 1 April 2022	10.5	9.2
Depreciation for the year	5.2	4.6
Disposals	(12.1)	(12.0)
Balance at 31 March 2023	3.6	1.8
Balance at 1 April 2023	**3.6**	**1.8**
Depreciation for the year	**1.9**	**1.4**
Disposals	**(2.1)**	**–**
Balance at 31 March 2024	**3.4**	**3.2**
Carrying amounts		
Balance at 31 March 2023	2.8	2.4
Balance at 31 March 2024	**1.9**	**1.0**

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 2024 USDm	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
Collateral received from related parties in respect of:				
– derivative transactions	**1,076.0**	1,118.1	**1,042.5**	1,063.6
– credit guarantee	**1,878.8**	1,726.5	**1,878.8**	1,726.5
	2,954.8	2,844.6	**2,921.3**	2,790.1
Collateral received from external parties in respect of:				
– derivative transactions	**452.6**	394.3	**452.6**	394.3
– repurchase transactions	**14.9**	70.5	**14.9**	70.5
	467.5	464.8	**467.5**	464.8
	3,422.3	3,309.4	**3,388.8**	3,254.9

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 for which SMBC DP received the indemnity securities is further explained in note 29.

Group and Company	**31 March 2024 USDm**	31 March 2023 USDm
Collateral received from related parties:		
Independent Amount in respect of derivative transactions	**789.5**	902.1
Margin Deficit Securities in respect of repurchase transactions	**29.7**	39.9
SMBC DP guarantees indemnity	**1,247.6**	2,764.3
	2,066.8	3,706.3
Regulatory collateral in respect of derivative transactions received from third parties	**162.7**	73.0
	2,229.5	3,779.3

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. to mitigate the residual counterparty credit risk associated with repo transactions between the companies.

Notes to the financial statements
For the year ended 31 March 2024 continued

19. Other creditors

	Group		Company	
	31 March 2024 USDm	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
Funding loans from related parties	**2,104.9**	1,468.3	**2,104.9**	1,468.3
Lease liabilities	**1.9**	2.9	**1.0**	2.4
Other related party creditors	**80.1**	118.8	**80.4**	123.1
Failed trades with external customers	**172.2**	464.0	**172.2**	464.0
Other external creditors	**50.5**	100.0	**48.1**	98.2
	2,409.6	2,154.0	**2,406.6**	2,156.0

20. Called up share capital

Group and Company	**Allotted, called up and fully paid 31 March 2024 USDm**	Allotted, called up and fully paid 31 March 2023 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 the 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 the Company operate a primarily balanced derivative portfolio (subject to appropriate credit adjustments) and invest in floating rate assets funded through floating rate liabilities or capital, there is no significant exposure in the derivative portfolio to changes in cash flow or fair value due to interest rate risk.

iii) Credit risk

a) Credit quality and collateral

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

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 2024 USDm**	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
A-1+	**416.7**	431.0	**292.6**	313.6
A-1	**593.3**	592.9	**464.2**	443.5
A-2	**2.4**	1.3	**–**	–
	1,012.4	1,025.2	**756.8**	757.1

	Group		Company	
Moody's rating	**31 March 2024 USDm**	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
P-1	**979.8**	855.3	**724.1**	587.2
Not rated	**32.6**	169.9	**32.7**	169.9
	1,012.4	1,025.2	**756.8**	757.1

Notes to the financial statements For the year ended 31 March 2024 continued

21. Risk management continued

Investment securities

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

	Group		Company	
S&P rating	**31 March 2024 USDm**	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
AAA	**108.0**	5.2	**108.0**	5.2
AA+	**126.1**	71.8	**76.1**	21.8
AA	**43.7**	21.5	**43.7**	21.5
AA-	**21.6**	27.3	**21.6**	27.3
A+	**78.3**	20.5	**78.3**	20.5
A	**72.9**	44.0	**72.9**	44.0
A-	**232.3**	168.0	**232.3**	168.0
BBB+	**156.7**	65.4	**156.7**	65.4
BBB	**166.0**	88.3	**166.0**	88.3
BBB-	**40.8**	13.1	**40.8**	13.1
BB+	**12.4**	2.7	**12.4**	2.7
BB	**6.5**	10.0	**6.5**	10.0
BB-	**0.5**	15.7	**0.5**	15.7
B+	**23.7**	5.4	**23.7**	5.4
B	**–**	2.3	**–**	2.3
B-	**0.2**	–	**0.2**	–
Not rated	**1,357.1**	1,163.4	**1,357.1**	1,163.4
	2,446.8	1,724.6	**2,396.8**	1,674.6

