

SMBC Nikko Bank (Luxembourg) S.A.

Annual accounts
for the financial year
ended March 31, 2017
(with the report of the Réviseur
d'Entreprises agréé thereon)

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BOARD OF DIRECTORS' MANAGEMENT REPORT
SMBC NIKKO BANK (LUXEMBOURG) S.A.
Financial year from 01.04.2016 to 31.03.2017

Since the integration of SMBC Nikko Bank (Luxembourg) S.A. (the "Bank") within the group Sumitomo Mitsui Financial Group, Tokyo ("SMFG Group" or the "Group") on October 1, 2009, the Bank's core business of funds administration and custody services is driven and continues to be driven by the Group's Japanese offshore investment fund product offering. The Bank has no branch as at March 31, 2017.

During the year ended March 31, 2017, SMFG Group has been engaging continuous efforts in maintaining and developing its investment funds business, including offshore funds, in reaction to a standing demand by Japanese investors for diversified investment possibilities.

Over this financial year, SMFG Group and the Bank's clients initiated the launch of 1 fund, 1 sub-fund, 2 share classes and 56 unit classes representing EUR 53,355 million of assets under management in total as at end of March 2017.

At the same time, the Group maintained its strong contribution for providing new assets into the existing funds under the administration of the Bank.

This year, the Bank experienced an increase of 24.8% of the total net assets of the funds under administration.

The Bank is not engaged in proprietary trading activities. The Bank's Board of Directors has adopted a low risk appetite approach in any of the Bank's operations and maintains its risk exposure internal limits largely above the minimum regulatory requirements.

The Bank is not exposed to any significant price risk. The Bank has a securities portfolio in its books, which is valued at historical acquisition cost.

The credit risk to which the Bank is exposed is mainly deriving from counterparty risk in its treasury activity. The credit and counterparty risk is managed by the Bank within its dedicated credit policy. The Bank's exposure to counterparties, for interbank lending, nostro accounts and foreign exchange transactions, is subject to Bank limits.

The Bank's policy does not authorize significant asset and liability mismatches. Given the liquidity profile of the Bank, the main source of liquidity risk is linked to the Liquidity Coverage Ratio with evolution of the client's deposits that influences indirectly the overnight nostro accounts on the asset side, which leads overall to possible variations and changes in the cash outflows and inflows, however not in the High-Quality Liquid Asset.

The disclosure report according to part eight of EU Regulation No 575/2013 (CRR) is available by contacting the Bank Accounting department as indicated on the Bank's website (<http://www.nikkobank.lu/en/basel-ii-pillar-iii-disclosure.html>).

The net income from custodian and fund administration services commissions for the financial year raised to EUR 17.0 million. This represents an increase of 39.3% compared to the previous financial year (EUR 12.2 million as at end of March 2016). This increase is mainly due to a constant increase of level of Nikko Global Funds subscription during the year.

General administrative expenses amounted to EUR 14.95 million and increased by 12.52% compared to the previous financial year. Staff costs were increased by 9.15%.

The Bank has set up a provision of EUR 1,451 (EUR 277 for the previous financial year) in connection with the deposit guarantee and investor compensation scheme (FGDL).

The net result after taxes amounts to EUR 4,781,823 (EUR 2,319,061 for the previous financial year) and represents an increase of 106.2% compared to the previous financial year net result.

It will be proposed to the sole shareholder to transfer the current year profit to reserves of the Bank.

Currently, the Bank does not have any client relationship engaged in commercial banking activities. The Bank started Wealth management service to a group of clients from the financial year ended on March 31, 2015. As at end of March 2017, there are 8 clients with the total balance of EUR 2.3 million and 4 transactions was recorded during the financial year.

The Bank has undertaken no research and development activities.

During the financial year from April 1, 2016 to March 31, 2017, the Bank did not acquire any own shares.

For the coming financial year, the Bank confirms its traditional business lines are fund administration and global custody activities and will continue to benefit from the support of SMFG Group.

On April 28, 2016, the Board of directors has resolved to appoint Mr. Atsushi KANETA as a member of the Board of Director and the Authorised Management respectively as Deputy Managing Director in replacement of Mr. Hiroaki EDA and also to appoint Mr. Marcello De PAOLA, as a member of the Board of Director and Authorised Management respectively as Deputy Managing Director. The appointment of Mr. Atsushi KANETA and the resignation of Mr. Hiroaki EDA took effect with the CSSF approval on May 23, 2016 and the appointment of Mr. Marcello De PAOLA took effect from May 31, 2016.

On July 8, 2016, the Board of Directors has resolved to appoint Mr. Mitsuhiro AKIYAMA as a member of Board of Directors in replacement of Mr. Takahiro YAZAWA. The appointment of Mr. Mitsuhiro Akiyama and the resignation of Mr. Takahiro YAZAWA took effect with the CSSF approval on July 19, 2016.

On July 8, 2016, the Board of Directors has resolved to appoint Mr. Massimo POLITI as the Chief Risk Officer of the Bank as a successor of Mr. Marcello De PAOLA.

On February 10, 2017, the Board of Directors has resolved to appoint Mr. Kohei MITAMURA as a member of Board of Directors in replacement of Mr. Naoki OKUBO. The appointment of Mr. Kohei MITAMURA and the resignation of Mr. Naoki OKUBO took effect with the CSSF approval on February 27, 2017.

On March 31, 2017, the Board of Directors has resolved to appoint Mr. Atsushi KANETA as the Managing Director of the Bank as a successor of Mr. Shinya TAMOTO. The appointment of Mr. Atsushi KANETA and the resignation of Mr. Shinya TAMOTO from the positions of a member of the Board of Directors and of the Management Committee took effect on the resolution date, March 31, 2017.

There is no other important event that has occurred after the end of the financial year.

Luxembourg, July 12, 2017

THE BOARD OF DIRECTORS


Atsushi KANETA
Managing Director


Marcello DE PAOLA
Chief Operating Officer
Deputy Managing Director



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To the Board of Directors of
SMBC Nikko Bank (Luxembourg) S.A.
2, rue Hildegard von Bingen
L-1282 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated July 25, 2016, we have audited the accompanying annual accounts of SMBC Nikko Bank (Luxembourg) S.A., which comprise the balance sheet as at March 31, 2017 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory financial information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of SMBC Nikko Bank (Luxembourg) S.A. as of March 31, 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the annual accounts and our report of Réviseur d'Entreprises agréé thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

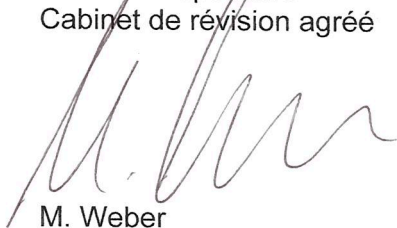
In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The management report is consistent with the annual accounts and has been prepared in accordance with the applicable legal requirements.

