FINANCIAL STATEMENTS

Shell Trading Risk Management, LLC
As of December 31, 2023 and 2022, and
for the Years Ended December 31, 2023 and 2022,
With Report of Independent Auditors

Shell Trading Risk Management, LLC

Financial Statements

Contents

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Report of Independent Auditors

The Board of Directors
Shell Trading Risk Management, LLC

Opinion

We have audited the financial statements of Shell Trading Risk Management, LLC (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of profit or loss, member's equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS promulgated by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The attached Supplementary Information – Capital Requirements under 17 CFR § 23.101 Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

Houston, Texas
March 19, 2024

Shell Trading Risk Management, LLC

Balance Sheets

	December 31 2023	December 31 2022
	(In Thousands of Dollars)	
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 13,080	$ 12,440
Receivables, risk management assets, and prepayments:		
Accounts receivable (Note 2)	26,506	83,728
Receivables from affiliate (Notes 2 & 5)	432	-
Short-term notes receivable (Note 2)	170	92
Assets from risk management activities (Note 5)	330,317	960,959
Owing by related parties (Note 3 & 4)	3,093,796	2,878,540
Prepayments and other (Note 5)	13,200	96,850
Total current assets	3,477,501	4,032,609
Total assets	$ 3,477,501	$ 4,032,609
Liabilities and member's equity		
Current liabilities:		
Accounts payable – trade (Note 2)	$ 5,972	$ 35,679
Payable to affiliate (Notes 2 & 3)	27,340	23,271
Other payables, risk management activities, and accruals:		
Liabilities from risk management activities (Note 5)	329,502	987,535
Accrued liabilities and other payables (Note 5)	17,729	49,702
Total current liabilities	380,543	1,096,187
Member's equity	3,096,958	2,936,422
Total equity	3,096,958	2,936,422
Total liabilities and member's equity	$ 3,477,501	$ 4,032,609

The accompanying notes are an integral part of these financial statements.

Shell Trading Risk Management, LLC

Statements of Profit or Loss

	Year Ended December 31			
	2023		2022	
	(In Thousands of Dollars)			
Revenues				
Net trading revenue (Note 2)	$	19,830	$	19,501
Costs and expenses				
Selling, general, and administrative expenses (Note 3)		(10,421)		(13,600)
Impairment of financial assets (Note 2)		-		(27,149)
Total costs and expenses		(10,421)		(40,749)
Other income and deductions				
Interest income (Note 4)		152,552		50,956
Interest expense		(1,425)		(1,233)
Other income, net		-		120
Income before income taxes		160,536		28,595
Net income	$	160,536	$	28,595

The accompanying notes are an integral part of these financial statements.

Shell Trading Risk Management, LLC

Statements of Member's Equity
(In Thousands of Dollars)

Member's equity at January 1, 2022	$	3,907,827
Net income		28,595
Non-cash dividend to member		(1,000,000)
Member's equity at December 31, 2022		2,936,422
Net income		160,536
Non-cash dividend to member		-
Member's equity at December 31, 2023	$	3,096,958

Shell Trading Risk Management, LLC

Statements of Cash Flows

	Year Ended December 31	
	2023	2022
	(In Thousands of Dollars)	
Operating activities		
Net income [A]	$ 160,536	$ 28,595
Adjustments to reconcile net income to net cash used in operating activities:		
Accounts receivable (Note 2)	57,222	43,315
Receivables from affiliates (Notes 2 & 3)	(432)	45
Notes receivable (Note 2)	(78)	2,039
Prepayments and other (Note 5)	83,650	(39,950)
Risk management activities (Note 2)	(27,391)	(13,130)
Accounts payable – trade (Notes 2 & 3)	(29,707)	3,807
Payables to affiliate (Note 5)	4,069	(15,721)
Accrued liabilities and other	(31,974)	16,851
Net cash provided by operating activities	215,895	25,851
Investing activities		
Proceeds from investments	–	347
Cash management and investments with related parties (Note 3)	(215,255)	(26,028)
Net cash provided used in investing activities	(215,255)	(25,681)
Net increase in cash and cash equivalents	640	170
Cash and cash equivalents		
Beginning of year	12,440	12,270
End of year	$ 13,080	$ 12,440

The accompanying notes are an integral part of these financial statements.

