SMBC NIKKO

SMBC NIKKO CAPITAL MARKETS LIMITED

Pillar 3 Risk Disclosures

31st December 2016

Contents

1. Foreword 3
2. Summary 4
3. Basis and Frequency of Disclosure 5
4. Location and Verification 6
5. Corporate Structure 7
6. Risk Management objectives and policies 8
7. Capital Resources 11
8. Capital Resources Requirement 13
9. Credit risk and counterparty credit risk 15
10. Standardised methodologies 21
11. Credit Risk Mitigation 22
12. Market Risk 23
13. Leverage 26
14. Asset encumbrance 27
Appendix 1: Remuneration disclosures for the 2016 financial year 29
Appendix 2 – Balance sheet reconciliation methodology 32
Appendix 3 – Disclosure own funds during the transitional period 34
Appendix 4: Description of main features of CET1 and AT1 instruments 50

1. Foreword

- SMBC Nikko Capital Markets Limited and its consolidated subsidiaries ("CM-UK" or the "Group") are subject to consolidated supervision by the Financial Conduct Authority ("FCA"). The disclosures set-out in this document have been provided in accordance with the requirements established under the Capital Requirements Directive ("CRD") and the Capital Requirements Regulation ("CRR"), hereinafter CRD IV, which came into effect on 1st January 2014.

- The purpose of the Pillar 3 disclosures, as contained within this document, is to explain the basis according to which CM-UK and its constituent entities comply with the capital related requirements set out in the CRR and to provide information about the management of risks relating to those requirements.

- This document does not constitute any form of financial statement on behalf of CM-UK;

- This document reflects, where appropriate, information which is contained within the Consolidated Annual Report & Financial Statements of CM-UK;

- The information contained herein has been subject to internal review but has not been audited by CM-UK's external auditors;

- Although Pillar 3 disclosures are designed to provide transparent capital disclosure by investment firms on a common basis, the information contained in this particular document may not be directly comparable with that made available by other firms. This may be due to a number of factors such as:

  - The mix of approaches allowed under the Capital Requirements Directive ("CRD");
  - The mix of exposure types;
  - The different risk appetites and profiles of firms;
  - The different waivers applied for and allowed by the Financial Conduct Authority ("FCA");

- Pillar 2 capital requirements are excluded from this document. Nevertheless they play a major role in determining both the total capital requirements of CM-UK and any surplus capital available.

2. Summary

CRD IV has established a regulatory framework across the European Union governing the amount and nature of the capital financial institutions must maintain.

The objective of CRD IV is to promote the safety and soundness of the financial system by requiring banks and investment firms to hold a level of capital appropriate to the risks inherent in their business model. CRD IV disclosure requirements ("Pillar 3") aim to complement the minimum capital requirements ("Pillar 1") and the supervisory review and evaluation process ("Pillar 2").

The Pillar 3 disclosures herein have been prepared in accordance with the minimum disclosure requirements of CRD IV. These requirements are designed to promote market discipline by providing market participants with key information on the Group's risk exposures, risk management processes and, hence, capital adequacy. Improved public disclosures of such information leads to increased transparency and should lead directly to more effective market discipline.

Article 432 of the CRR allows the Group to omit any of the required disclosures that are deemed to be immaterial in that such an omission would not change the understanding of a reader relying on this information. In addition the Group may omit any disclosures where it believes that the information is proprietary or confidential. Information is deemed to be proprietary where we consider that, if shared, it would undermine our competitive position. Information is deemed to be confidential where there are obligations binding us to confidentiality with our counterparties and suppliers.

Unless otherwise stated all figures in this document are denominated in thousands of United States dollars.

3. Basis and Frequency of Disclosure

These disclosures have been prepared based upon the consolidated financial position of CM-UK and the financial position of those of its constituent companies that are regulated investment firms, domiciled in the United Kingdom as of 31st December 2016. The disclosures made are those required by the regulations in force at that date. The Group has a further subsidiary, SMBC Nikko Capital Markets (Asia) Limited, whose risk exposures are included in the consolidated numbers but are not disclosed on a standalone basis.

Future disclosures will be made annually, as of 31st December, and will be updated to reflect any changes to regulatory requirements.

4. Location and Verification

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

This report is published on the corporate website of SMBC Nikko Capital Markets Limited (www.smbcnikko-cm.com).

5. Corporate Structure

CM-UK comprises of SMBC Nikko Capital Markets Limited ("CM-LTD") and its wholly owned subsidiaries SMBC Derivative Products Limited ("SMBC DP") and SMBC Capital Markets Asia Limited ("CM-Asia"). Both CM-LTD and SMBC DP are full scope IFPRU investment firms domiciled in the United Kingdom and are authorised and regulated by the FCA, CM-Asia is domiciled in Hong Kong and is regulated locally by the Securities and Futures Commission. CM-UK's activities include customer facilitation, broking and market-making in primary and secondary debt and equity securities and an extensive range of over-the-counter derivative contracts, additionally there is an advisory business.

Sumitomo Mitsui Banking Corporation ("SMBC") of Japan is the majority shareholder and controller of CM-UK. It is structured as two operational units, the securities products group ("SPG") and the derivatives products group ("DPG").

DPG provides interest rate and foreign exchange hedging products to the SMBC Group and its customers. It works closely with an affiliated firm domiciled in the United States, SMBC Capital Markets, Inc. ("CM INC"), with which it hedges all material market and liquidity risks. SMBC DP, a bankruptcy remote derivatives company that has been assigned an AA- credit rating by Standard & Poor's and an Aa1 rating by Moody's Investor Service, is an integral part of DPG allowing the Group to offer services to customers seeking to hedge interest rate or currency risk with a highly rated counterparty.

SPG encompasses the Group's investment banking activities, including those of its Australian representative office. It is primarily a sales driven business focussed on maximising customer order flow in the primary and secondary debt and equity markets. The Group and the Company take market and liquidity risk positions, within limits that reflect its risk appetite, to support its own market-making activities and more widely to provide services for the wider SMBC Group customer base. SPG also has a business advisory Group.

The relationships between legal entities within the Group are defined within agency and service level agreements. The Group also co-operates closely with SMBC's international network of branches and subsidiaries.

CM-UK does not have a public rating, however, in the event of a credit downgrade in the public rating of either the parent bank or of the publicly rated, bankruptcy remote subsidiary SMBC DP there will be the potential for various liquidity events such as collateral calls or terminations upon downgrade. CM-UK therefore continuously monitors this position.

The CRD framework applies to CM-LTD and SMBC DP on a solo basis and to CM-UK on a consolidated basis, consequently the disclosures below are presented on both a solo and a consolidated basis.

6. Risk Management objectives and policies

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

The Risk Management Framework Policy covers seven key components, which in summary are the following;

- Risk Governance Structure – roles and responsibilities for risk management and what authorities are delegated;
- Risk Identification and Assessment – what risks the Group faces and how material each risk is;
- Risk Appetite – what level of risk the Group is prepared to take in the pursuit of its strategic objectives;
- Risk Measurement – how risks are identified and measured;
- Risk Monitoring and Reporting – how risks are monitored, controlled and reported to the Board, executive management and other stakeholders;
- Stress Testing – scenario analysis of potential downside risks;
- Capital Planning and Management – guidance on how the Group's capital should be managed on a day-to-day basis and how its capital requirement should be planned for over a longer time horizon;

The Group catalogues the risks it has identified as relevant to its business model in a Risk Register which is subject to annual review to ensure it remains both comprehensive and up-to-date. The risk identification process has also identified those risks that require capitalisation as follows:

- **Credit Risk** – the risk of any losses to the Group arising from any credit events caused by a third party's inability or unwillingness, or a change in the market's perception of the third party's ability or willingness, to meet its obligations as they fall due;
- **Market Risk** – which the Group defines as the risk of financial loss or damage to the Group's balance sheet caused by changes to market prices and other market values;
- **Concentration Risk** – defined as the risk of losses arising as a result of concentrations of exposures amongst individual counterparties, economic sectors or geographical regions due to imperfect portfolio diversification;
- **Operational Risk** – the risk of loss, or damage to the Group's reputation, resulting from inadequate or failed processes, people and systems, or from external events;
- **Pension Obligation Risk** – the risk of future expense arising on pension obligations;

The Group's Risk Register also analyses risks for which capitalisation is not considered to be an appropriate mitigant.