Luxembourg, July 12, 2017

KPMG Luxembourg,
Société coopérative
Cabinet de révision agréé



M. Weber

SMBC Nikko Bank (Luxembourg) S.A.

Balance sheet
as at March 31, 2017
(expressed in EUR)

	Notes	31/03/2017	31/03/2016
ASSETS			
Cash in hand, balances with central banks and post office banks	4, 5	5,661,098	5,496,121
Loans and advances to credit institutions	2.3, 4, 6.2		
- repayable on demand		309,654,093	203,170,828
- other loans and advances		516,021,594	343,203,280
		<u>825,675,687</u>	<u>546,374,108</u>
Loans and advances to customers	2.3, 4, 6.2	186,200	498,244
Debt securities and other fixed-income securities	2.4, 4, 7, 8, 10		
- issued by public bodies		87,244,061	55,011,446
- issued by other borrowers		14,917,518	25,850,088
		<u>102,161,579</u>	<u>80,861,534</u>
Shares and other variable-yield securities	2.5, 4, 7	10,062	10,065
Shares in affiliated undertakings	2.6, 4, 6, 7, 8	5,441,813	5,443,375
Intangible assets	2.7, 8	404,035	312,090
Tangible assets	2.7, 8	445,638	483,273
Other assets	9	77,636	37,326
Prepayments and accrued income	6.2	7,999,479	6,759,978
TOTAL ASSETS		<u><u>948,063,227</u></u>	<u><u>646,276,114</u></u>

The accompanying notes form an integral part of these annual accounts.

SMBC Nikko Bank (Luxembourg) S.A.

Balance sheet
as at March 31, 2017
(expressed in EUR)
(continued)

	Notes	31/03/2017	31/03/2016
LIABILITIES			
Amounts owed to credit institutions	4		
- repayable on demand		1,521,665	11,562,492
Amounts owed to customers	4, 6.2		
- other debts			
.repayable on demand		796,011,337	489,107,794
.with agreed maturity dates or periods of notice		1,752,838	136,614
		<u>797,764,175</u>	<u>489,244,408</u>
Other liabilities	11	3,230,893	6,105,016
Accruals and deferred income		2,882,730	3,587,741
Provisions			
- provisions for taxation	23	4,087,148	2,268,941
- other provisions	2.9, 12	4,156,328	3,869,051
Subscribed capital	13	90,154,448	90,154,448
Reserves	14	39,484,017	37,164,954
Profit brought forward	14	-	2
Profit for the financial year		4,781,823	2,319,061
TOTAL LIABILITIES		<u><u>948,063,227</u></u>	<u><u>646,276,114</u></u>

The accompanying notes form an integral part of these annual accounts.

SMBC Nikko Bank (Luxembourg) S.A.

Off-balance sheet
as at March 31, 2017
(expressed in EUR)

Off-balance sheet information as at March 31, 2017

	Note	31/03/2017	31/03/2016
Fiduciary transactions	17	181,461,004	196,579,629

The accompanying notes form an integral part of these annual accounts.



Marcello DE PAOLA
Chief Operating Officer
Deputy Managing Director

SMBC Nikko Bank (Luxembourg) S.A.

Profit and loss account
for the year ended March 31, 2017
(expressed in EUR)

	Notes	2017	2016
Interest receivable and similar income		6,970,700	8,600,596
- <i>of which arising from debt securities and other fixed-income securities</i>		1,778,391	2,269,803
Interest payable and similar charges		(6,149,183)	(7,886,495)
Commissions receivable	19	17,350,634	12,639,093
Commissions payable		(383,376)	(432,854)
Net profit on financial operations	2.8	4,969,950	4,998,396
Other operating income	20	137,144	371,283
General administrative expenses		(14,946,733)	(13,284,110)
- Staff costs	22	(8,836,925)	(8,095,835)
<i>of which:</i>			
<i>.wages and salaries</i>		(7,217,826)	(6,584,434)
<i>.social security costs</i>		(910,347)	(843,785)
<i>of which : social security costs relating to pensions</i>		(499,881)	(456,243)
- Other administrative expenses		(6,109,808)	(5,188,275)
Value adjustments in respect of tangible and intangible assets		(381,789)	(323,645)
Other operating charges	21	(307,317)	(264,552)
Value adjustments in respect of loans and advances, and provisions for contingent liabilities and for commitments	2.9	(660,000)	(640,000)
Tax on profit or loss on ordinary activities	2.10, 23	(1,786,107)	(1,102,666)
Profit on ordinary activities after tax		4,813,923	2,675,046
Other taxes not shown under the preceding items	23	(32,100)	(355,985)
Profit for the financial year		4,781,823	2,319,061

The accompanying notes form an integral part of these annual accounts.


Marcello DE PAOLA
Chief Operating Officer
Deputy Managing Director


Atsushi KANETA
Managing Director

SMBC Nikko Bank (Luxembourg) S.A.

Notes to the annual accounts
as at March 31, 2017

1 General

SMBC Nikko Bank (Luxembourg) S.A. (the “Bank”) was incorporated as a limited liability company (“Société Anonyme”) in the Grand Duchy of Luxembourg on February 14, 1974 in accordance with Luxembourg law.

Nikko Bank (Luxembourg) S.A. changed, with effect from April 1, 2011, its name to SMBC Nikko Bank (Luxembourg) S.A. upon approval of an extraordinary general meeting of the Bank’s shareholders held on March 17, 2011.

The Bank requested the Registre de Commerce et des Sociétés on April 5, 2016 to publish the change of the Bank’s registered address to 2, rue Hildegard von Bingen L-1282 Luxembourg.

The object of the Bank is the undertaking for its own account as well as for the account of third parties, either within or outside the Grand Duchy of Luxembourg, of any banking or financial operations as well as other operations, whether industrial or commercial or in real estate, which directly or indirectly relate to the main object described above.

The principle activities of the Bank are fund administration and custody business.