	Group		Company	
Moody's rating	**31 March 2024 USDm**	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
Aaa	**711.4**	664.0	**661.4**	614.0
Aa1	**4.4**	1.1	**4.4**	1.1
Aa2	**83.1**	63.2	**83.1**	63.2
Aa3	**60.4**	28.1	**60.4**	28.1
A1	**152.4**	153.9	**152.4**	153.9
A2	**48.1**	52.3	**48.1**	52.3
A3	**195.6**	72.4	**195.6**	72.4
Baa1	**146.2**	62.5	**146.2**	62.5
Baa2	**149.1**	54.6	**149.1**	54.6
Baa3	**53.7**	13.6	**53.7**	13.6
Ba1	**20.7**	14.1	**20.7**	14.1
Ba2	**5.3**	13.8	**5.3**	13.8
Ba3	**0.3**	1.6	**0.3**	1.6
B1	**–**	0.5	**–**	0.5
B2	**2.0**	0.6	**2.0**	0.6
B3	**–**	3.6	**–**	3.6
Not rated	**814.1**	524.7	**814.1**	524.7
	2,446.8	1,724.6	**2,396.8**	1,674.6

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 2024** **USDm**	31 March 2023 USDm
Related parties		
A-1	**6,308.2**	4,041.9
External parties		
A-1+	**1,226.3**	4,146.0
A-1	**3,389.0**	299.2
A-2	**867.3**	660.9
A-3	**299.6**	–
Not rated	**798.5**	–
	6,580.7	5,106.1
	12,888.9	9,148.0

Group and Company **Moody's rating**	**31 March 2024** **USDm**	31 March 2023 USDm
Related parties		
P-1	**6,308.2**	4,041.9
External parties		
P-1	**4,702.5**	4,826.0
P-2	**254.4**	280.1
Not rated	**1,623.8**	–
	6,580.7	5,106.1
	12,888.9	9,148.0

Notes to the financial statements For the year ended 31 March 2024 continued

21. Risk management continued

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

	31 March 2024 USDm Related parties	31 March 2024 USDm External parties	31 March 2024 USDm Total	31 March 2024 USDm Related parties	31 March 2024 USDm External parties	31 March 2024 USDm Total
US Treasury bills	**3,746.2**	**1,105.4**	**4,851.6**	1,963.4	457.9	2,421.3
European government bonds	**483.6**	**788.5**	**1,272.1**	374.3	1,000.5	1,374.8
Japanese government bonds	**2,037.2**	**421.3**	**2,458.5**	1,644.5	778.0	2,422.5
Non-European government bonds	**–**	**1,283.3**	**1,283.3**	–	1,361.0	1,361.0
US corporate bonds	**–**	**1,051.9**	**1,051.9**	–	191.8	191.8
European corporate bonds	**–**	**461.1**	**461.1**	–	252.0	252.0
Japanese corporate bonds	**–**	**183.0**	**183.0**	–	241.5	241.5
Non-European corporate bonds	**–**	**1,290.7**	**1,290.7**	–	830.4	830.4
Securities purchased	**6,267.0**	**6,585.2**	**12,852.2**	3,982.2	5,113.1	9,095.3
Carrying value	**6,308.2**	**6,580.7**	**12,888.9**	4,041.9	5,106.1	9,148.0
Over/(under)collateralised	**(41.2)**	**4.5**	**(36.7)**	(59.7)	7.0	(52.7)

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 29.7 million (2023: USD 39.9 million) and cash collateral from external customers amounting to USD 14.9 million (2023: USD 70.5 million).

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

Group and Company S&P rating	31 March 2024 USDm Related parties	31 March 2024 USDm External parties	31 March 2024 USDm Total	31 March 2024 USDm Related parties	31 March 2024 USDm External parties	31 March 2024 USDm Total
AAA	**–**	**8.5**	**8.5**	8.9	307.4	316.3
AA+	**–**	**97.9**	**97.9**	1,963.4	471.9	2,435.3
AA	**–**	**309.9**	**309.9**	332.3	2,018.1	2,350.4
AA-	**–**	**222.6**	**222.6**	–	108.1	108.1
A+	**248.7**	**657.7**	**906.4**	1,644.6	804.5	2,449.1
A	**–**	**128.4**	**128.4**	33.0	242.8	275.8
A-	**–**	**638.9**	**638.9**	–	339.2	339.2
BBB+	**–**	**540.5**	**540.5**	–	201.3	201.3
BBB	**–**	**283.9**	**283.9**	–	136.8	136.8
BBB-	**–**	**108.2**	**108.2**	–	85.5	85.5
BB+	**–**	**5.0**	**5.0**	–	–	–
BB	**–**	**8.7**	**8.7**	–	2.9	2.9
BB-	**–**	**6.1**	**6.1**	–	4.5	4.5
B+	**–**	**13.8**	**13.8**	–	3.4	3.4
B	**–**	**–**	**–**	–	1.4	1.4
Not rated	**6,018.3**	**3,555.1**	**9,573.4**	–	385.3	385.3
	6,267.0	**6,585.2**	**12,852.2**	3,982.2	5,113.1	9,095.3