- **Liquidity Risk** – the risk of loss or damage to the Group's balance sheet caused by being unable to meet obligations when they fall due without incurring material costs in realising liquid assets;

- **Conduct Risk** – the risk of the Group's behaviour resulting in poor customer outcome and/or damage to the integrity of the financial markets;
- **Legal & Compliance Risk** – the risks that arise if the Group fails to ensure compliance with its obligations under all applicable laws and financial regulations;
- **Other non-financial Risk** – as a result of its activities the Group assumes other potential risk impacts such as reputational and others which it manages within the overall policy framework;

A comprehensive risk assessment process is undertaken annually and is fully documented in the Group's Internal Capital Adequacy Assessment Process ("ICAAP").

The Group has established a risk management governance structure with appropriate delegated authorities and lines of communication to meet the objectives set out above comprising:

- Appropriate committees to oversee and manage the risks faced by the Group;
- An organisational structure that utilises a three Lines Of Defence model for the management of risks and establishes clear responsibilities for each Line of Defence;
- A policy framework that defines the mandatory minimum requirements for the management of risks across the Group.

The board has approved the risk management and internal control arrangements in relation to the group's strategy and risk profile. These are developed and reviewed in line with group strategy to ensure risks remain within agreed risk tolerances.

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

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

Risk management is underpinned by SMBC's values driven culture.

The Board approved risk appetite statement sets out a series of metrics that are monitored through a risk appetite dashboard. This dashboard addresses a series of risk categories:

- Solvency;
- Liquidity;
- Credit and concentration risk;
- Market risk;
- Operational risk;
- Conduct, compliance and reputational risk;
- Earnings.

The current status of the Group's risk appetite metrics is reported to appropriate management committees on a monthly basis and to the Board Risk Committee quarterly. These results are displayed alongside the trigger and absolute thresholds established by the Board. Defined procedures are set-out for the escalation of any breaches of risk appetite to senior management and the Board. Specific procedures vary according to the severity of the breach and also the nature of the Risk Appetite statement which has been breached. A key part of this escalation protocol involves investigating the background and preparing necessary information concerning the cause of the breach.

As at 31st December 2016 the Group's risk exposures were all within its risk appetite trigger levels.

Directorships

Director	Internal directorships	External directorships
Mitsuhiro Akiyama	**4**	**0**
Tetsuro Imaeda	**4**	**0**
Bungo Miura	**1**	**0**
Keiichiro Nakamura	**3**	**0**
John David Thomas	**2**	**1**
Yaoki Tsutsumi	**1**	**0**
Antony Yates	**5**	**0**
Takahiro Yazawa	**3**	**0**

For CRD IV purposes all internal directorships are appointments within the SMBC Group.

All proposed appointments to the Board and to senior management positions within the Group are subject to review by the Nominations Committee, constituted of non-executive directors, who are responsible for assessing the skills, knowledge, experience and capabilities of candidates. All Nominations Committee proceedings are attentive to the Group's diversity policy.

A Risk and Compliance Committee, made up of non-executive directors, meets quarterly and is responsible for key thematic issues concerning risk and capital planning (risk appetite, risk management framework, calculation of capital requirements, risk controls / reporting and the assessment of the impact of prospective changes to the regulatory environment).

7. Capital Resources

Table 1 provides a summary of the relevant pillar 1 capital ratios as at 31st December 2016:

Table 1

	CM-UK	CM-LTD	SMBC DP
Common equity tier 1	29.7%	30.3%	62.8%
Total	38.4%	38.4%	62.8%

Ratios are calculated by taking the relevant capital resources as a percentage of risk weighted assets. Total risk weighted assets as at 31st December 2016 were ($'000):

CM-UK:	4,166,354
CM-LTD:	3,893,630
SMBC DP:	351,585

Table 2 provides a summary of the composition of regulatory capital resources as at 31st December 2016:

Table 2

	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Common equity tier 1 capital			
Called up share capital	779,000	779,000	200,000
Share Premium	165,000	165,000	
Retained earnings and other reserves	320,272	298,824	21,433
Common equity tier 1 capital	1,264,272	1,242,824	221,433
Deductions from common equity tier 1 capital			
50% of material holdings		(40,822)	
Other	(24,892)	(24,136)	(756)
Common equity tier 1 capital	**1,239,380**	**1,177,866**	**220,677**

Additional tier 1 capital			
Perpetual non-cumulative preference shares	360,000	360,000	-
Deductions from additional tier 1 capital			
50% material holdings		(40,822)	
Total additional tier 1 capital	**360,000**	**319,178**	
Total capital after deductions	**1,599,380**	**1,497,044**	**220,677**

All capital employed in the Group as at 31st December 2016 qualifies as tier 1 capital.

CM-LTD:

Common Equity Tier 1 capital is made up of $944 million ordinary share capital plus retained earnings of $299 million. 360 million perpetual, non-cumulative, preference shares of $1.00, fully paid-up qualify as additional tier 1 capital. Only the ordinary shares carry voting rights and are wholly owned by SMBC.

SMBC DP:

Common Equity Tier 1 capital consists of 200 million $1.00 ordinary shares fully paid-up and retained earnings of $22 million.

CM-Asia:

CM-LTD holds 2 million $1.00 ordinary shares in CM-Asia, the subsidiary's entire issued share capital. CM-Asia is not subject to any standalone capital requirements but is consolidated within the consolidated prudential returns of CM-UK.

CM-UK regularly stresses its financial resources to model the potential effect of extreme impact events on the Group's capital and its capital resources requirement.

8. Capital Resources Requirement

CM-UK determines its minimum regulatory capital charge (Pillar 1) on a daily basis using a capital calculator compliant with CRR rules. A summary report, which includes a trend analysis and highlights points of note, is then distributed to the Capital Management Committee.

Table 3 provides a summary of the minimum capital requirement for each regulated entity and the group.

Table 3

	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Operational risk	34,189	32,897	402
Counterparty risk	207,534	194,317	13,127
Credit risk	7,332	7,161	103
Concentration risk	68,238	37,620	13,935
Material holdings	-	24,071	-
Market risk	16,015	15,424	560
Capital resources requirement	333,308	311,490	28,127
Surplus / (deficit) of own funds[1]	1,266,072	1,185,554	192,550
Solvency Ratio[2]	480%	481%	785%

Operational risk

CM-UK calculates Pillar 1 operational risk capital using the Basic Indicator Approach.

Credit risk

SMBC Nikko Capital Markets Limited Group calculates its Pillar 1 credit and counterparty credit risk capital requirements using the standardised approach. Risk weights are assigned based on the lower of the external credit ratings obtained and are associated with the credit quality steps prescribed in Part Three, Title II, chapter 2 of the CRR in accordance with the credit quality assessment scale. Where the Group is exposes to an entity for which no external credit rating is available that entity is treated as unrated an assigned a risk weight in-line with the requirements of the CRR.