The Bank is a wholly-owned subsidiary of SMBC Nikko Securities, Inc. (the “Parent Company”), whose registered address is at 3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-8325, Japan. The Bank’s annual accounts are included in the consolidated accounts of the Parent Company.

From October 2016, the Parent Company became a wholly owned subsidiary of Sumitomo Mitsui Financial Group, Inc. (“SMFG”), an entity listed respectively in the Tokyo, Nagoya and New York Stock Exchange and whose registered address is 1-2, Marunouchi 1-chome, Chiyoda-Ku, Tokyo, 100-0005, Japan. SMFG prepares consolidated annual accounts for the largest body of undertakings which includes the Bank as a subsidiary company. The consolidated annual account may be obtained in the following URL: SMFG Home Page (Top Page>IR information): <http://www.smfg.co.jp/english/investor/>.

2 Summary of significant accounting policies

2.1 Basis of presentation

These annual accounts are prepared in conformity with accounting principles generally accepted in the banking sector in the Grand Duchy of Luxembourg. The accounting policies and the valuation principles are determined and applied by the Board of Directors, except those which are defined by law and by the regulations in Luxembourg.

On the basis of the criteria set out by the Luxembourg law, the Bank is exempted from establishing consolidated accounts and a consolidated management report for the year ended March 31, 2017. In accordance with the law of June 17, 1992, as amended, the said accounts were consequently presented on an unconsolidated basis for approval by the annual general meeting of shareholders of the Bank.

SMBC Nikko Bank (Luxembourg) S.A.

Notes to the annual accounts
as at March 31, 2017
(continued)

2.2 Foreign currencies

The Bank uses a multi-currency accounting system, as a result of which assets and liabilities are recorded in the currencies in which they were created. For the preparation of the annual accounts, amounts in foreign currencies are translated into Euro (EUR), the base currency of the Bank, on the following bases:

2.2.1 Spot rate transactions

Monetary assets and liabilities in foreign currencies are translated into EUR at the exchange rate applicable at the balance sheet date. Non-monetary assets are recorded in EUR and are maintained at their historical exchange rates.

Exchange gains and losses arising from the Bank's net open currency positions are taken to the profit and loss account in the current year.

2.2.2 Forward transactions

Unsettled forward foreign exchange transactions are translated into EUR at the forward rate prevailing at the balance sheet date for the remaining term of the contract.

Forward foreign exchange contracts are entered into on a back-to-back basis. Net unrealised exchange losses are recognised in the profit and loss account. Net unrealised exchange gains on forward foreign exchange contracts are recognised upon their realisation.

2.2.3 Swap transactions

Gains and losses on currency swap transactions are accrued on a straight-line basis over the period of the swap contract and are included in interest receivable or payable in the profit and loss account, as appropriate.

2.3 Loans and advances

Loans and advances are stated at disbursement value less repayments made and any value adjustments required. Accrued interest is recorded in the balance sheet caption "Prepayments and accrued income".

The policy of the Bank is to establish specific value adjustments for doubtful debts in accordance with the circumstances and for amounts specified by the Management Committee. These value adjustments are deducted from the appropriate asset account balances.

SMBC Nikko Bank (Luxembourg) S.A.

Notes to the annual accounts
as at March 31, 2017
(continued)

2.4 Securities portfolio

The Bank has recorded its securities portfolio in the investment portfolio.

This portfolio comprises fixed-income securities with a maximum maturity or remaining maturity of 10 years or below, intended to be held on a long-term basis, term to be understood as buy and hold investment strategy. It may also include participating interests and shares in affiliated undertakings of a fixed asset nature.

The Bank values the securities included in the investment portfolio at historical acquisition cost in their original currency. A value adjustment is made where the market value at the balance sheet date is lower than the acquisition cost. This adjustment is made when the Board of Directors considers the depreciation as durable.

In cases where fixed-income securities are acquired at a premium, the difference between acquisition cost and redemption value is written off in instalments to profit and loss and recorded as “interest payable and similar charges”. Instalments are charged *pro rata temporis* over the life of the security. The cumulative amortisation from the date of acquisition is included in “Accruals and deferred income” on the liability side of the balance sheet.

In cases where fixed-income securities are acquired at a discount and cost is used as the basis of valuation, the difference between acquisition cost and redemption value is taken to the profit and loss account at the date of maturity or date of disposal, if earlier.

2.5 Shares and other variable-yield securities

At the balance sheet date, shares and other variable-yield securities are stated at the lower of cost or market value. If the valuation is lower than the purchase price, value adjustments are recorded to account for the unrealised loss.

2.6 Shares in affiliated undertakings

Shares in affiliated undertakings held as fixed assets are valued at purchase price. Value adjustments are made where there is considered to be a permanent diminution in value.

SMBC Nikko Bank (Luxembourg) S.A.

Notes to the annual accounts
as at March 31, 2017
(continued)

2.7 Tangible and intangible fixed assets

Tangible and intangible fixed assets are valued at cost less accumulated depreciation/amortisation. Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of individual assets.

The depreciation/amortisation rates used for this purpose are:

	Rate
Tangible assets - Furniture, fixtures and fittings	20%
Tangible assets - Others	31%
Tangible assets - Computer equipment	25%
Intangible assets - Software	25% - 34%

2.8 Derivative instruments

Gains or losses on matched positions on currency options which are traded on an organised market are directly credited or charged to the profit and loss account. Unrealised losses on matched positions on over the counter transactions are accrued for and the unrealised gains are not accounted for until the exercise or expiration date of the option.

In cases where currency options are contracted for hedging purposes, they are neutral with respect to currency fluctuations and hence not revalued at the year end.

2.9 Lump-sum provision

A general reserve for potential risks on balance sheet and off-balance sheet items has been recorded. This tax deductible provision is deducted from the relevant assets. The lump-sum provision relating to off-balance sheet items is included in "Provisions: other provisions" in the balance sheet.

2.10 Income taxes

Income taxes are recorded on an accruals basis based on the profit and loss account of the current financial year.

SMBC Nikko Bank (Luxembourg) S.A.

Notes to the annual accounts
as at March 31, 2017
(continued)

3 Risk management objectives, strategies and policies

The Bank does not undertake traditional private banking customer operations. The principal activities of the Bank are its role as administrative agent, transfer agent and custodian bank for investment funds.

The risk management system of the Bank comprises a comprehensive framework of risk monitoring principles. Organizational structure and risk monitoring processes are aligned with the activities. The main risks are subject to limits which are approved by the Board of Directors and monitored on a regular basis.