Group and Company Moody's rating	**31 March 2024 USDm Related parties**	**31 March 2024 USDm External parties**	**31 March 2024 USDm Total**	31 March 2024 USDm Related parties	31 March 2024 USDm External parties	31 March 2024 USDm Total
Aaa	**3,737.0**	**971.8**	**4,708.8**	1,972.3	768.0	2,740.3
Aa1	**–**	**7.0**	**7.0**	–	9.6	9.6
Aa2	**160.7**	**587.9**	**748.6**	253.5	364.9	618.4
Aa3	**–**	**1,033.0**	**1,033.0**	78.9	1,772.5	1,851.4
A1	**1,989.2**	**1,174.1**	**3,163.3**	1,644.5	1,409.9	3,054.4
A2	**–**	**251.8**	**251.8**	–	67.2	67.2
A3	**–**	**454.6**	**454.6**	–	115.2	115.2
Baa1	**23.5**	**595.2**	**618.7**	33.0	219.9	252.9
Baa2	**–**	**194.9**	**194.9**	–	159.4	159.4
Baa3	**–**	**162.6**	**162.6**	–	72.0	72.0
Ba1	**–**	**12.9**	**12.9**	–	10.0	10.0
Ba2	**–**	**1.8**	**1.8**	–	1.6	1.6
Ba3	**–**	**2.8**	**2.8**	–	4.4	4.4
B2	**–**	**1.5**	**1.5**	–	3.0	3.0
B3	**–**	**–**	**–**	–	1.4	1.4
Not rated	**356.6**	**1,133.3**	**1,489.9**	–	134.1	134.1
	6,267.0	**6,585.2**	**12,852.2**	3,982.2	5,113.1	9,095.3

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.

Notes to the financial statements For the year ended 31 March 2024 continued

21. Risk management continued

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 rating	**31 March 2024 USDm**	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
Related parties *				
A	**8,761.7**	8,302.8	**8,727.6**	8,251.9
Unrated	**–**	–	**–**	–
	8,761.7	8,302.8	**8,727.6**	8,251.9
External parties				
AAA	**0.8**	–	**0.8**	–
AA-	**54.3**	39.6	**54.3**	39.6
A+	**473.9**	433.0	**474.0**	433.0
A	**394.7**	341.2	**394.7**	341.2
A-	**141.9**	222.3	**141.9**	222.3
BBB+	**71.8**	65.9	**71.8**	65.9
BBB	**59.5**	48.7	**59.5**	48.7
BBB-	**154.9**	12.9	**154.9**	12.9
BB+	**7.2**	–	**7.2**	–
BB	**–**	226.7	**–**	226.7
BB-	**–**	0.2	**–**	0.2
B	**6.4**	–	**6.4**	–
Unrated	**2,174.1**	1,781.0	**2,173.2**	1,781.0
	3,539.5	3,171.5	**3,538.7**	3,171.5
	12,301.2	11,474.3	**12,266.3**	11,423.4

	Group		Company	
Moody's	**31 March 2024 USDm**	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
Related parties *				
A1	**8,761.7**	8,302.8	**8,727.6**	8,251.9
Unrated	**–**	–	**–**	–
	8,761.7	8,302.8	**8,727.6**	8,251.9
External parties				
Aaa	**0.8**	–	**0.8**	–
Aa2	**148.7**	140.1	**148.7**	140.1
Aa3	**80.3**	95.4	**80.3**	95.4
A1	**676.9**	479.7	**677.0**	479.7
A2	**103.7**	216.8	**103.7**	216.8
A3	**115.3**	80.4	**115.3**	80.4
Baa1	**161.2**	145.1	**161.2**	145.1
Baa2	**18.7**	19.5	**18.7**	19.5
Baa3	**–**	7.8	**–**	7.8
Ba1	**162.1**	–	**162.1**	–
Ba2	**–**	10.2	**–**	10.2
Ba3	**6.4**	216.7	**6.4**	216.7
B2	**10.8**	–	**10.8**	–
Unrated	**2,054.6**	1,759.8	**2,053.7**	1,759.8
	3,539.5	3,171.5	**3,538.7**	3,171.5
	12,301.2	11,474.3	**12,266.3**	11,423.4

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

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

Other trading assets

As at 31 March 2024, other trading assets include an exposure to external counterparties rated BBB and lower or unrated by S&P amounting to USD 44.3 million (2023: USD 44.8 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.

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

	Group		Company	
	31 March 2024 USDm	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
United Kingdom	**37.3**	205.6	**37.3**	205.6
Japan	**399.3**	372.6	**384.6**	358.7
United States	**445.2**	315.7	**332.4**	183.4
Other	**130.6**	131.3	**2.5**	9.4
	1,012.4	1,025.2	**756.8**	757.1

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

	Group		Company	
	31 March 2024 USDm	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 USDm
United Kingdom	**160.2**	91.3	**160.2**	91.3
France	**409.5**	385.8	**409.5**	385.8
Germany	**187.9**	54.6	**187.9**	54.6
Japan	**60.4**	125.7	**60.4**	125.7
Netherlands	**66.5**	35.0	**66.5**	35.0
United States	**701.9**	659.2	**651.9**	659.2
Other	**860.4**	373.0	**860.4**	323.0
	2,446.8	1,724.6	**2,396.8**	1,674.6