The firm makes use of netting for reporting purposes for those jurisdictions where netting is legally enforceable where there is a credit support agreement in place.

1 The surplus / (deficit) of own funds is defined as the excess of total capital after deductions over the pillar 1 capital resources requirement.

2 The solvency ratio is the ratio of total capital after deductions to the pillar 1 capital resources requirement.

Market risk

CM-LTD calculates interest rate general market risk in accordance with the maturity method and equity market risk in accordance with the standard equity method.

9. Credit risk and counterparty credit risk

Table 4 shows CM-UK's total exposure for counterparty credit risk calculation purposes:

Table 4

Description	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Per financial statements			
Trading assets	30,313	30,313	-
Derivatives	7,336,665	7,319,616	17,049
Repurchase and reverse repurchase agreements	10,736,381	10,736,381	
Gross positive fair value of contracts	18,103,359	18,086,310	17,049
Accrued interest (on SFT)	(3,040)	(3,040)	
Derivative fair value adjustments*	47,038	46,931	107
Valuation differences (on SFT)**	(72,904)	(72,904)	
Volatility adjustment (on SFT)	46,576	46,576	
Unsettled trades***	187,263	187,263	
Adjusted positive fair value of contracts	18,308,291	18,291,136	17,156
Netting benefits	(17,775,465)	(17,774,539)	(926)
Over-collateralisation	(85,383)	(85,383)	
Netted current credit exposure	618,209	601,980	16,229
Potential future credit exposure	2,833,636	2,571,235	262,401
Exposure at default	3,451,845	3,173,215	278,630

* This reflects the reversal of fair value adjustments that reduce the valuation of derivative assets reported within the financial statements.

** Securities financing transactions ("SFT") are valued at principal within the financial statements but are included within the counterparty risk calculation at mark-to-market reflecting the exposure arising on the trades.

*** Securities and SFT are reported within the Financial Statements on a settlement date basis but are included within the counterparty credit risk calculation on a trade date basis.

Table 5 shows CM-UK's capital requirements (calculated as 8% of risk weighted exposure) for each credit risk exposure class.

Table 5

Exposure Class	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Bank	4,874	4,807	67
Other	2,458	26,425	36
Credit risk requirement	7,332	31,232	103

Table 6 shows the total amount of CM-UK's credit exposures by exposure class.

Table 6

Exposure Class	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Credit exposure			
Bank	304,641	300,459	4,182
Other*	36,972	156,028	448
Total credit exposure	341,613	456,487	4,630

*CM-LTD's other exposures include amounts relating to wholly owned subsidiaries calculated under the requirements of article 36 of the CRR. These amounts constitute a consolidation adjustment.

Credit risk represents the potential losses that CM-UK would incur if a counterparty failed to perform its obligations under contractual terms. Table 7 shows the total amount of CM-UK's credit exposure by industry.

Table 7

Industry	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Credit exposure			
Bank	304,641	300,459	4,182
Other	36,972	156,028	448
Total credit exposure	341,613	456,487	4,630

Table 8 shows CM-UK's total credit exposure by geographical area and exposure class.

Table 8

Geographical area	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Asia Pacific			
Bank	300,459	300,459	-
Other	852	-	-
Total Asia Pacific	301,311	300,459	-
Europe			
Bank	-	-	-
Other	36,120	156,028	448
Total Europe	36,120	156,028	448
North America and Latin America			
Bank	4,182	-	4,182
Other	-	-	-
Total North America and Latin America	4,182	-	4,182
Total credit exposure	341,613	456,487	4,630

Table 9 shows CM-UK's credit exposure by residual maturity and exposure class.

Table 9

Residual Maturity	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Less than three months			
Bank	304,641	300,459	4,182
Other	-	-	-
Total less than three months	304,641	300,459	4,182
Undefined			
Bank	-	-	-
Other	36,972	156,028	448
Total undefined	36,972	156,028	448
Total credit exposure	341,613	456,487	4,630

Table 10 shows the average amount of CM-UK's credit exposures over 2016.

Table 10

Exposure Class	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Credit exposure			
Bank	205,455	150,229	55,225
Other	45,143	162,774	373
Total credit exposure	250,598	313,003	55,598

A major element of CM-UK's credit risk management is a rigorous quantitative credit value adjustment based on scenario simulation and market risk adjusted probabilities of default; this is a "fair value reserve". Such a system cannot by itself assure efficient pricing or monitoring of individual credit exposures but it is a strong incentive for proper trade off of risk and return at the time of transaction, as well as providing an efficient incentive for assignment and termination of transactions later. The reserve is arrived at by calculating an expected loss in the simulation model using market implied default probabilities. The calculation method uses risk adjusted probabilities derived from prevailing market credit spreads for various rating categories from third party sources.

The result of this calculation methodology is that the reserve for each name effectively reflects the market credit spread charged on the expected exposure to the counterparty at each time point. This is a good proxy for the transaction unwind cost in the market. Management uses this reserve as its main tool for credit monitoring on a portfolio basis, supplemented by reports from the Credit department, especially breaking news of sharply deteriorating credits. Additionally management reviews a series of reports on specific exposures identified as high risk.

Table 11

Industry	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Exposures to impaired obligors	-	-	-
Total	-	-	-
Past due exposures	-	-	-
Total	-	-	-
Credit value adjustments			
Multi-lateral development bank	112	108	4
Bank	4,820	4,820	-
Commercial and industrial	10,035	10,002	33
Insurance	-	-	-
Other financial	9,046	8,989	57
Project finance	2,705	2,705	-
Property	-	-	-
Public sector	17	17	-
Shipping finance	85	85	-
Total	26,820	26,726	94
Increase / (decrease) in year on credit value adjustments			
Multi-lateral development bank	99	108	(9)
Bank	(13,055)	(12,975)	(80)
Commercial and industrial	4,479	4,491	(12)
Insurance			
Other financial	5,834	5,869	(35)
Project finance	(3,063)	(3,063)	-
Property	(1)	(1)	-
Public sector	(439)	(439)	-
Shipping finance	(58)	(58)	-
Total	(6,204)	(6,068)	(136)

Exposures to impaired obligors are based on the current exposure of counterparties for which specific credit reserves have been raised. Credit value adjustments include both specific and general credit reserves.

Table 12

Geographical area	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Exposures to impaired obligors	-	-	-
Total	-	-	-
Past due exposures	-	-	-
Total	-	-	-
Credit value adjustments			
Asia Pacific	770	770	-
Europe	19,298	19,261	37
North America and Latin America	6,400	6,343	57
Rest of the world	352	352	-
Total	26,820	26,726	94
Movement in year on credit value adjustments			
Asia Pacific	(1,841)	(1,841)	-
Europe	1,350	1,451	(101)
North America and Latin America	(5,389)	(5,354)	(35)
Rest of the world	(324)	(324)	-
Total	(6,204)	(6,068)	(136)

Table 13

Item	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Provisions at the beginning of the period	33,024	32,794	230
Bad debts written off during the period	-	-	-
Recoveries	-	-	-
Increases or decreases in provisions	(6,204)	(6,068)	(136)
Provisions at the end of the period	26,820	26,726	94

10. Standardised methodologies

Table 14 shows CM-UK's credit exposures by exposure class and obligor grade.

Table 14		CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Bank				
	1	-	-	-
	2	304,641	300,459	4,182
	3	-	-	-
	4	-	-	-
	5	-	-	-
	Unrated	36,972	156,028	448
Total bank		341,613	456,487	4,630

CM-UK adjusts counterparty risk weights rather than deducting collateral held from the exposure when calculating risk weighted assets.