3.1 Credit risk

Credit risk represents the risk that the counterparty will be unable to pay amounts due to the Bank in full when the debts fall due.

Exposure to banks is subject to bank limits. These bank limits are reviewed, updated and approved. Interbank credit lines are monitored on a daily basis both locally and by the Parent Company.

Credit exposure to banks is governed by the limits approved by the Board of Directors and will be reviewed on a regular basis by the local Risk Management department and the Risk Management division of the Parent Company. The limits to monitor the Bank's credit exposures are reviewed and updated at least annually by the Bank, including counterparty limits for deposits, nostri and foreign exchange transactions.

3.2 Market risk

Market risk represents the exposure arising from the movements in market prices of financial assets in which the Bank invested.

The Bank has no trading portfolio and is not involved in short sales. The portfolio of the Bank is mainly represented by long-term investments in debt securities (mainly fixed income securities issued by government, supranational bodies and private companies within zone A) for interest yield purposes.

3.3 Liquidity risk

The liquidity risk is defined as the risk that the Bank will not be able to meet its obligations as they fall due.

The Bank's policy does not authorise significant asset and liability mismatches. The liquidity of the Bank is reviewed and monitored regularly by the Management.

Furthermore, the Management ensures that the Bank's liquidity ratio complies with the locally required minimum level of 80% as from January 2017. During the financial year ended March 31, 2017, the minimum liquidity ratio was fully complied with.

SMBC Nikko Bank (Luxembourg) S.A.

Notes to the annual accounts
as at March 31, 2017
(continued)

3.4 Interest rate risk

Interest rate risk exists in case of funding mismatches between assets and liabilities. The income and operating cash flows of financial operations are dependent on changes in market interest rates and the Bank's profitability could be affected by adverse interest rate movements.

The policy of the Bank is to make short term matched placements and deposits to minimise the potential exposure to adverse movements in interest rates. As at March 31, 2017, approximately 88% of the Bank's total assets were represented by short-term interbank placements and 84% of the Bank's total liabilities by short-term interbank and customer deposits, thus not giving rise to a major funding mismatch.

The interest margin is reviewed on a monthly basis by the Management. Hedging instruments may be considered by the Management for any significant long-term fixed rate commitments, such as the portfolio investments of the Bank.

3.5 Foreign exchange risk

Foreign exchange risk is the risk of losses arising from adverse movements in exchange rates affecting assets, liabilities and off-balance sheet transactions of the Bank which are denominated in foreign currencies.

The Bank's foreign currency positions are subject to a global limit authorized by the Board of Directors and the Bank's internal control function monitors compliance with the limits on a daily basis. In this regard, the Management's underlying principle is to minimize significant foreign exchange exposures.

3.6 Administrative risk

The administrative risk refers to the complexity of transactions processed by the Bank in the normal course of business.

As the Bank operates mainly in the investment funds industry, the administrative risk appears to be the major risk the Bank faces.

In order to optimize the control over this risk, among other measures, the Bank has set up an overall organizational process that includes chief officers for each department, procedures applicable to each department, and a data processing system aimed at ensuring proper segregation of duties.

SMBC Nikko Bank (Luxembourg) S.A.

Notes to the annual accounts
as at March 31, 2017
(continued)

4 Use of financial instruments

4.1 Analysis of financial instruments

4.1.1 Information on primary financial instruments

The tables below analyse the level of primary financial instruments (non-trading instruments) of the Bank, in terms of carrying amounts and maturity groups based on their remaining lives at balance sheet date.

Aggregate fair values of financial instruments are disclosed where they differ materially from the carrying values in the balance sheet. Fair value is understood to be the amount at which an asset could be exchanged or a liability settled as an ordinary transaction entered into under normal terms and conditions between independent, informed and willing parties, other than in a forced or liquidation sale.

SMBC Nikko Bank (Luxembourg) S.A.

Notes to the annual accounts
as at March 31, 2017
(continued)

4.1.2 Analysis of financial instruments - Primary non-trading instruments

Primary non-trading instruments						
As at March 31, 2017	Less than 3 months EUR	> 3 months to 1 year EUR	> 1 year to 5 years EUR	More than 5 years	No maturity EUR	Total EUR
<i>Instrument class (financial assets)</i>						
Cash in hand, balances with central banks and post office banks	5,661,098	-	-	-	-	5,661,098
Loans and advances to credit institutions	825,675,687	-	-	-	-	825,675,687
Loans and advances to customers	165,983	16,192	4,025	-	-	186,200
Debt securities and other fixed-income securities	-	-	58,498,622	43,662,957	-	102,161,579
Shares and other variable-yield securities	-	-	-	-	10,062	10,062
Shares in affiliated undertakings	-	-	-	-	5,441,813	5,441,813
<i>Total financial assets</i>	<i>831,502,768</i>	<i>16,192</i>	<i>58,502,647</i>	<i>43,662,957</i>	<i>5,451,875</i>	<i>939,136,439</i>
Non financial assets						8,926,788
<i>Total assets</i>						<i>948,063,227</i>

<i>Instrument class (financial liabilities)</i>						
Amounts owed to credit institutions - repayable on demand	1,521,665	-	-	-	-	1,521,665
Amounts owed to customers - other debts						
- repayable on demand	796,011,337	-	-	-	-	796,011,337
- with agreed maturity dates or periods of notice	1,752,838	-	-	-	-	1,752,838
<i>Total financial liabilities</i>	<i>799,285,840</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>799,285,840</i>
Non financial liabilities						148,777,387
<i>Total liabilities</i>						<i>948,063,227</i>

As at March 31, 2017, the Bank had not engaged in primary trading instruments.

SMBC Nikko Bank (Luxembourg) S.A.