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

	31 March 2024 USDm	31 March 2023 USDm
United Kingdom	**2,723.1**	1,549.9
Japan	**6,238.9**	3,936.3
France	**2,241.1**	2,884.1
United States	**357.9**	127.2
Other	**1,327.9**	650.5
	12,888.9	9,148.0

Notes to the financial statements For the year ended 31 March 2024 continued

21. Risk management continued

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

	Group		Company	
	31 March 2024 USDm	31 March 2023 USDm	31 March 2024 USDm	31 March 2023 USDm
United Kingdom	**1,817.3**	1,672.4	**1,816.4**	1,672.4
France	**221.7**	229.7	**221.7**	229.7
Japan	**2,213.4**	2,766.3	**2,213.4**	2,766.3
Netherlands	**112.4**	145.2	**112.4**	145.2
United States	**5,853.3**	5,239.9	**5,819.2**	5,189.0
Other	**2,083.1**	1,420.8	**2,083.2**	1,420.8
	12,301.2	11,474.3	**12,266.3**	11,423.4

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 the Company have no unfunded forward commitments in the one-year period.

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

As at 31 March 2024 Group	Carrying value USDm	On demand USDm	Less than 1 year USDm	1 to 5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Investment securities sold, not yet purchased[1]	965.9	173.9	792.0	–	–	965.9
Trading liabilities, at fair value[2]	175.4	–	21.7	9.8	143.9	175.4
Securities sold under agreement to repurchase	11,012.2	1,300.8	9,734.4	–	–	11,035.2
Collateral received	3,422.3	–	319.2	1,948.2	1,155.4	3,422.8
Other creditors, excluding lease liabilities	2,407.7	186.8	2,264.3	6.1	–	2,457.2
Lease liabilities	1.9	–	1.5	0.5	–	2.0
	17,985.4	1,661.5	13,133.1	1,964.6	1,299.3	18,058.5
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[2]	12,105.1	–	1,653.9	3,892.4	6,558.8	12,105.1

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 2024 Company	Carrying value USDm	On demand USDm	Less than 1 year USDm	1 to 5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
Investment securities sold, not yet purchased[1]	**965.9**	**173.9**	**792.0**	**–**	**–**	**965.9**
Trading liabilities, at fair value[2]	**175.4**	**–**	**21.7**	**9.8**	**143.9**	**175.4**
Securities sold under agreement to repurchase	**11,012.2**	**1,300.8**	**9,734.4**	**–**	**–**	**11,035.2**
Collateral received	**3,388.8**	**–**	**285.7**	**1,948.2**	**1,155.4**	**3,389.3**
Other creditors, excluding lease liabilities	**2,405.6**	**186.8**	**2,262.5**	**5.8**	**–**	**2,455.1**
Lease liabilities	**1.0**	**–**	**1.0**	**–**	**–**	**1.0**
	17,948.9	**1,661.5**	**13,097.3**	**1,963.8**	**1,299.3**	**18,021.9**
Derivative financial liabilities						
Derivative liabilities (excluding reserves)[2]	**12,070.2**	**–**	**1,633.4**	**3,880.8**	**6,556.0**	**12,070.2**

As at 31 March 2023 Group	Carrying value USDm	On demand USDm	Less than 1 year USDm	1 to 5 years USDm	More than 5 years USDm	Total USDm
Non-derivative financial liabilities						
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 to 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.

Notes to the financial statements For the year ended 31 March 2024 continued

21. Risk management continued

v) Market risk

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

The Group and the Company undertake their 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 5.40% for the year to 31 March 2024 (2023: 2.87%). The weighted average yields for the year to 31 March 2024 on floating rate notes and US Treasury securities were 3.05% (2023: 1.79%). 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 12.4/USD 11.2 million (2023: decrease by USD 2.5/increase by USD 2.7 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's and the 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 processes in place, including 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 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.

Notes to the financial statements For the year ended 31 March 2024 continued

22. Offsetting financial assets and financial liabilities continued

As at 31 March 2024	**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)	**14,922.4**	**(2,621.2)**	**12,301.2**	**(8,873.5)**	**(1,459.2)**	**(0.5)**	**1,968.0**
Reverse repurchase agreements	**13,215.1**	**(326.2)**	**12,888.9**	**(3,723.7)**	**(7.2)**	**(9,131.5)**	**26.5**
	28,137.5	**(2,947.4)**	**25,190.1**	**(12,597.2)**	**(1,466.4)**	**(9,132.0)**	**1,994.5**
Derivative liabilities (excluding reserves)	**14,824.2**	**(2,719.1)**	**12,105.1**	**(8,873.5)**	**(2,247.6)**	**(32.9)**	**951.1**
Repurchase agreements	**11,338.4**	**(326.2)**	**11,012.2**	**(3,723.7)**	**(117.8)**	**(7,126.8)**	**43.9**
	26,162.6	**(3,045.3)**	**23,117.3**	**(12,597.2)**	**(2,365.4)**	**(7,159.7)**	**995.0**