11. Credit Risk Mitigation

Credit risk mitigation is a high priority of CM-UK management and a variety of mitigants are employed. The credit reserve, as explained above, is based upon market fair values. Additionally management requires that credit procedures and limits are strictly adhered to by all front office staff who are required to incorporate a comprehensive credit assessment in their approach to pricing. Collateral agreements are actively pursued from the standpoint of both credit and liquidity risk.

In addition to the above management has sought to use the financial strength of the wider SMBC Group. In order to address the volatility of a fair value credit reserve in times of economic stress, where the reserve increases, decreasing trading revenue as conditions deteriorate, CM-LTD has purchased parental guarantees to cover specifically identified credit risks. The guarantee fees arising are calculated as an agreed credit charge applied to the expected exposure over the lifetime of the guaranteed transactions discounted at a risk adjusted spread over Libor. Where the firm has entered into an interest rate or currency derivative it not only backs out market and liquidity risk through an offsetting transaction with CM-INC it may also mitigates the credit risk of the resulting third party exposure through obtaining a guarantee from SMBC.

12. Market Risk

As a result of the establishment of the securities trading business within CM-LTD, specifically the taking of securities positions in order to facilitate market-making, market risk has increased. This is consistent with the low to moderate risk appetite of management.

Table 15 shows CM-UK's market risk capital requirement and risk weighted exposures by exposure type.

Table 15

Exposure Type	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Foreign exchange	1,021	978	12
Equity	3,326	3,326	-
Interest rate	11,668	11,120	548
Total market risk capital requirement	16,015	15,424	560
Foreign exchange	12,765	12,227	143
Equity	41,575	41,575	-
Interest rate	145,848	138,994	6,859
Total risk weighted exposures	200,188	192,796	7,002

Table 16 shows CM-UK’s foreign exchange market risk capital requirement by currency.

Table 16

Currency	CM-UK ($’000)	CM-LTD ($’000)	SMBC DP ($’000)
GBP	283	272	12
EUR	346	346	-
HKD	33	1	-
ZAR	353	353	-
MXN	6	6	-
Total foreign exchange market risk requirement	1,021	978	12

All foreign exchange market risk exposures related to foreign currency cash accounts and long settlement transactions.

Table 17 shows CM-UK’s equity market risk capital requirement by type.

Table 17

Type	CM-UK ($’000)	CM-LTD ($’000)	SMBC DP ($’000)
General market risk	1,471	1,471	-
Specific market risk	1,855	1,855	-
Total interest rate market risk requirement	3,326	3,326	-

Table 18 shows CM-UK’s interest rate market risk capital requirement by type.

Table 18

Type	CM-UK ($’000)	CM-LTD ($’000)	SMBC DP ($’000)
General market risk	3,139	3,046	93
Specific market risk	8,529	8,074	455
Total interest rate market risk requirement	11,668	11,120	548

Table 19 shows CM-UK's specific interest rate market risk capital requirement by exposure type.

Table 19

Exposure Class	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
Bank	3,399	2,944	455
Corporate	4,651	4,651	-
Local government	478	478	-
Total specific risk requirement	8,528	8,073	455

Table 20 shows CM-UK's specific risk capital requirement by credit quality step.

Table 20

Credit Quality Step	CM-UK ($'000)	CM-LTD ($'000)	SMBC DP ($'000)
1	262	121	140
2	3,670	3,356	315
3	831	831	-
Unrated	3,765	3,765	
Total specific market risk requirement	8,528	8,073	455

13. Leverage

The leverage ratio is a non-risk based measure of the ratio of tier 1 capital to total assets. It is calculated as:

$$\frac{\text{Tier 1 capital}}{\text{Total adjusted balance sheet assets}}$$

The purpose of monitoring and measuring this metric is to prevent a build-up of 'excessive' leverage. The CRD IV imposes a minimum requirement of 3% for the leverage ratio (until 01 January 2017). The Group's leverage ratio was in excess of this minimum requirement at 31st December 2016.

Table 21

Leverage ratio	CM-UK	CM-LTD	SMBC DP
	($'000)	($'000)	($'000)
Tier 1 capital	1,599,539	1,497,043	220,677
Total assets per statement of financial position	17,001,191	16,961,310	238,808
Derivative exposure adjustment [1]	(2,936,752)	(3,198,327)	261,574
Other adjustments [2]	298,708	298,708	-
Leverage ratio exposure	14,363,147	14,061,691	500,382
Leverage ratio	11.14%	10.65%	44.10%

[1] The derivatives exposures adjustment recognises the difference in value between the accounting value of derivatives recognised as an asset in the financial statements and the leverage exposure value determined by the mark-to-market method set out in article 274 of the CRR.

[2] Further adjustments relating to investments deducted from tier 1 capital and securities financing transactions set out in article 429 of the CRR.

The leverage ratio is reported to, and monitored by, appropriate management committees on a monthly basis and is reported to the Board Risk Committee quarterly. An escalation policy is in place setting out actions to be undertaken to manage the ratio within regulatory limits.

14. Asset encumbrance

The Group determines which assets and collateral are classified as encumbered in a manner consistent with the definition provided in the EBA Guidelines on the Disclosure of Encumbered assets (EBA GL/2014/03). Assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use. The key sources of encumbrance are repurchase agreements, trading liabilities and derivative activities. Asset encumbrance is integral to the Group's business and funding model. Over time, the types of encumbered assets has remained consistent.

The Group utilises standard collateral agreements and collateralises at appropriate levels based on industry standard contractual agreements.

The tables below set-out the Group's unencumbered and encumbered assets as at 31 December 2016 based on the requirements of CRD IV and related guidance.

Table 22

	CM-UK				CM-LTD				DP			
	Encumbered assets		*Unencumbered assets*		*Encumbered assets*		*Unencumbered assets*		*Encumbered assets*		*Unencumbered assets*	
	Fair value	*Carrying value*	*Fair value*	*Carrying value*	*Fair value*	*Carrying value*	*Fair value*	*Carrying value*	*Fair value*	*Carrying value*	*Fair value*	*Carrying value*
Assets of the reporting institution	**1,496**	**3,154,582**	**718,042**	**13,846,610**	**1,496**	**3,154,582**	**824,509**	**13,806,728**	**0**	**0**	**95,532**	**220,677**
Loans on demand				334,794				330,612				4,182
Equity instruments							202,000	202,000			0	0
Debt securities	1,496	1,496	718,042	718,042	1,496	1,496	622,509	622,509	0	0	95,532	95,532
Other assets		3,153,085		12,793,774		3,153,085		12,651,607		0		120,963
Asset encumbrance ratio		*18.56%*				*18.60%*				*0.00%*		

Table 23

	CM-UK		CM-LTD		DP	
	Fair value of encumbered collateral received or own debt securities issued	*Fair value of collateral received or own debt securities issued available for encumbrance*	*Fair value of encumbered collateral received or own debt securities issued*	*Fair value of collateral received or own debt securities issued available for encumbrance*	*Fair value of encumbered collateral received or own debt securities issued*	*Fair value of collateral received or own debt securities issued available for encumbrance*
Collateral received by the reporting institution	**5,122,561**	**3,573,475**	**5,122,561**	**1,348,958**		
Equity instruments						
Debt securities	5,122,561	1,453,992	5,122,561	1,348,958		
Other collateral received		2,119,483		0		
Own debt securities issued other than own covered bonds or ABSs						

Table 24

	CM-UK		CM-LTD		DP	
	Matching liabilities, contingent liabilities or securities lent	*Assets, collateral received and own debt securities issued*	*Matching liabilities, contingent liabilities or securities lent*	*Assets, collateral received and own debt securities issued*	*Matching liabilities, contingent liabilities or securities lent*	*Assets, collateral received and own debt securities issued*
Carrying amount of financial liabilities	8,308,156	8,277,143	8,308,156	8,277,143		

Appendix 1: Remuneration disclosures for the 2016 financial year

SMBC Nikko Capital Markets Limited Group ("CM-UK") is subject to the FCA's Remuneration Code and is categorised as a Proportionality level 3 firm. This section provides further information on CM-UK's remuneration policies and governance in addition to quantitative information on remuneration in to the financial year ending 31st December 2016.