Notes to the annual accounts
as at March 31, 2017
(continued)

4.1.2 Analysis of financial instruments - Primary non-trading instruments (continued)

Primary non-trading instruments						
As at March 31, 2016	Less than 3 months EUR	> 3 months to 1 year EUR	> 1 year to 5 years EUR	More than 5 years	No maturity EUR	Total EUR
<i>Instrument class (financial assets)</i>						
Cash in hand, balances with central banks and post office banks	5,496,121	-	-	-	-	5,496,121
Loans and advances to credit institutions	546,374,108	-	-	-	-	546,374,108
Loans and advances to customers	482,428	13,595	2,221	-	-	498,244
Debt securities and other fixed-income securities	21,517,753	10,987,257	48,356,524	-	-	80,861,534
Shares and other variable-yield securities	-	-	-	-	10,065	10,065
Shares in affiliated undertakings	-	-	-	-	5,443,375	5,443,375
<i>Total financial assets</i>	<i>573,870,410</i>	<i>11,000,852</i>	<i>48,358,745</i>	<i>-</i>	<i>5,453,440</i>	<i>638,683,447</i>
Non financial assets						7,592,667
<i>Total assets</i>						<i>646,276,114</i>
<i>Instrument class (financial liabilities)</i>						
Amounts owed to credit institutions - repayable on demand	11,562,492	-	-	-	-	11,562,492
Amounts owed to customers - other debts						
- repayable on demand	489,107,794	-	-	-	-	489,107,794
- with agreed maturity dates or periods of notice	136,614	-	-	-	-	136,614
<i>Total financial liabilities</i>	<i>500,806,900</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>500,806,900</i>
Non financial liabilities						145,469,214
<i>Total liabilities</i>						<i>646,276,114</i>

As at March 31, 2016, the Bank had not engaged in primary trading instruments.

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as at March 31, 2017
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4.1.3 Information on derivative financial instruments

4.1.3.1 *Description of derivative financial instruments used*

The Bank enters into currency spot and forward transactions for hedging purposes.

Currency forwards represent commitments to purchase foreign and domestic currencies at predetermined rates and on future dates.

Treasury Swaps represent commitments to exchange one set of cash flows for another and result in an economic exchange of currencies.

4.1.3.2 *Analysis of derivative financial instruments*

The tables below analyse the level of derivative financial instruments (non-trading) within the Bank, in terms of notional amount and maturity groups based on their remaining lives at the balance sheet dates.

The notional amounts of certain financial instruments in which the Bank engages provide a basis for pricing and do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The changes in the fair values of derivative instruments are caused by the fluctuations in market interest rates or foreign exchange rates relative to their contractual terms. The contractual or notional amount of derivative financial instruments and the fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

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Notes to the annual accounts
as at March 31, 2017
(continued)

4.1.3.2 *Analysis of derivative financial instruments (continued)*

The Bank does not have trading positions in derivative financial instruments as at March 31, 2017 (March 31, 2016: no trading positions in derivative financial instruments).

As at March 31, 2017, the Bank had the following off-balance sheet commitments:

	31/03/2017 EUR	31/03/2016 EUR
Operations linked to exchange rates		
- forward foreign exchange transactions	4,025,716,227	5,963,958,252
- other operations linked to exchange	29,621,772	105,991,186
	<u>4,055,337,999</u>	<u>6,069,949,438</u>

The above operations are engaged for the purposes of hedging the adverse fluctuations of exchange rates and interest/market rates arising on transactions entered into with customers.

As at March 31, 2017 (expressed in Euro):

	less than 3 months	> 3 months to 1 year	> 1 year to 5 years	Total	Fair value Assets	Fair value Liabilities
Operations linked to exchange rates	4,033,696,721	21,641,278	-	4,055,337,999	31,104,700	31,018,410
Total	4,033,696,721	21,641,278	-	4,055,337,999	31,104,700	31,018,410

As at March 31, 2016 (expressed in Euro):

	less than 3 months	> 3 months to 1 year	> 1 year to 5 years	Total	Fair value Assets	Fair value Liabilities
Operations linked to exchange rates	6,061,235,094	8,714,344	-	6,069,949,438	154,341,025	154,213,241
Total	6,061,235,094	8,714,344	-	6,069,949,438	154,341,025	154,213,241

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as at March 31, 2017
(continued)

4.2 Credit risk

4.2.1 Description of credit risk

The credit policy of the Bank mainly permits interbank lending and foreign exchange transactions. Exposures to banks are subject to limits approved by the Board of Directors.

The Bank implemented new dealing counterparties credit rules on the December 1, 2012 that included the update of all existing credit lines in line with the new adapted “Internal Credit Rating”(ICR) model which is based on the three main credit rating agencies Standard & Poor's (S&P), Moody's, and Fitch Group risk evaluation.

The ICR equal to or lower than the lowest credit ratings of S&P, Moody's and Fitch. ICR is assigned to each counterparty on “entity” basis and in principle the aggregate credit lines of the counterparty cannot exceed the Credit Limit Corresponding to ICR. For specific business need the Bank may require ad-hoc extension of credit lines from the maximum limit deriving by the ICR model.

Prior to entering into a commitment with a new counterparty, the Bank requests a pre-approval from the Risk Management division of the Parent Company.

The Bank may manage credit risk by obtaining collateral in the form of cash or listed securities.

The Bank restricts its exposure to credit risk losses by entering into master netting arrangements with counterparties with which it undertakes significant volumes of transactions. Master netting arrangements do not generally result in offset of balance sheet assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with the settlements of favorable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposures are driven by its daily financial operations and fluctuate substantially from time to time.

At the request of the Bank, the Commission de Surveillance du Secteur Financier (“CSSF”) approved the full exemption of risks taken on its parent company Sumitomo Mitsui Banking Corporation and its subsidiary Sumitomo Mitsui Banking Corporation Europe Limited in relation to the large exposure limits, in accordance with article 400.2 of the EU Regulation No 575/2013 on prudential requirements for credit institutions and investment firms (the Capital Requirements Regulation).

In principle the Bank does not undertake traditional credit activity. The Bank allows, on exceptional basis, temporary overdrafts on Funds' current accounts to face cash shortage deriving from transactions' value date mismatch.

The Bank's potential risk of losses deriving from overdraft amounts is generally mainly mitigated by the Bank's General Terms and Conditions, which includes the possibility of pledging the customer's assets that the customer is asked to sign.

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as at March 31, 2017
(continued)

4.2.2 Measures of credit risk exposure

Credit risk relating to financial instruments is disclosed on the basis of the carrying amount that best represents the maximum credit risk exposure at the balance sheet date.

With respect to derivative instruments dealt in other than on a recognised, regulated market (OTC), the maximum exposure to credit risk is arrived at as described below.

The tables below disclose the level of credit exposure in terms of notional amounts, risk-equivalent amount calculated in accordance with the EU Regulation No 575/2013 and net risk exposure adjusted for any collateral and credit worthiness of the counterparty based on internal or external ratings.