As at 31 March 2024	**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)	**14,887.5**	**(2,621.2)**	**12,266.3**	**(8,872.7)**	**(1,425.9)**	**(0.2)**	**1,967.5**
Reverse repurchase agreements	**13,215.1**	**(326.2)**	**12,888.9**	**(3,723.7)**	**(7.2)**	**(9,131.5)**	**26.5**
	28,102.6	**(2,947.4)**	**25,155.2**	**(12,596.4)**	**(1,433.1)**	**(9,131.7)**	**1,994.0**
Derivative liabilities (excluding reserves)	**14,789.3**	**(2,719.1)**	**12,070.2**	**(8,872.7)**	**(2,247.6)**	**(15.3)**	**934.6**
Repurchase agreements	**11,338.4**	**(326.2)**	**11,012.2**	**(3,723.7)**	**(117.8)**	**(7,126.8)**	**43.9**
	26,127.7	**(3,045.3)**	**23,082.4**	**(12,596.4)**	**(2,365.4)**	**(7,142.1)**	**978.5**

As 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

As 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

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.

Notes to the financial statements
For the year ended 31 March 2024 continued

23. Fair value hierarchy continued

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 2024 and 31 December 2023:

As at 31 March 2024	Level 1 USDm	Level 2 USDm	Level 3 USDm	Total USDm
Group				
Financial assets				
Investment securities	1,143.9	1,302.9	–	2,446.8
Derivative assets	–	12,265.2	–	12,265.2
Other trading assets	–	58.0	1.1	59.1
	1,143.9	13,626.1	1.1	14,771.1
Financial liabilities				
Investment securities	656.4	309.5	–	965.9
Derivative liabilities	–	12,083.8	–	12,083.8
Other trading liabilities	–	174.3	1.1	175.4
	656.4	12,567.6	1.1	13,225.1
Company				
Financial assets				
Investment securities	1,093.9	1,302.9	–	2,396.8
Derivative assets	–	12,230.2	–	12,230.2
Other trading assets	–	58.0	1.1	59.1
	1,093.9	13,591.1	1.1	14,686.1
Financial liabilities				
Investment securities	656.4	309.5	–	965.9
Derivative liabilities	–	12,049.0	–	12,049.0
Other trading liabilities	–	174.3	1.1	175.4
	656.4	12,532.8	1.1	13,190.3

As 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

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 remeasured and if their share in the total value changes between significant and insignificant, the trades move in and out of level 3.

Notes to the financial statements For the year ended 31 March 2024 continued

23. Fair value hierarchy continued

The table below 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 2024 and 31 March 2023. 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 2024 Group and Company	**1 April 2023 USDm**	**Settlements USDm**	**Realised gains/(losses) USDm**	**Unrealised gains/(losses) USDm**	**Transfers in/(out) USDm**	**31 March 2024 USDm**
Assets:						
Other trading instruments	–	–	–	**1.1**	–	**1.1**
Total assets at fair value	–	–	–	**1.1**	–	**1.1**

Year ended 31 March 2024 Group and Company	**1 April 2023 USDm**	**Settlements USDm**	**Realised gains/(losses) USDm**	**Unrealised gains/(losses) USDm**	**Transfers in/(out) USDm**	**31 March 2024 USDm**
Liabilities:						
Other trading instruments	–	–	–	**1.1**	–	**1.1**
Total assets at fair value	–	–	–	**1.1**	–	**1.1**

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:						
Interest rate swaps	–	–	–	–	–	–
Other trading instruments	0.9	–	–	(0.4)	(0.5)	–
Total assets at fair value	0.9	–	–	(0.4)	(0.5)	–

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

Instrument	**Valuation techniques**	**Unobservable inputs**
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 verifying 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 2024	Amortised cost USDm	FVTPL* USDm	FVOCI** USDm	Total USDm
Assets				
Cash at banks	1,012.4	–	–	1,012.4
Investment securities	–	1,930.8	516.0	2,446.8
Other trading assets, at fair value	–	59.1	–	59.1
Derivative assets	–	12,265.2	–	12,265.2
Securities purchased under agreements to resell	12,888.9	–	–	12,888.9
Collateral placed	2,939.0	–	–	2,939.0
Other debtors	310.9	–	–	310.9
Total assets	**17,151.2**	**14,255.1**	**516.0**	**31,922.3**
Liabilities				
Derivative liabilities	–	12,083.8	–	12,083.8
Other trading liabilities, at fair value	–	175.4	–	175.4
Investment securities sold, not yet purchased	–	965.9	–	965.9
Securities sold under agreements to repurchase	11,012.2	–	–	11,012.2
Collateral received	3,422.3	–	–	3,422.3
Other creditors	2,409.6	–	–	2,409.6
Total liabilities	**16,844.1**	**13,225.1**	**-**	**30,069.2**