1. Remuneration Policy

The Remuneration Policy ("Policy") sets out the policies, procedures and practices of remuneration for all employees of CM-UK including international secondees from SMBC Nikko Capital Markets (Tokyo) and SMBC (Tokyo), and is intended to reflect CM-UK's overall business philosophy, aims and objectives.

The Remuneration Code applies to CM Ltd and its subsidiaries. SMBC DP currently has no employees apart from three non-executive directors as it relies on an Agency Agreement with CM-INC to provide all of its required services. In this document, SMBC DP and CM-LTD are referred to as CM-UK while SMBC DP, CM-LTD, CM-Asia and CM-INC are referred to as the Group.

A continuing focus during 2016 has been to ensure that CM-UK's approach to discretionary remuneration is structured in accordance with the FCA's Remuneration Code (the FCA Code).

In summary, the aims of the Policy include the following statements:

a) Employees should be remunerated by means of a mix of basic salary, benefits and discretionary bonus relevant to their function and responsibilities;

b) The amount of fixed remuneration, including salary and benefits, should be sufficient for an acceptable standard of living without a dependency on discretionary bonus;

c) Employees should have the opportunity to share in the success of CM-UK and SMBC, and also share the impact of losses in years of poor performance;

d) Any discretionary bonus should be based on a mixture of SMBC results, Group results, department results and individual contribution;

e) There should be no individual formula-based bonuses in CM-UK;

f) Remuneration should be affordable and appropriate in terms of value allocated to CM-UK's shareholder and employees;

g) Any discretionary bonus should take account of a range of factors, including the risk profile of the business and the skills, knowledge and behaviours of the employee;

h) Variable compensation should not normally be guaranteed, and only used exceptionally as a recruitment tool, and not be paid to any individuals in their first 12 months of service.

2. Regulation

CM-UK is committed to the maintenance of robust remuneration arrangements that are in accordance with regulatory requirements including the FCA Code.

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

a) Scope and Application – CM-UK has a clear process to identify employees whose professional activities could have a significant impact on the firm's risk profile, including senior risk and compliance officers, in accordance with the FCA Remuneration Code. Such employees are designated as Material Risk Taker ("MRT") and they are made aware of the implications of their status;

b) Governance – CM-UK is categorised as a significant, Proportionality Level 3 firm. In line with FCA Proportionality guidelines, CM-UK has constituted a Remuneration Committee to strengthen remuneration governance. The committee is primarily responsible for ensuring CM-UK's remuneration policies comply with the FCA Remuneration Code in addition to specific responsibilities for the review of MRT compensation, bonus pool funding and employee outcomes;

c) Capital – The aggregate total of variable remuneration in 2016 was considered in the context of CM-UK's overall capital resources;

d) Guarantees – The policy is that guarantees are used only in exceptional circumstances, only in the case of new hires and only in their first 12 months of service;

e) Risk–focused Remuneration Policies – CM-UK's policies, procedures and practices promote sound risk management. This is an important part of CM-UK's Policy which links risk and remuneration through the governance process, the performance evaluation process, deferral structures and performance adjustment provisions;

f) Deferral and payment in share based schemes – See Section 7;

g) Conduct assessment is a key part in the assessment of non-financial performance.

3. Material Risk Takers

CM-UK has identified its MRTs in in accordance with Remuneration Code with reference to the EBA Regulatory Technical Standards (RTS) for the definition of material risk takers for remuneration purposes. CM-UK has developed and applied internal qualitative and quantitative assessments against the defined criteria to identify those individuals that have a material impact upon the firm's risk profile.

For the performance year 2016 there were 58 MRTs identified in CM-UK.

4. Control Functions

Employees engaged in Risk and Compliance functions are independent of the business units they oversee. Their remuneration, both fixed and variable, is determined centrally, with no involvement from front line business units in the process, and is reviewed and approved by the Remuneration Committee.

5. Base Salary

Base salary is the fixed payment made to an employee for his or her services. It does not include allowances or benefits and is the basis for salary-related benefits such as pension contributions.

The amount of salary paid to an employee will depend on the following factors:

a) The market rate for the function;

b) The consistency of the market rate with internal peer groups;

c) The knowledge, experience and competencies of the individual;

Base Salary is reviewed annually on 1 April.

6. Variable Pay

Variable pay in CM-UK is defined as annual discretionary bonus, which is awarded based on SMBC results, CM Group results, departmental results and individual performance.

The total bonus pool amount is determined by reference to CM-UK's risk-adjusted criteria, which include both quantitative and qualitative measures.

Individual discretionary bonuses are based on performance and non-performance based criteria. Adherence to applicable risk and control frameworks is part of the performance assessment.

CM-UK sets a leverage cap for individual bonuses at 400% of the individual's base salary. As a Proportionality level 3 firm, CM-UK is not restricted by the bonus cap of 100% of fixed pay.

7. Deferral and Performance Adjustment

As a Proportionality level 3 firm and in accordance with the Remuneration Code, CM-UK has dis-applied 1) Retained shares and other instruments; 2) Deferral; and 3) Performance adjustment for the 2016 remuneration cycle. In accordance with the FCA Code, all Non Cash Instrument, Deferral Policy, and Performance Adjustment for previous years when CM-UK, as a subsidiary of SMBC, was a designated a Tier 1 firm have been applied and vested.

8. Remuneration of SMBC Nikko Capital Markets Limited in Remuneration Year 2016

Aggregate remuneration amount for MRTs split into fixed and variable:

	Senior Managers	Other members of staff designated as MRT	Total
	2015/16 GBP ’000s	2015/16 GBP ’000s	2015/16 GBP ’000s
Number of Material Risk Takers	20	38	58
Total remuneration **£k**	3,920	10,102	14,021

NB the figures above are in respect of the 12 month performance period ending 31 March 2016.

Appendix 2 – Balance sheet reconciliation methodology

Institutions are required to provide information on the reconciliation between balance sheet items used to calculate own funds and regulatory own funds.