Primary financial assets as at March 31, 2017 (expressed in EUR)			
	Notional amount (1)	Collateral (2)	Net risk exposure (3) = (1) – (2)
Loans and advances to credit institutions and balances with central banks	832,072,101	-	832,072,101
Loans and advances to customers	196,307	-	196,307
Debt securities and other fixed-income securities	99,040,974	-	99,040,974
Shares and other variable-yield securities	7,882,250	-	7,882,250
Others	9,664,242	-	9,664,242
Total	948,855,874	-	948,855,874

Credit risk on OTC derivative instruments (use of the original exposure method) as at March 31, 2017 (expressed in EUR)				
	Notional amount as per COREP requirement (1)	Risk- equivalent amount (2)	Collateral (3)	Net risk exposure (4) = (2) – (3)
Forward exchange contracts				
- weighted at 2%	3,915,557,052	78,311,141	-	78,311,141

SMBC Nikko Bank (Luxembourg) S.A.

Notes to the annual accounts
as at March 31, 2017
(continued)

4.2.2 Measures of credit risk exposure (continued)

Primary financial assets as at March 31, 2016 (expressed in EUR)			
	Notional amount	Collateral	Net risk exposure
	(1)	(2)	(3) = (1) – (2)
Loans and advances to credit institutions and balances with central banks	552,182,596	-	552,182,596
Loans and advances to customers	517,327	-	517,327
Debt securities and other fixed-income securities	79,587,682	-	79,587,682
Shares and other variable-yield securities	6,776,373	-	6,776,373
Others	7,136,242	-	7,136,242
Total	646,200,220	-	646,200,220

Credit risk on OTC derivative instruments (use of the original exposure method) as at March 31, 2016 (expressed in EUR)				
	Notional amount	Risk-equivalent amount	Collateral	Net risk exposure
	(1)	(2)	(3)	(4) = (2) – (3)
Forward exchange contracts				
- weighted at 2%	5,635,720,456	112,714,409	-	112,714,409

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Notes to the annual accounts
as at March 31, 2017
(continued)

4.2.3 Concentration of credit risk

The tables below show credit risk concentration calculated in accordance with the EU Regulation No 575/2013, arising from financial instruments from on- and off-balance sheet exposures by geographic location and economic sector.

Geographical concentration of credit risk (expressed in Euro)

	Loans and other balance sheet items March 31, 2017	Derivative instruments March 31, 2017
E.U.	693,281,871	39,177,316
Japan	253,726,851	-
United States	1,170,630	-
Others	676,522	39,133,825
Total	948,855,874	78,311,141

	Loans and other balance sheet items March 31, 2016	Derivative instruments March 31, 2016
E.U.	508,983,299	56,485,064
Japan	128,907,033	-
United States	6,277,066	-
New Zealand	40,674	-
Others	1,992,148	56,229,345
Total	646,200,220	112,714,409

Economical concentration of credit risk (expressed in Euro)

	Loans and other balance sheet items March 31, 2017	Derivative instruments March 31, 2017
Financial	846,776,530	78,311,141
Private	31,793	-
Others	102,047,551	-
Total	948,855,874	78,311,141

	Loans and other balance sheet items March 31, 2016	Derivative instruments March 31, 2016
Financial	576,665,399	112,714,409
Private	22,625	-
Others	69,512,196	-
Total	646,200,220	112,714,409

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Notes to the annual accounts
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4.2.4 Market risk

During the financial year ended March 31, 2017 and March 31, 2016, the Bank had no trading portfolio and was not involved in short sales of securities. The Bank's exposure to market risks mainly arises from its securities portfolio.

5 Cash in hand, balances with central banks and post office banks

The total amount of cash in hand and balance with central bank, net of Lump sum provision amounted to EUR 5,661,098 (March 31, 2016: EUR 5,496,121).

In accordance with the requirements of the European Central Bank, the Luxembourg Central Bank implemented effective January 1, 1999, a system of mandatory minimum reserves, which applies to all Luxembourg credit institutions. The minimum reserve balance as at March 31, 2017 held by the Bank with the Luxembourg Central Bank amounted to EUR 5,665,125 (March 31, 2016: EUR 5,498,353).

6 Affiliated undertakings

6.1 Summary of affiliated undertakings

As at March 31, 2017, the Bank held at least 20% of the capital of the following companies:

	Acquisition Cost	Proportion of capital held	Capital and reserves at 31/03/17*	Profit at 31/03/17
	EUR	%	EUR	EUR
SMBC Nikko Investment Fund Management Company S.A.	5,446,220	100	7,865,050	1,103,197
Lump sum version Allocation	(4,407)			
	<u>5,441,813</u>			

* As per the audited annual accounts of SMBC Nikko Investment Fund Management Company S.A. as at March 31, 2017.

SMBC Nikko Investment Fund Management Company S.A. has its registered office at 2, rue Hildegard von Bingen, L-1282 Luxembourg. The annual accounts of this management company are not consolidated by the Bank and its shares are not quoted.

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6.2 Transactions with other Group companies

These may be summarised as follows:

	31/03/2017	31/03/2016
	EUR	EUR
Assets		
Loans and advances to credit institutions	299,379,699	179,081,666
Loans and advances to customers	-	1
Shares in affiliated undertakings	5,441,813	5,443,375
	<u>304,821,512</u>	<u>184,525,042</u>
Liabilities		
Amounts owed to customers	<u>7,450,031</u>	<u>5,311,857</u>

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(continued)

7 Securities

Listed securities	31/03/2017	31/03/2016
	EUR	EUR
Debt securities and other fixed-income securities	<u>102,161,579</u>	<u>80,861,534</u>
Unlisted securities	31/03/2017	31/03/2016
	EUR	EUR
Shares and other variable-yield securities	10,062	10,065
Shares in affiliated undertakings	<u>5,441,813</u>	<u>5,443,375</u>
	<u>5,451,875</u>	<u>5,453,440</u>

As of March 31, 2017, the fair value of debt securities shown under “Listed securities” amounts to EUR 97,999,502 (March 31, 2016: EUR 77,979,840). The amortization of premiums on these securities amounted to EUR 2,574,116 (March 31, 2016: EUR 1,998,650) and was recorded under “Accruals and deferred income” on the liabilities side of the Balance Sheet.

As of March 31, 2017, the fair value of shares shown under “Unlisted securities” amounts to EUR 7,882,250 (March 31, 2016: EUR 6,776,373).

All securities will reach maturity within less than 10 years.