[A] Net income includes interest received of $153 million and $51 million in 2023 and 2022 respectively, and interest paid of $1.4 million and $1.2 million in 2023 and 2022 respectively.

1. Organization

Shell Trading Risk Management, LLC (STRM or the Company), a Delaware limited liability company, was created as a direct subsidiary of Shell Energy North America (U.S.), L.P. (SENA), which is the sole member of the Company. Shell plc (Shell), formerly Royal Dutch Shell plc, is the ultimate parent company of STRM. STRM is a registered swap dealer and the primary entity engaging in “swap dealing” activities as defined by the Commodity Futures Trading Commission (CFTC). The Company’s registered office is located at 1000 Main Street, Houston, Texas, 77002.

All profits and losses of STRM for each fiscal year are allocated entirely to the sole member SENA. No distributions were made in 2023. For 2022, the Company distributed non-cash dividend of $1 billion to its member.

2. Summary of Material Accounting Policies

Basis of Presentation

The financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations issued and effective for the year ended December 31, 2023. The accounting policies that follow have been consistently applied to all years presented, except where otherwise indicated. The financial statements are presented in U.S. dollars and all values are rounded to the nearest thousands of dollars except where otherwise indicated.

The Company’s statements of profit or loss include expense allocations for certain Company functions performed by affiliates. The Company records these expenses through support-related intercompany charges based on a continuing service agreement basis as detailed in Note 3.

The Financial Statements were approved and authorized for issue by the Company’s Management on March 19, 2024.

Use of Estimates

The preparation of the Company’s financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, fair value measurements, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ materially from those estimates.

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash balances and highly liquid investments that have original maturities of three months or less.

Accounts Receivable/Accounts Payable

Accounts receivable are shown on the balance sheets, net of loss allowance. The loss allowance for financial assets is measured at an amount equal to the expected credit losses. If the credit risk on the financial asset has increased significantly since initial recognition, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. Changes in loss allowances are recognized in profit or loss. For trade receivables, STRM uses a provision matrix to calculate Expected Credit Losses (ECL). The provision matrix is initially based on STRM's historical observed default rates. STRM calculates the ECL to adjust the historical credit loss experienced with forward-looking information. Estimating this amount involves the examination of past-due balances, monitoring of the financial strength of STRM's counterparties, and the analysis of relevant information specific to assessing the collectability of STRM's accounts receivable. The loss allowance is $28 million and $31 million as of December 31, 2023 and 2022, respectively. If all efforts at collection are unsuccessful, the account will be deemed uncollectible and written off.

Accounts receivable and payable balances include settled but unpaid amounts related to trading activities. Some of these receivables and payables with individual counterparties are subject to master netting arrangements. Where there is a legally enforceable right of offset under such arrangements and STRM has the intention to settle on a net basis, or realize the asset and settle the liability simultaneously, the net asset or liability is recognized in the balance sheets; otherwise, assets and liabilities are presented gross.

STRM also provides financing to certain counterparties and records interest income related to these notes receivable using the effective interest method over the term of the loan. STRM evaluates the collectability of these notes receivable based on specific customer circumstances, credit risk changes, payment patterns, and historical loss experience. When the collectability is determined to be at risk based on the above criteria, STRM will record an allowance for credit losses. If all efforts at collection are unsuccessful, the account will be deemed uncollectible and written off.

Short-term notes receivable for the years ended December 31, 2023 and 2022, included $0.2 million and $0.1 million, respectively. Provision for impairments deducted from short-term notes receivable amounted to Nil for each of the years ended December 31, 2023 and 2022. Interest income related to the financing receivables was Nil and $0.1 million for the years ending December 31, 2023 and 2022 respectively.

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenue is associated with the sale of financial instruments related to natural gas, power, crude oil, and refined products. STRM revenue includes realized and unrealized gains and losses recorded on derivatives recognized at fair value. Revenue is billed to customers at either market or negotiated contract terms to optimize the financial performance of the Company. Realized revenue is recognized based on the invoiced amount, which is equal to the value of financial performance obligation completed to date. The payment terms with the Company's customers vary based on the product or service provided but usually are 60 days or less.