Company As at 31 March 2024	Amortised cost USDm	FVTPL* USDm	FVOCI** USDm	Total USDm
Assets				
Cash at banks	756.8	–	–	756.8
Investment securities	–	1,880.8	516.0	2,396.8
Other trading assets, at fair value	–	59.1	–	59.1
Derivative assets	–	12,230.2	–	12,230.2
Securities purchased under agreements to resell	12,888.9	–	–	12,888.9
Collateral placed	2,939.0	–	–	2,939.0
Other debtors	319.5	–	–	319.5
Total assets	**16,904.2**	**14,170.1**	**516.0**	**31,590.3**
Liabilities				
Derivative liabilities	–	12,049.0	–	12,049.0
Other trading liabilities, at fair value	–	175.4	–	175.4
Investment securities sold, not yet purchased	–	965.9	–	965.9
Securities sold under agreements to repurchase	11,012.2	–	–	11,012.2
Collateral received	3,388.8	–	–	3,388.8
Other creditors	2,406.6	–	–	2,406.6
Total liabilities	**16,807.6**	**13,190.3**	**–**	**29,997.9**

Notes to the financial statements For the year ended 31 March 2024 continued

24. Classification of financial assets and financial liabilities continued

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

25. IBOR Reform

Following negative publicity around the quality of 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 were 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, communications team and external specialists. Under the guidance of this specialised body and subject matter experts, the Group has completed its transition to applicable RFRs away from the use of EUR, CHF, JPY, GBP and some USD LIBOR tenors, which ceased publication by 30 June 2023. The remaining contracts rely on publication of synthetic USD LIBOR which will continue until 30 September 2024.

The alternative reference rate for GBP 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 2024. 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 is continually 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.

Notes to the financial statements For the year ended 31 March 2024 continued

25. IBOR Reform continued

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

Group and Company **As at 31 March 2024**	**GBP LIBOR** **USDm**	**USD LIBOR** **USDm**	**Total** **USDm**
Derivative assets			
Carrying value (excluding reserves)	**–**	**62.8**	**62.8**
Notional principal	**–**	**1,003.0**	**1,003.0**
Derivative liabilities			
Carrying value (excluding reserves)	**–**	**62.8**	**62.8**
Notional principal	**–**	**1,003.0**	**1,003.0**

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
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 (excluding reserves)	6.9	2,747.1	2,754.0
Notional principal	141.4	31,331.5	31,472.9
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)	–	–	–
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 2024** **USDm**	Land and buildings 31 March 2023 USDm
Operating leases which expire:		
Within one year	**0.5**	0.6
	0.5	0.6

Notes to the financial statements For the year ended 31 March 2024 continued

27. Regulatory capital (unaudited)

Both the Group and the 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's and the Company's capital management is to ensure compliance with capital requirements imposed by the FCA. Regulatory capital comprises ordinary share capital, share premium, retained earnings (including externally verified interim profits) as common equity tier 1 capital (CET1) and perpetual non-cumulative preference shares qualifying as additional tier 1 capital (AT1). The business must maintain 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 the Company's capital adequacy positions:

	Group		Company	
	31 March 2024 USDm	31 March 2023 USDm	**31 March 2024 USDm**	31 March 2023 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	**575.2**	568.8	**514.2**	516.3
Other reserves	**(1.1)**	(3.5)	**(1.1)**	(3.5)
	1,518.1	1,509.3	**1,457.1**	1,456.8
CET1 regulatory adjustments				
Intangible assets	**(17.4)**	(13.7)	**(17.4)**	(13.7)
Cash flow hedges	**0.4**	(1.4)	**0.4**	(1.4)
Other	**(28.9)**	(56.1)	**(28.8)**	(55.5)
	(45.9)	(71.2)	**(45.8)**	(70.6)
Total CET1 capital	**1,472.2**	1,438.1	**1,411.3**	1,386.2
Additional tier 1 (AT1) capital				
Perpetual non-cumulative preference shares	**360.0**	360.0	**360.0**	360.0
Total own funds (A)	**1,832.2**	1,798.1	**1,771.3**	1,746.2
IFPR own funds requirement (B)	**285.9**	202.8	**285.3**	202.4
Own funds ratio *	**640.8%**	886.6%	**620.9%**	862.6%

* Own funds ratio is defined as Own Funds divided by IFPR Own Funds Requirement, expressed as a percentage.

The Group and the 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 Internal Capital Adequacy and Risk Assessment (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's and Company's business lines and balance sheet. The Group and Company then ensure that the current level of financial resources is adequate to remain a going concern during this period under all scenarios considered.

Management believes that the Group and the Company have 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
SMBC Nikko Capital Markets Limited, Hong Kong branch	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 (2023: nil).