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Notes to the annual accounts
as at March 31, 2017
(continued)

8 Movements in fixed assets

	Cost			Value adjustments			
	Gross value at the beginning of the financial year	Additions	Disposals	Gross value at the end of the financial year	Cumulative value adjustments	Lump-sum provision	Net value at the end of the financial year
	EUR	EUR		EUR	EUR	EUR	EUR
Debt securities and other fixed Income transferable securities	80 903 800	53 862 520	-32 522 000	102 244 320	-	(82 741)	102 161 579
Shares in affiliated undertakings	5 446 220	-	-	5 446 220	-	(4 407)	5 441 813
Intangible assets (software)	2 916 336	270 486	-81 529	3 105 293	(2 701 258)	-	404 035
Tangible assets	1 261 674	165 558	(219 130)	1 208 102	(762 103)	(361)	445 638
of which:							
-computer equipment	526 292	159 377	(197 817)	487 852	(245 902)	(196)	241 754
-furniture, fixture and fittings	419 757	6 181	(21 313)	404 625	(324 236)	(65)	80 324
-others	315 625	-	-	315 625	(191 965)	(100)	123 560

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Notes to the annual accounts
as at March 31, 2017
(continued)

9 Other assets

Other assets consist of the following:

	31/03/2017 EUR	31/03/2016 EUR
Short term receivables	72,099	31,746
Other	5,600	5,600
	<u>77,699</u>	<u>37,346</u>
Lump-sum provision	(63)	(20)
	<u><u>77,636</u></u>	<u><u>37,326</u></u>

The short term receivables balance is mainly composed as at March 31, 2017 and March 31, 2016 of short term transitory accounts linked to the custodian activity of the Bank.

10 Assets pledged by the Bank as security for its own liabilities

The Bank has pledged debt securities and other fixed-income securities (the Bank's own proprietary investments) for a total amount of EUR 102,161,579 (March 31, 2016: EUR 80,861,534) as collateral for permitted secured borrowings on an intra-day basis as a participant in an international clearing institution.

As at March 31, 2017 and March 31, 2016, the Bank has not made any borrowings under the facility.

Besides this pledge, the Bank may sign general terms and conditions for account opening with financial banking depositary counterparties that include a general lien clause entitling the counterpart, until satisfaction of any liabilities or obligations the Bank may have with the counterpart, to any cash balances the Bank has deposited with these counterparties.

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as at March 31, 2017
(continued)

11 Other liabilities

Other liabilities consist of the following:

	31/03/2017 EUR	31/03/2016 EUR
Short term payables	3,062,490	5,954,832
Preferential creditors	168,403	150,184
	<u>3,230,893</u>	<u>6,105,016</u>

As at March 31, 2017 and March 31, 2016, the short term payables balance was mainly composed of redemption fees related to the activity of the funds under the Bank's administration and custody.

12 Other provisions

Other provisions consist of the following:

	31/03/2017 EUR	31/03/2016 EUR
Lump sum-provision related to off-balance sheet items	3,174,493	2,944,198
Other provisions	981,835	924,853
	<u>4,156,328</u>	<u>3,869,051</u>

The other provisions balance is mainly composed as at March 31, 2017 and March 31, 2016 of the provision for bonus, and the provision for general administrative expenses.

13 Subscribed capital

As at March 31, 2017, the authorized, issued and fully paid-up subscribed capital of the Bank is EUR 90,154,448 made up of 363,526 nominative shares each with a par value of EUR 248 (March 31, 2016: EUR 90,154,448).

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Notes to the annual accounts
as at March 31, 2017
(continued)

14 Reserves

Reserves include:

14.1 Legal reserve

In accordance with Luxembourg law, the Bank must transfer at least 5% of its annual profit to the legal reserve until this equals 10% of the subscribed capital. The legal reserve is not distributable.

14.2 Free reserve

The free reserve represents profits of prior financial years which have been appropriated by Annual General Meetings of Shareholders to a special reserve referred to as “free reserve”. This reserve may be distributed after approval by the Annual General Meeting of Shareholders.

14.3 Other reserves

In accordance with the tax law in force since January 1, 2002, the Bank reduced its Net Wealth Tax (“NWT”) burden by crediting it against the amount of the Corporate Income Tax (“CIT”). In order to comply with the law, the Bank decided to allocate to non-distributable reserves (item “special reserve”) an amount that corresponds to five times the amount of reduced Net Wealth Tax. This reserve is non-distributable for a period of five years from the year following the one during which the Net Wealth Tax was credited.

14.4 Movements in reserves and profit brought forward

	Legal reserve	Free reserve	Other reserves	Total reserves	Profit brought forward
	EUR	EUR	EUR	EUR	EUR
Balance at the beginning of the year	4,505,476	23,543,963	9,115,515	37,164,954	2
Net profit for the year ended March 2016	-	-	-	-	2,319,061
Appropriation of prior result	116,000	2,203,063	-	2,319,063	(2,319,063)
Allocation AGM	-	(1,370,625)	1,370,625	-	-
Balance at the end of the year	4,621,476	24,376,401	10,486,140	39,484,017	-

The Annual General Meeting of Shareholders dated July 25, 2016 approved the appropriation of the result of the Bank as at March 31, 2016 and the Extraordinary General Meeting of Shareholders dated March 14, 2017 approved the transfer from the free reserves to the special reserves.

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as at March 31, 2017
(continued)

15 Assets and liabilities denominated in foreign currencies

As at March 31, 2017, assets denominated in foreign currencies amounted to EUR 783,924,793 (March 31, 2016: EUR 491,266,745) and liabilities amounted to EUR 784,469,888 (March 31, 2016: EUR 491,193,692).

16 Commitments

Deposit guarantee and investor compensation scheme

The law related to the resolution, reorganisation and winding-up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes ("the Law"), transposing into Luxembourgish law the directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and the directive 2014/49/EU related to deposit guarantee and investor compensation schemes, was passed on 18 December 2015.

The deposit guarantee and investor compensation scheme through the "Association pour la Garantie des Dépôts Luxembourg" (AGDL) was replaced by a new contribution based system of deposit guarantee and investor compensation scheme. This new system covers eligible deposits of each depositor up to an amount of EUR 100,000 and investments up to an amount of EUR 20,000. The Law also provides that deposits resulting from specific transactions or fulfilling a specific social or other purpose are covered for an amount above EUR 100,000 for a period of 12 months.