Risk Management Activities

STRM executes financial trades that qualify as derivatives for trading and hedging purposes as described in Notes 4 and 6. Derivative assets and liabilities are presented separately in the balance sheets, except where there is a legally enforceable right of offset and STRM has the intention to settle on a net basis or realize the asset and liability simultaneously. Derivatives are recorded at fair value as assets and liabilities from risk management activities on the balance sheets. These derivative assets and liabilities are classified as current as they are held primarily for the purposes of trading.

Unrealized gains and losses associated with contract restructurings and the impact of price movements are recorded in net trading revenue in the period of occurrence. Changes in assets and liabilities from derivatives result primarily from changes in the valuation of the portfolio of contracts, newly originated transactions, and the timing of settlement of certain contracts (Note 5).

Fair Value

Fair value measurements are estimates of the amounts for which assets or liabilities could be transferred at the measurement date, based on the assumption that such transfers take place between participants in principal markets and, where applicable, taking highest and best use into account. Where available, fair value measurements are derived from prices quoted in active markets for identical assets or liabilities. In the absence of such information, other observable inputs are used to estimate fair value. Inputs derived from external sources are corroborated or otherwise verified, as appropriate.

2. Summary of Significant Accounting Policies (Continued)

In the absence of publicly available information, fair value is determined using estimation techniques that consider market perspectives relevant to the asset or liability, in as much as they can reasonably be ascertained, based on predominantly unobservable inputs. For derivative contracts where publicly available information is not available, fair value estimations are generally determined using models and other valuation methods, the key inputs for which include future prices, volatility, price correlation, counterparty credit risk, nonperformance risk, and market liquidity, as appropriate; for other assets and liabilities, fair value estimations are generally based on the net present value of expected future cash flows.

The fair values of accounts receivable, accounts payable, and other current liabilities approximate the carrying amounts reported on the balance sheets, due to the short maturity of these instruments.

Concentration of Credit Risk

STRM places its cash with federally insured financial institutions and Shell group entities. At times, such balances with financial institutions may be in excess of federally insured limits. The majority of STRM's accounts receivable are from customers within the energy industry and certain financial entities and are heavily impacted by the underlying price volatility of energy commodities and related products. Collectability is dependent upon the general financial condition of the counterparties, the underlying economic conditions of their specific industries, and their ability to absorb energy price volatility. To further lessen its exposure to credit risk, STRM requires collateral margin deposits from certain customers and enters into financial master agreements to allow the netting of offsetting exposures with the same customer.

Income Taxes

For federal income tax purposes, STRM is a single-member LLC classified as a disregarded entity, wholly owned by SENA. Therefore, STRM does not file any federal income tax returns in the U.S., and its activities are reflected on SENA's federal income tax return as a division of the partnership.

For the states in which STRM does business, the state and local tax jurisdictions follow the federal tax return treatment with respect to disregarded entities, and, therefore, no separate state or local income tax returns are required to be filed.

Since STRM is wholly owned by SENA, it would be subject to the same federal, state, and local tax jurisdictional timelines as SENA with respect to audits.

2. Summary of Significant Accounting Policies (Continued)

New Accounting Standards

Recent accounting pronouncements that became effective during 2023 or are scheduled to become effective in the following years and beyond are described in the following paragraphs.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The standard is effective for annual periods beginning on or after 1 January 2023. The adoption of this standard did not have a material impact on the Company's financial statements for the period ending December 31, 2023.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The standard is effective for annual periods beginning on or after 1 January 2023. The adoption of this standard did not have a material impact on the Company's financial statements for the period ending December 31, 2023.

There are no other IFRS standards or interpretations not yet effective that would be expected to have a material impact on the Company.

3. Transactions With Related Parties

STRM routinely transacts significant business directly or indirectly with Shell and its affiliates. STRM enters into a variety of financial instruments that are derivative contracts with affiliates of Shell. The agreements are part of the overall portfolio of contracts for risk management. Such transactions are in the ordinary course of business and include financial derivative positions related to natural gas, electricity, crude oil, and refined products.

Net trading revenue on the statements of profit or loss included total related-party transactions of $(899) million and $118 million, which comprise both realized and unrealized activities for 2023 and 2022, respectively.