Statement of financial position – CM-UK 31st December 2016			
	US$ 000's		**Ref**
Assets			
Cash at banks	458,649		
Trading securities	703,963		
Other trading assets, at fair value	30,313		
Derivative assets	7,336,665		
Securities purchased under agreement to resell	5,537,333		
Due from clients	3,633		
Other debtors	2,917,769		
Property, plant and equipment	10,963		
Deferred tax asset	1,904		
Total assets	**17,001,191**		
Liabilities			
Derivative liabilities	7,337,479		
Trading liabilities, at fair value	112,166		
Trading securities sold, not yet purchased	304,040		
Securities sold under agreement to repurchase	5,199,048		
Other creditors	2,421,731		
Pension scheme liability	2,455		
Total liabilities	**15,376,919**		
Net assets	**1,624,272**		
Equity attributable to equity holders of the parent			
Called up share capital	1,304,000		
- of which permanent share capital		944,000	**a**
- of which perpetual non-cumulative preference shares		360,000	**c**
Retained earnings	320,272		**b**
Total equity	**1,624,272**		

Statement of financial position – CM-LTD 31st December 2016			
	US$ 000's		**Ref**
Assets			
Cash at banks	330,612		
Trading securities	608,431		
Other trading assets, at fair value	30,313		
Derivative assets	7,319,616		
Securities purchased under agreement to resell	5,537,333		
Due from clients	3,415		
Other debtors	2,916,836		
Property, plant and equipment	10,850		
Investment in subsidiary undertaking	202,000		**e**
- of which: significant investment below threshold		81,645	**d**
Deferred tax asset	1,904		
Total assets	**16,961,310**		
Liabilities			
Derivative liabilities	7,321,906		
Trading liabilities, at fair value	112,166		
Trading securities sold, not yet purchased	304,040		
Securities sold under agreement to repurchase	5,199,048		
Other creditors	2,418,871		
Pension scheme liability	2,455		
Total liabilities	**15,538,486**		
Net assets	**1,602,824**		
Equity attributable to equity holders of the parent			
Called up share capital	1,304,000		
- of which permanent share capital		944,000	**a**
- of which perpetual non-cumulative preference shares		360,000	**c**
Retained earnings	298,824		**b**
Total equity	**1,602,824**		

The letters in the “ref” column in the tables above are referenced to the capital tables within Appendix 3 to show how the regulatory capital is derived from the balance sheet.

Appendix 3 – Disclosure own funds during the transitional period

CM-UK Common Equity Tier 1 Capital: Instruments and Reserves		Amount at disclosure date	CRR Article reference	Ref
1	Capital instruments and the related share premium accounts	944,000	26(1), 27, 28, 29 EBA List 26(3)	
	of which: ordinary share capital	944,000	EBA list 26(3)	a
	of which: instrument type 2		EBA list 26(3)	
	of which: instrument type 3		EBA list 26(3)	
2	Retained earnings	320,272	26(1) c)	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)		26(1)	
3a	Funds for general banking risk		26(1) f)	
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1		486(2)	
	Public sector capital injections grandfathered until 1/1/18		483(2)	
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,264,272	26(2)	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(24,892)	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)		36(1) b), 37, 472(4)	
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)		36(1) c), 38, 472(5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33(a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36(1) d), 40, 159, 472(6)	
13	Any increase in equity that results from securitised assets (negative amount)		32(1)	

14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33(b)	
15	Defined-benefit pension fund assets (negative amount)		36(1) e), 41, 472(7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36(1) (f), 42, 472(8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36(1) g), 44, 472(9)	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36(1) h), 43, 45, 46, 49(2), 49(3), 79, 472(10)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36(1) i), 43, 45, 47, 48(1) b), 49(1) to 3), 79, 470, 472(11)	
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36(1) k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36(1) k) i), 89 to 91	
20c	of which: securitisation positions (negative amount)		36(1) k) ii), 243(1) b), 244(1) b), 258	
20d	of which: free deliveries (negative amount)		36(1) k) iii), 379(3)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38(3) are met) (negative amount)		36(1) c), 38, 48(1) a), 470, 472(5)	
22	Amount exceeding the 15% threshold (negative amount)		48(1)	
23	of which: direct and indirect holdings of the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36(1) i), 48(1) b), 470, 472(11)	
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary differences		36(1) c), 38, 48(1) a), 470,	

			472(5)	
25a	Losses for the current financial year (negative amount)		36(1) a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36(1) l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468			
	of which: Filter for Unrealised Loss 1		467	
	of which: Filter for Unrealised Loss 2		467	
	of which: Filter for unrealised gains on AFS Debt instruments		468	
	of which: Filter for unrealised gain 2		468	
26b	Amount to be deducted from or added to common equity Tier 1 Capital with regard to additional filters and deductions required pre CRR		481	
	of which:		481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36(1) j)	
28	Total Regulatory adjustments to Common Equity Tier 1 (CET1)	(24,892)		
29	Common Equity Tier 1 (CET1) capital	1,239,380		
Additional Tier 1 (AT1) Capital: instruments				
30	Capital instruments and the related share premium accounts	360,000	51, 52	c
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1		486(3)	
	Public sector capital injections grandfathered until 1 January 2018		486(3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase out		486(3)	

36	Additional Tier 1 (AT1) capital before regulatory adjustments	360,000		
Additional Tier 1 (AT1) Capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52(1) b), 56 a), 57, 475(2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 b), 58, 475(3)	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 c), 59, 60, 79, 475(4)	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 d), 59, 79, 475(4)	
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013		472, 472(3) a), 472(4), 472(6), 472(8) a), 472(9), 472(10) a), 472(11) a)	
	of which: items to be detailed line by line e.g., material net interim losses, intangibles, shortfall of provisions to expected losses etc.			
	of which: items to be detailed line by line e.g., material net interim losses, intangibles, shortfall of provisions to expected losses etc.			
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) 575/2013		477, 477(3), 477(4) a)	
	of which: items to be detailed line by line e.g., reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities etc.			
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	

	of which: possible filter for unrealised losses		**467**	
	of which: possible filter for unrealised gains		**468**	
	of which:		**481**	
42	**Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)**		**56 e)**	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**			
44	**Additional Tier 1 (AT1) capital**	**360,000**		
45	**Tier 1 capital (T1=CET1+AT1)**	**1,599,380**		
Tier 2 (T2) capital: instruments and provisions				
46	**Capital instruments and the related share premium accounts**		**62, 63**	
47	**Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2**		**486(4)**	
	Public sector capital injections grandfathered until 1 January 2018		**483(4)**	
48	**Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34), issued by subsidiaries and held by third parties**		**87, 88, 480**	
49	**of which: instruments issued by subsidiaries subject to phase out**		**486(4)**	
50	**Credit risk adjustments**		**62 c) and d)**	
51	**Tier 2 (T2) capital before regulatory adjustments**			
Tier 2 (T2) capital: regulatory adjustments				
52	**Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)**		**63 b) i), 66 a), 67, 477(2)**	
53	**Holdings of T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal holdings with the institution designed to inflate artificially the own funds requirement of the institution (negative amount)**		**66 b), 68, 477(3)**	
54	**Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)**		**66 c), 69, 70, 79, 477(4)**	
54a	**of which: new holdings not subject to transitional arrangements**			

54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements			
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 d), 69, 79, 477(4)	
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to Pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) N0 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) 575/2013		472, 472(3) a), 472(4), 472(6), 472(8) a), 472(9), 472(10) a), 472(11) a)	
	of which: items to be detailed line by line e.g., material net interim losses, intangibles, shortfall of provisions to expected losses etc.			
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) 575/2013		475, 475(2)a),475(3), 475(4) a)	
	of which: items to be detailed line by line e.g., reciprocal cross holdings in AT1 instruments, direct holdings of non-significant investments in the capital of other financial sector entities etc.			
56c	Amount to be deducted from or added to Additional tier 2 capital with regard to additional filters and deductions required pre CRR		467, 468, 481	
	of which: possible filter for unrealised losses		467	
	of which: possible filter for unrealised gains		468	
	of which:		481	
57	Total regulatory adjustments to Tier 2 (T2) capital	-		
58	Tier 2 (T2) capital			
59	Total capital (TC=T1+T2)	1,599,380		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			

	of which: items not deducted from CET1 (Regulation (EU) 575/2013 residual amounts) (items to be detailed line by line e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1 etc.)		472, 472(5), 472(8)b), 472(10) b), 472(11) b)	
	Of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line e.g., reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities etc.)		475, 475(2) b), 475(2) c), 475(4) b)	
	Items not deducted from T2 items (Regulation (EU) 575/2013 residual amounts) (items to be detailed line by line e.g., indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)		477, 477(2) b), 477(2) c), 477(4) b)	
60	Total Risk Weighted Assets	4,166,354		
Capital ratios and buffers				
61	Common equity tier 1 (as a % of risk exposure amount)	29.7%	92(2) a), 465	
62	Tier 1 (as a % of risk exposure amount)	38.4%	92(2) b), 465	
63	Total capital (as a % of risk exposure amount)	38.4%	92(2) c)	
64	Institution specific buffer requirements (CET1 requirement in accordance with Article 92(1) a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a % of risk exposure amount)		CRD 128, 129, 130	
65	of which: capital conservation buffer requirement			
66	of which: countercyclical buffer requirement			
67	of which: systemic risk buffer requirement			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		CRD 131	
68	Common equity tier 1 available to meet buffers (as a % of risk exposure amount)	29.7%	CRD 128	
69	[non relevant in EU regulation]			
70	[non relevant in EU regulation]			
71	[non relevant in EU regulation]			
Amounts below the thresholds for deduction (before risk weighting)				