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

Year ended 31/03/2024:	**United Kingdom**	**Hong Kong**	**United Arab Emirates**	**Group**
Total revenue (USDm)	**200.0**	**7.8**	**1.9**	**209.7**
Profit/(loss) before tax (USDm)	**21.2**	**(0.1)**	**(0.2)**	**20.9**
Corporation tax paid (USDm)	**20.0**	**0.7**	**–**	**20.7**
Average number of employees	**178**	**17**	**4**	**199**

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

Notes to the financial statements For the year ended 31 March 2024 continued

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 2024 USDm	31 March 2023 USDm
Sumitomo Mitsui Banking Corporation – Parent		
Balances receivable/(payable) at year end		
Cash at banks	**12.2**	9.3
Net derivative assets	**(1,227.4)**	(1,069.1)
Collateral placed	**1,239.7**	1,158.7
Collateral received	**(1,878.8)**	(1,726.5)
Funding loans	**(2,104.8)**	(1,468.1)
Other liabilities	**(0.2)**	(2.0)
Amounts outside the statement of financial position		
Independent Amount securities received (note 18)	**789.5**	902.1
Guaranteed derivative balances (note 30)	**1,803.9**	1,651.1
Income/(expense) during the year		
(Loss)/gain on derivative instruments	**(968.4)**	(2,851.9)
Interest income	**83.8**	0.9
Other trading income	**–**	6.1
Interest expense	**(133.7)**	(88.6)
Fees and commissions received	**–**	0.2
Fees and commissions paid	**(10.4)**	(23.1)
Other expenses	**(1.3)**	(1.3)

	31 March 2024 USDm	31 March 2023 USDm
SMBC Nikko Securities Inc. – Parent		
Balances receivable/(payable) at year end		
Securities purchased under resale agreements	**6,238.9**	3,943.4
Accrued income receivable	**4.1**	3.2
Other receivables – reimbursements	**1.2**	0.9
Other payables – securities trading fees	**(1.5)**	(1.7)
Securities sold under repurchase agreements	**(127.4)**	(134.0)
Amounts outside the statement of financial position		
Margin Deficit Securities received (note 18)	**29.7**	39.9
Income/(expense) during the year		
Interest income on securities under resale agreements	**150.7**	55.4
Fees and commission on securities trading	**21.2**	14.3
Other operating income	**0.1**	0.1
Reimbursements	**2.9**	4.0
Interest expense on securities under repurchase agreements	**(10.5)**	(7.3)
Other fees and commissions paid	**(0.5)**	(0.4)
Other expenses	**(1.2)**	(1.7)

	31 March 2024 USDm	31 March 2023 USDm
SMBC Capital Markets Inc.		
Balances receivable/(payable) at year end		
Accrued interest receivable	**0.2**	0.2
Other assets – agency fees	**18.3**	18.7
Net derivative assets/(liabilities)	**1,085.3**	1,115.0
Securities sold under repurchase agreements	**(1,278.9)**	(1,073.1)
Trading instruments net liabilities	**(100.1)**	(104.0)
Collateral received	**(1,076.0)**	(1,118.1)
Accrued expenses payable – guarantee fees/agency fees	**(17.0)**	(23.0)
Amounts outside the statement of financial position		
Termination value of guaranteed transactions *	**877.0**	1,840.9
Guarantee indemnity securities (note 18) *	**1,247.6**	2,764.3
Income/(expense) during the year		
Gain on derivative instruments	**327.9**	3,467.0
Interest (expense)/income	**(100.9)**	(3.3)
Fees and commissions on agency trading	**3.7**	3.3
Gain/(loss) on trading instruments	**(5.9)**	27.9
Other operating income – guarantee termination/intermediation fees	**4.0**	2.8
Fees and commissions on securities trading	**(0.3)**	(0.2)
Other operating expenses	**(11.5)**	(11.9)

* 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 2024 USDm	31 March 2023 USDm
SMBC Nikko Securities America Inc.		
Balances receivable/(payable) at year end		
Securities purchased under resale agreements	**69.3**	97.9
Accrued income receivable	**8.8**	3.2
Other assets	**0.5**	11.9
Securities sold under repurchase agreements	**(60.7)**	–
Accrued securities trading fees and agency fees	**(3.4)**	(2.0)
Other liabilities	**(14.5)**	(2.3)
Income/(expense) during the year		
Interest income on securities under resale agreements	**4.0**	1.2
Fees and commission income on securities trading	**6.6**	4.5
Interest expense on securities under repurchase agreements	**(3.3)**	–
Fees and commissions expense on securities trading	**(7.5)**	(4.5)
Other operating expenses	**(0.3)**	(0.7)

Notes to the financial statements For the year ended 31 March 2024 continued

29. Related party transactions continued

	31 March 2024 USDm	31 March 2023 USDm
SMBC Bank International plc		
Balances receivable/(payable) at year end		
Cash at banks	**5.0**	33.4
Collateral placed	**133.7**	187.0
Net derivative instruments	**(134.3)**	(180.9)
Other assets	**0.2**	13.6
Securities sold under repurchase agreements	**(903.0)**	(733.9)
Other liabilities	**(23.0)**	(45.6)
Income/(expense) during the year		
Loss on derivative instruments	**(46.1)**	(147.2)
Interest income	**6.6**	1.7
Interest expense	**(42.4)**	(17.4)
Other fees and commissions paid	**–**	(1.1)
Other operating expenses	**(46.7)**	(40.8)