3. Transactions With Related Parties (continued)

Net trading revenue included net unrealized loss of approximately $355 million in 2023 and net unrealized gains of $360 million in 2022 from transactions with related parties. Included in STRM's assets and liabilities from risk management activities related to these transactions are net liabilities of $112 million and net assets of $243 million at December 31, 2023 and 2022, respectively. Collateral held by STRM from the related parties was $0 as of December 31, 2023 and 2022 both, respectively.

STRM has a continuing services agreement with a subsidiary of Shell Petroleum Inc., a Shell subsidiary. The services provided include all personnel and other administrative costs to enable STRM to carry on its business activities. A payable in the amount of $2.3 million and $2.6 million existed at December 31, 2023 and 2022, respectively, for these services. Expenses for these services in 2023 and 2022, were $10 million and $14 million, respectively.

4. Financing

Cash Management Activities With Related Parties

STRM operates under a Master Agreement with a Shell lending subsidiary (referred to as Shell Treasury), whereby STRM is funded via a credit and deposit facility with Shell Treasury. A cash sweep arrangement and cash equivalents are deposited with Shell Treasury under the arrangement bearing market-based interest rates.

STRM's borrowing capacity under the working capital facility is $250 million with borrowings under the facility priced at market-based interest rates. STRM had no borrowings under this facility at December 31, 2023 or 2022. At December 31, 2023 and 2022, STRM had $3,094 million and $2,878 million, respectively, of receivables related to cash sweep activities with Shell Treasury. The receivable balances are included in owing by related parties on the balance sheets. Interest earned on these receivables, in 2023 and 2022, were $151 million and $50 million, respectively. There are no provisions for doubtful accounts in relation to receivables from related parties.

Capital Management Activities with Related Parties

The CFTC imposed capital requirements for swap dealers as a part of its required rulemakings under section 731 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The rule provides swap dealers with the option to elect one of three alternative methods to establish minimum capital requirements depending on the characteristics of their businesses. As a registered swap dealer, STRM is subject to these external capital requirements and has chosen to measure capital requirements under the tangible net worth method (refer Note 8).

4. Financing (Continued)

In determining tangible net worth, all long and short positions in swaps, security-based swaps, and related positions must be marked to their market value. A swap dealer must include in its computation of tangible net worth all liabilities or obligations of a subsidiary or affiliate that the swap dealer or major swap participant guarantees, endorses, or assumes either directly or indirectly.

The tangible net worth approach requires a non-bank swap dealer to maintain tangible net worth in an amount equal to or greater than the highest of (1) $20 million, plus the non-bank swap dealer's market and credit risk charges associated with the firm's swap dealing and related hedging activities, (2) 8% of the initial margin for each uncleared swap position open on the books of the non-bank swap dealer, or (3) the amount of capital required by the National Futures Association.

To meet these capital requirements, STRM received a non-cash contribution of $3,750 million receivable from its parent company in October 2021. The receivable represents an agreement whereby the parent company will transfer cash to STRM if called upon. The receivable is recorded on the balance sheet at cost in the owing by related party line. In April 2022, the Company decreased its equity by $1.0 billion through a dividend to its member.

5. Financial Instruments

The accounting classification of each category of financial instruments, including their carrying amounts which are included in the accompanying balance sheets, is presented in the table below.

5. Financial Instruments (Continued)

The carrying values of financial instruments measured at amortized costs presented in the table below approximate their fair values.

	Measured at Amortized Cost	Measured at Fair Value Through Profit and Loss	Carrying Amount
		(In Thousands of Dollars)	
December 31, 2023			
Financial Assets			
Cash and cash equivalents	$ 13,080	$ -	$ 13,080
Accounts receivable	26,506	-	26,506
Receivable from affiliate	432	-	432
Short-term notes Receivable	170	-	170
Asset from risk management activities	-	330,317	330,317
Owing by related parties	3,093,796	-	3,093,796
Financial Liabilities			
Accounts payable	$ (5,972)	$ -	$ (5,972)
Payable to affiliate	(27,340)	-	(27,340)
Liability from risk management activities	-	(329,502)	(329,502)