72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36(1) h), 45, 46, 472(10), 56 c), 59, 60, 475(4), 66 c), 69, 70, 477(4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36(1) i), 45, 48, 470, 472(11)	
74	Empty set in the EU			
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38(3) are met)		36(1) c), 38, 48, 470, 472(5)	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings based approach		62	
Capital Instruments subject to phase out arrangements (between 1 January 2013 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements		484(3), 486(2) and (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (5)	
82	Current cap on AT1 instruments subject to phase out arrangements		484(4), 486(3) and (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484(4), 486(3) and (5)	
84	Current cap on T2 instruments subject to phase out arrangements		484(5), 486(4) and (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484(5), 486(4) and (5)	

CM-LTD Common Equity Tier 1 Capital: Instruments and Reserves		Amount at disclosure date	CRR Article reference	Ref
1	Capital instruments and the related share premium accounts	944,000	26(1), 27, 28, 29 EBA List 26(3)	
	of which: ordinary share capital	944,000	EBA list 26(3)	a
	of which: instrument type 2		EBA list 26(3)	
	of which: instrument type 3		EBA list 26(3)	
2	Retained earnings	298,824	26(1) c)	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)		26(1)	
3a	Funds for general banking risk		26(1) f)	
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1		486(2)	
	Public sector capital injections grandfathered until 1/1/18		483(2)	
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,242,824	26(2)	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(24,136)	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)		36(1) b), 37, 472(4)	
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)		36(1) c), 38, 472(5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33(a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36(1) d), 40, 159, 472(6)	
13	Any increase in equity that results from securitised assets (negative amount)		32(1)	

14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33(b)	
15	Defined-benefit pension fund assets (negative amount)		36(1) e), 41, 472(7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36(1) (f), 42, 472(8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36(1) g), 44, 472(9)	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36(1) h), 43, 45, 46, 49(2), 49(3), 79, 472(10)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(40,822)	36(1) i), 43, 45, 47, 48(1) b), 49(1) to 3), 79, 470, 472(11)	d/2
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36(1) k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36(1) k) i), 89 to 91	
20c	of which: securitisation positions (negative amount)		36(1) k) ii), 243(1) b), 244(1) b), 258	
20d	of which: free deliveries (negative amount)		36(1) k) iii), 379(3)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38(3) are met) (negative amount)		36(1) c), 38, 48(1) a), 470, 472(5)	
22	Amount exceeding the 15% threshold (negative amount)		48(1)	
23	of which: direct and indirect holdings of the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36(1) i), 48(1) b), 470, 472(11)	
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary differences		36(1) c), 38, 48(1) a), 470,	

			472(5)	
25a	Losses for the current financial year (negative amount)		36(1) a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36(1) l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468			
	of which: Filter for Unrealised Loss 1		467	
	of which: Filter for Unrealised Loss 2		467	
	of which: Filter for unrealised gains on AFS Debt instruments		468	
	of which: Filter for unrealised gain 2		468	
26b	Amount to be deducted from or added to common equity Tier 1 Capital with regard to additional filters and deductions required pre CRR		481	
	of which:		481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36(1) j)	
28	Total Regulatory adjustments to Common Equity Tier 1 (CET1)	(64,958)		
29	Common Equity Tier 1 (CET1) capital	1,177,866		
Additional Tier 1 (AT1) Capital: instruments				
30	Capital instruments and the related share premium accounts	360,000	51, 52	c
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1		486(3)	
	Public sector capital injections grandfathered until 1 January 2018		486(3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase out		486(3)	

36	Additional Tier 1 (AT1) capital before regulatory adjustments	360,000		
Additional Tier 1 (AT1) Capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52(1) b), 56 a), 57, 475(2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 b), 58, 475(3)	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 c), 59, 60, 79, 475(4)	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 d), 59, 79, 475(4)	
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013		472, 472(3) a), 472(4), 472(6), 472(8) a), 472(9), 472(10) a), 472(11) a)	
	of which: items to be detailed line by line e.g., material net interim losses, intangibles, shortfall of provisions to expected losses etc.			
	of which: items to be detailed line by line e.g., material net interim losses, intangibles, shortfall of provisions to expected losses etc.			
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) 575/2013		477, 477(3), 477(4) a)	
	of which: items to be detailed line by line e.g., reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities etc.			

41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	
	of which: possible filter for unrealised losses		467	
	of which: possible filter for unrealised gains		468	
	of which:		481	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	(40,822)	56 e)	d/2
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	(40,822)		
44	Additional Tier 1 (AT1) capital	319,178		
45	Tier 1 capital (T1=CET1+AT1)	1,497,044		
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts		62, 63	
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2		486(4)	
	Public sector capital injections grandfathered until 1 January 2018		483(4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34), issued by subsidiaries and held by third parties		87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase out		486(4)	
50	Credit risk adjustments		62 c) and d)	
51	Tier 2 (T2) capital before regulatory adjustments			
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 b) i), 66 a), 67, 477(2)	
53	Holdings of T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal holdings with the institution designed to inflate artificially the own funds requirement of the institution (negative amount)		66 b), 68, 477(3)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of		66 c), 69, 70, 79, 477(4)	

	eligible short positions) (negative amount)			
54a	of which: new holdings not subject to transitional arrangements			
54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements			
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 d), 69, 79, 477(4)	
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to Pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) N0 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) 575/2013		472, 472(3) a), 472(4), 472(6), 472(8) a), 472(9), 472(10) a), 472(11) a)	
	of which: items to be detailed line by line e.g., material net interim losses, intangibles, shortfall of provisions to expected losses etc.			
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) 575/2013		475, 475(2)a),475(3), 475(4) a)	
	of which: items to be detailed line by line e.g., reciprocal cross holdings in AT1 instruments, direct holdings of non-significant investments in the capital of other financial sector entities etc.			
56c	Amount to be deducted from or added to Additional tier 2 capital with regard to additional filters and deductions required pre CRR		467, 468, 481	
	of which: possible filter for unrealised losses		467	
	of which: possible filter for unrealised gains		468	
	of which:		481	
57	Total regulatory adjustments to Tier 2 (T2) capital	-		
58	Tier 2 (T2) capital			
59	Total capital (TC=T1+T2)	1,497,044		