	31 March 2024 USDm	31 March 2023 USDm
SMBC Nikko Securities (Hong Kong) Limited		
Balances receivable/(payable) at year end		
Accrued income receivable	**1.3**	0.3
Accrued expenses payable	**(0.2)**	(0.3)
Other liabilities	**(0.1)**	(0.3)
Income/(expense) during the year		
Fees and commission on securities trading	**3.8**	9.3
Other fees and commissions paid	**(0.5)**	(0.8)
Other non-personnel expenses	**(0.6)**	–

	31 March 2024 USDm	31 March 2023 USDm
Nikko Systems Solutions, Ltd.		
Income/(expense) during the year		
Other non-personnel expenses	**(0.3)**	(0.4)

	31 March 2024 USDm	31 March 2023 USDm
SMBC Nikko Securities (Singapore) Pte. Ltd		
Balances receivable/(payable) at year end		
Accrued income receivable at year end	**0.3**	–

	31 March 2024 USDm	31 March 2023 USDm
SMBC Bank EU AG		
Balances receivable/(payable) at year end		
Net derivative assets/liabilities	**2.1**	(301.4)
Collateral placed	**7.2**	305.1
Other receivables	**19.3**	11.2
Other payables	**(6.1)**	(29.6)
Income/(expense) during the year		
Fees and commission on securities trading	**1.8**	1.1
Loss on derivative instruments	**104.8**	(248.0)
Other operating income	**9.1**	9.1
Interest income	**7.1**	2.7
Interest expense	**(0.1)**	(0.4)
Other fees and commissions paid	**(9.0)**	(9.3)

	31 March 2024 USDm	31 March 2023 USDm
SMBC Americas Holdings, Inc.		
Balances receivable/(payable) at year end		
Other payables	**–**	(0.3)

	31 March 2024 USDm	31 March 2023 USDm
The Bank of East Asia, Limited		
Balances receivable/(payable) at year end		
Cash at banks	**2.4**	1.2

	31 March 2024 USDm	31 March 2023 USDm
DMG MORI Finance GmbH		
Balances receivable/(payable) at year end		
Derivative liabilities	**(1.5)**	(3.9)
Income/(expense) during the year		
Loss on derivative instruments	**(0.3)**	(3.4)

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.

Notes to the financial statements For the year ended 31 March 2024 continued

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 1,803.9 million (2023: USD 1,651.1 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 2024 USDm Fees	Year ended 31 March 2023 USDm Fees
Sumitomo Mitsui Banking Corporation – Parent	**9.8**	21.8

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. In May 2023, the facility size was increased to USD 2.5 billion to create capacity for additional funding requirements. At 31 March 2024, USD 2,104.8 million (2023: USD 1,468.1 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 2024, the facility was unused (2023: nil).

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 2024 and 31 March 2023, the entire facility was unused. The facility was renewed in April 2022 for another five-year period.

In December 2021, CM Ltd agreed to provide SMBC DP with a USD 10.0 million uncommitted short-term multi-currency liquidity facility, renewed annually. In December 2022, the facility was amended to increase its size to USD 50.0 million to accommodate SMBC DP's liquidity requirement. At 31 March 2024, USD 15.5 million (2023: USD 18.3 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 2023, 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. Both the deferred and non-deferred awards of these employees are split equally between cash and units linked to the SMFG share price. Deferred awards vest in equal thirds over three years and the share-linked units are 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 2024, deferred awards totalled USD 6.1 million (2023: USD 5.1 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 29.5 million (2023: USD 14.5 million).

Notes to the financial statements For the year ended 31 March 2024 continued

35. Items held for sale

During the year, the management approved a plan to sell its securities business to SMBC Bank International plc, a related party. The transferred assets and liabilities are to be settled in cash at the book value. The transfer is scheduled to be completed during the next financial year.

At the reporting date, the securities business represented a major business line with associated assets and liabilities. As such, it met the definition of a disposal group and discontinued operation.

Below is the analysis of major classes of assets and liabilities comprising the disposal group at 31 March 2024. No equity was included in the transfer. As allowed by IFRS 5, comparative balances are not presented.

	31 March 2024 USDm
Investment securities	**1,880.8**
Collateral placed	**12,888.9**
Other assets	**250.5**
Total assets	**15,020.2**
Liabilities	
Securities sold, not yet purchased	**965.9**
Securities sold under agreements to repurchase	**11,180.1**
Other liabilities	**37.0**
Total liabilities	**12,183.0**

The following table analyses the results of the transferred operations for the current and previous year in accordance with IFRS 5. There was no gain or loss on the measurement to fair value less costs to sell of the disposal group constituting the discontinued operation.

	Year ended 31 March 2024 USDm	Year ended 31 March 2023 USDm
Total income	**115.5**	67.1
Operating expenses	**(117.2)**	(116.6)
Loss before taxation	**(1.7)**	(49.5)
Taxation	**0.5**	13.4
Loss from discontinued operations attributable to owners of the parent	**(1.2)**	(36.1)

The disposal group contains no cash. Net cash flows attributable to discontinued operations, all from operating activities, equalled nil.

36. 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