The funded amount of the "Fonds de résolution Luxembourg" (FRL) shall reach by the end of 2024 at least 1% of covered deposits, as defined in article 1 number 36 of the Law, of all authorized credit institutions in all participating Member States. This amount is collected from the credit institutions through annual contributions during the years 2015 to 2024. The target level of funding of the "Fonds de Garantie des Dépôts Luxembourg" (FGDL) is set at 0.8% of covered deposits, as defined in article 163 number 8 of the Law, of the relevant credit institutions and is to be reached by the end of 2018 through annual contributions. The contributions are to be made in the form of annual payments during the years 2016 to 2018.

When the level of 0.8% is reached, the Luxembourgish credit institutions are to continue to contribute for 8 additional years in order to constitute an additional safety buffer of 0.8% of covered deposits as defined in article 163 number 8 of the Law.

The law of 23 December 2016 on the tax reform 2017 has introduced a tax neutral reversal of the existing AGDL provisions in successive annual tranches from 2016 to 2026, under the condition that each annual tranche is at least equal to the contributions to the FGDL and FRL for that fiscal year. Any remaining balance of the AGDL provision not yet reversed at the end of this transitional period will have to be reversed and added to the taxable income of the year 2026.

On 18 January 2017, CSSF issued a circular letter relating to the abrogation of the AGDL and to the consequent accounting treatment of the AGDL reversal to enable the banks to follow from an accounting point view the tax treatment foreseen in the law of 23 December 2016.

As a consequence, the Bank reversed the AGDL provision for an amount of EUR 277 in Other operating income and recorded a 2016 contribution of EUR 1,779 and EUR 150,723 to the FGDL and FRL respectively in the Other administrative & Other operating expenses. As at 31 March 2017, the remaining AGDL provision amounts to nil (March 31, 2016: EUR 277).

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The Bank has entered into certain commitments which are not disclosed either in the balance sheet or in the off-balance sheet but which are relevant for the purposes of assessing the financial situation of the Bank.

In April 29, 2015 the bank signed an extension of 3 additional years of its present rental contract ending in December 2018.

In particular, the Bank's commitments in respect of fixed rental payments for premises and assets under leasing contracts are:

	31/03/2017	31/03/2016
	EUR	EUR
Amounts committed to be paid within 12 months	844,501	824,252
Amounts committed to be paid between one and five years	714,370	1,558,872
	<u>1,558,871</u>	<u>2,383,124</u>

17 Fiduciary transactions

As at March 31, 2017 and March 31, 2016, there are no assets and liabilities resulting from fiduciary transactions which are not expressly governed by the law of July 27, 2003, as amended.

18 Management and representative services

The Bank provides mainly the following management and representative services to third parties during the financial year:

- Custody services for investment funds;
- Central administration services for investment funds;
- Fiduciary representations for funds; and
- Other services:
 - Administration services for its subsidiary.

19 Commission receivable

As at March 31, 2017 the total of commission related to the investment Funds activities amounts EUR 17,328,693 (2016: EUR 12,619,585) and consists of the following:

- Custodian bank: EUR 4,041,040
- Central Administration: EUR 11,374,027
- Other: EUR 1,913,626

The significant increase of the commission is in line with the rise of the assets held in custody.

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Notes to the annual accounts
as at March 31, 2017
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20 Other operating income

Other operating income consists of the following:

	2017	2016
	EUR	EUR
Tax reimbursement	-	22,035
VAT reimbursement	5,518	573
Custody settlement differences	5,034	8,894
Other income/reversal of provisions	126,592	339,781
	137,144	371,283

21 Other operating charges

Other operating charges consist of the following:

	2017	2016
	EUR	EUR
Tax adjustments on previous financial years	-	797
VAT payment and provision	112,971	209,617
Custody settlement differences	12,388	5,144
Other charges	181,958	48,994
	307,317	264,552

As at March 31, 2017, other operating charges mainly include the additional amount of VAT paid for year 2015 (EUR 19,337), a provision related to the VAT payable for the year 2016-2017 (EUR 92,553) and the contribution to the new Luxembourg banking resolution fund ("Fonds de résolution Luxembourg (FRL)") to the CSSF (EUR 150,723).

22 Staff costs

22.1 Directors

The average number of directors having been mandated during the financial year was as follows:

	2017	2016
	EUR	EUR
Board of Directors' members	6	5

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There were no remuneration, pension, loans, advances or guarantees given to directors for the years ended March 31, 2017 and March 31, 2016 as regards to their mandate of director.

As of March 31, 2017, the number of members of the Board of Directors is 5 (2016: 5).

22.2 Personnel

The average number of persons employed during the financial year was as follows:

	2017	2016
	EUR	EUR
Category		
Senior management (*)	11	10
Middle management	16	15
Employees	59	55
	<u>86</u>	<u>80</u>

* *Are considered within this category the Managing Director, the Deputy Managing Director, the Members of the Management Committee and the Vice Presidents of the Bank.*

The remuneration of the Senior management was as follows:

	2017	2016
	EUR	EUR
Remuneration	2,029,150	1,992,904
Pension	23,558	23,894
Loans, advances, guarantees given	24,337	21,577
	<u>2,077,045</u>	<u>2,038,375</u>

Since 2009, the Bank introduced to the staff a supplementary pension scheme with definite contributions as defined by the legal Act of 8 June 1999. This scheme is managed by an external insurance company under Luxembourg regulation.

23 Tax charge

The Bank is liable to taxes on income and net assets. The Luxembourg tax authorities have issued assessments for the financial years up to 2014. Tax liabilities are recorded under "Provisions for taxation" in the balance sheet.

24 Breakdown of income by geographic markets

The Bank's income is derived mainly from Luxembourg, Cayman, United Kingdom, Belgium, Germany, France, Netherlands, Austria, Italy and Japan.

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as at March 31, 2017
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25 Audit fees

Audit fees billed (excluding VAT) to the Bank by KPMG Luxembourg, Société coopérative and other member firms of the KPMG network for the year are as follows:

	2017	2016
	EUR	EUR
Audit fees	164,370	184,452
Audit related fees	139,200	137,602
Other	-	11,061
	303,570	333,115

Such fees are presented under “Other administrative expenses” in the profit and loss account.

26 Return on assets (“ROA”)

The Bank return of assets progressed as follows:

	2017	2016
	EUR	EUR
Net profit for the financial year	4,781,823	2,319,061
Total assets	948,063,227	646,276,114
Return on assets	0.50%	0.36%

27 Subsequent events

No events took place after closing of the reporting year, which would materially impact the financial position of the Bank as of March 31, 2017 or require disclosure.