59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
	of which: items not deducted from CET1 (Regulation (EU) 575/2013 residual amounts) (items to be detailed line by line e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1 etc.)		472, 472(5), 472(8)b), 472(10) b), 472(11) b)	
	Of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line e.g., reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities etc.)		475, 475(2) b), 475(2) c), 475(4) b)	
	Items not deducted from T2 items (Regulation (EU) 575/2013 residual amounts) (items to be detailed line by line e.g., indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)		477, 477(2) b), 477(2) c), 477(4) b)	
60	Total Risk Weighted Assets	3,893,630		
Capital ratios and buffers				
61	Common equity tier 1 (as a % of risk exposure amount)	30.3%	92(2) a), 465	
62	Tier 1 (as a % of risk exposure amount)	38.4%	92(2) b), 465	
63	Total capital (as a % of risk exposure amount)	38.4%	92(2) c)	
64	Institution specific buffer requirements (CET1 requirement in accordance with Article 92(1) a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a % of risk exposure amount)		CRD 128, 129, 130	
65	of which: capital conservation buffer requirement			
66	of which: countercyclical buffer requirement			
67	of which: systemic risk buffer requirement			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		CRD 131	
68	Common equity tier 1 available to meet buffers (as a % of risk exposure amount)	30.3%	CRD 128	
69	[non relevant in EU regulation]			
70	[non relevant in EU regulation]			

71	[non relevant in EU regulation]			
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36(1) h), 45, 46, 472(10), 56 c), 59, 60, 475(4), 66 c), 69, 70, 477(4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	120,355	36(1) i), 45, 48, 470, 472(11)	e - d
74	Empty set in the EU			
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38(3) are met)		36(1) c), 38, 48, 470, 472(5)	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings based approach		62	
Capital Instruments subject to phase out arrangements (between 1 January 2013 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements		484(3), 486(2) and (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) and (5)	
82	Current cap on AT1 instruments subject to phase out arrangements		484(4), 486(3) and (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484(4), 486(3) and (5)	
84	Current cap on T2 instruments subject to phase out arrangements		484(5), 486(4) and (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484(5), 486(4) and (5)	

Appendix 4: Description of main features of CET1 and AT1 instruments

In order to meet the requirements for disclosure of the main features of Common Equity Tier 1 and Additional Tier 1instruments issued by institutions, as referred to in point (b) and (c) of Article 92(3), the main features of capital instruments are outlined below:

	CM-UK	1	2
		CET1	**AT1**
1	**Issuer**	Private Placement	Private Placement
2	**Unique identifier (e.g., CUSIP, ISIN, or Bloomberg identifier for private placement)**	English	English
3	**Governing law(s) of the instrument**		
	Regulatory treatment	CET1	AT1
4	**Transitional CRR rules**	CET1	AT1
5	**Post-transitional CRR rules**	Solo	Solo
6	**Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated**	Common Equity	Preference Shares
7	**Instrument type (types to be specified by each jurisdiction)**	$404m	$360m
8	**Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)**	$1	$1
9	**Nominal amount of instrument**	$1	$1
9a	**Issue price**	N/a	$1
9b	**Redemption price**	Issued Share Capital	Issued Share Capital
10	**Accounting classification**	16th December 2010	16th December 2010
11	**Original date of issuance**	Perpetual	Perpetual
12	**Perpetual or dated**	N/a	N/a
13	**Original maturity date**	N/a	Yes
14	**Issuer call subject to prior supervisory approval**	N/a	On or after 31st January 2013
15	**Optional call date, contingent call dates and redemption amount**	N/a	As above
16	**Subsequent call dates, if applicable**		
	Coupons / dividends	Floating	Fixed
17	**Fixed or floating dividend/coupon**	N/a	5.50%
18	**Coupon rate and any related index**	No	Yes

19	**Existence of a dividend stopper**	Fully discretionary	Fully discretionary
20a	**Fully discretionary, partially discretionary or mandatory (in terms of timing)**	Fully discretionary	Fully discretionary
20b	**Fully discretionary, partially discretionary or mandatory (in terms of amount)**	No	No
21	**Existence of step up or other incentive to redeem**	Non-cumulative	Non-cumulative
22	**Noncumulative or cumulative**	Non-convertible	Non-convertible
23	**Convertible or non-convertible**	N/a	N/a
24	**If convertible, conversion trigger(s)**	N/a	N/a
25	**If convertible, fully or partially**	N/a	N/a
26	**If convertible, conversion rate**	N/a	N/a
27	**If convertible, mandatory or optional conversion**	N/a	N/a
28	**If convertible, specify instrument type convertible into**	N/a	N/a
29	**If convertible, specify issuer of instrument it converts into**	No	No
30	**Write-down features**	N/a	N/a
31	**If write-down, write-down trigger(s)**	N/a	N/a
32	**If write-down, full or partial**	N/a	N/a
33	**If write-down, permanent or temporary**	N/a	N/a
34	**If temporary write-down, description of write-up mechanism**	Preference shares	Subordinated liabilities
35	**Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)**	No	No
36	**Non-compliant transitioned features**	N/a	N/a
37	**If yes, specify non-compliant features**		

	CM-LTD	**1**	**2**
		CET1	**AT1**
1	**Issuer**	**SMBC Nikko Capital Markets Ltd**	**SMBC Nikko Capital Markets Ltd**
2	**Unique identifier (e.g., CUSIP, ISIN, or Bloomberg identifier for private placement)**	Private Placement	Private Placement
3	**Governing law(s) of the instrument**	English	English
	Regulatory treatment		

4	**Transitional CRR rules**	CET1	AT1
5	**Post-transitional CRR rules**	CET1	AT1
6	**Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated**	Solo	Solo
7	**Instrument type (types to be specified by each jurisdiction)**	Common Equity	Preference Shares
8	**Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)**	$404m	$360m
9	**Nominal amount of instrument**	$1	$1
9a	**Issue price**	$1	$1
9b	**Redemption price**	N/a	$1
10	**Accounting classification**	Issued Share Capital	Issued Share Capital
11	**Original date of issuance**	16th December 2010	16th December 2010
12	**Perpetual or dated**	Perpetual	Perpetual
13	**Original maturity date**	N/a	N/a
14	**Issuer call subject to prior supervisory approval**	N/a	Yes
15	**Optional call date, contingent call dates and redemption amount**	N/a	On or after 31st January 2013
16	**Subsequent call dates, if applicable**	N/a	As above
	Coupons / dividends		
17	**Fixed or floating dividend/coupon**	Floating	Fixed
18	**Coupon rate and any related index**	N/a	5.50%
19	**Existence of a dividend stopper**	No	Yes
20a	**Fully discretionary, partially discretionary or mandatory (in terms of timing)**	Fully discretionary	Fully discretionary
20b	**Fully discretionary, partially discretionary or mandatory (in terms of amount)**	Fully discretionary	Fully discretionary
21	**Existence of step up or other incentive to redeem**	No	No
22	**Noncumulative or cumulative**	Non-cumulative	Non-cumulative
23	**Convertible or non-convertible**	Non-convertible	Non-convertible
24	**If convertible, conversion trigger(s)**	N/a	N/a
25	**If convertible, fully or partially**	N/a	N/a
26	**If convertible, conversion rate**	N/a	N/a
27	**If convertible, mandatory or optional conversion**	N/a	N/a
28	**If convertible, specify instrument type convertible into**	N/a	N/a

29	**If convertible, specify issuer of instrument it converts into**	N/a	N/a
30	**Write-down features**	No	No
31	**If write-down, write-down trigger(s)**	N/a	N/a
32	**If write-down, full or partial**	N/a	N/a
33	**If write-down, permanent or temporary**	N/a	N/a
34	**If temporary write-down, description of write-up mechanism**	N/a	N/a
35	**Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)**	Preference shares	Subordinated liabilities
36	**Non-compliant transitioned features**	No	No
37	**If yes, specify non-compliant features**	N/a	N/a