5. Financial Instruments (Continued)

	Measured at Amortized Cost	Measured at Fair Value Through Profit and Loss	Carrying Amount
		(In Thousands of Dollars)	
December 31, 2022			
Financial Assets			
Cash and cash equivalents	$ 12,440	$ -	$ 12,440
Accounts receivable	83,728	-	83,728
Receivable from affiliate	-	-	-
Short-term notes Receivable	92	-	92
Asset from risk management activities	-	960,959	960,959
Owing by related parties	2,878,540	-	2,878,540
Investments	-	-	-
Long-term note receivable	-	-	-
Financial Liabilities			
Accounts payable	$ (35,679)	$ -	$ (35,679)
Payable to affiliate	(23,271)	-	(23,271)
Liability from risk management activities	-	(987,535)	(987,535)

Risks

STRM adopts treasury policy consistent with Shell' treasury standards. The policy covers: financing structure; interest rate risk management; counterparty risk management; and use of derivative contracts.

The Company's derivative activity is carried out by a specialist team that has appropriate skills, experience, supervision, control, and reporting systems.

STRM's operations expose it to market, credit, and liquidity risks, as described below.

Market Risk

Market risk is the possibility that changes in interest rates or the prices of crude oil, natural gas, refined products, and power will adversely affect the value of assets, liabilities, or expected future cash flows.

5. Financial Instruments (Continued)

STRM is exposed to interest rate risk due to financing it provides certain counterparties. The carrying amounts of the notes receivable and the interest income are presented in Note 2.

STRM offers price risk management services in connection with its energy trading activities. These services are provided through financial instruments and other energy trading contracts, including swap and option agreements, which require payments to (or receipt of payments from) counterparties based on the differential between a fixed and variable price for the commodity. The availability and use of these types of contracts allow STRM to manage its contractual commitments and manage its exposure relative to the volatility of market prices.

Although STRM generally attempts to balance its financial purchase and sale contracts in terms of quantities and contract performance, net open positions can exist or are established through the origination of new transactions and STRM's assessment of, and response to, changing market conditions. STRM has established trading policies and exposure limits that are monitored and reviewed by management on a daily basis to manage these exposures. As of December 31, 2023 and 2022, the net forward long (short) positions for STRM's outstanding natural gas, power, crude oil, and refined products commodity contracts from proprietary trading had a net volume of zero.

Value-at-risk (VAR) techniques based on variance/covariance or Monte Carlo simulation models are used to make a statistical assessment of the market risk arising from possible future changes in market values over a one-day holding period and within a 95% confidence level. The calculation of potential changes in fair value takes into account positions, the history of price movements and the correlation of these price movements. Models are regularly reviewed against actual fair value movements to ensure integrity is maintained. The VAR year-end positions in respect of commodities traded in active markets are calculated on a diversified basis in order to reflect the effect of offsetting risk within combined portfolios. The VAR for both 2023 and 2022 is zero.

Credit Risk

Policies are in place to ensure that counterparties have appropriate creditworthiness. These policies include detailed credit analysis and monitoring of trading partners against counterparty credit limits. Credit information is regularly shared between business and finance functions, with dedicated teams in place to quickly identify and respond to cases of credit deterioration.

Mitigation measures are defined and implemented for higher-risk business partners and customers, and include shortened payment terms, collateral, or other security posting and vigorous collections. In addition, policies limit the amount of credit exposure to any individual financial institution. There are no material concentrations of credit risk with individual customers or geographically.

5. Financial Instruments (Continued)

Counterparty credit risk is managed within a framework of credit limits, with utilization being regularly reviewed. Credit risk exposure is monitored, and the acceptable level of credit exposure is determined by a credit committee. Credit checks are performed by a department independent of traders and are undertaken before contractual commitment. Where appropriate, netting arrangements, credit insurance, prepayments, and collateral are used to manage risks.

The Company routinely enters into offsetting, master netting, and similar arrangements with trading and other counterparties to manage credit risk. Where there is a legally enforceable right of offset under such arrangements and STRM has the intention to settle on a net basis or realize the asset and settle the liability simultaneously, the net asset or liability is recognized in the balance sheets; otherwise, assets and liabilities are presented gross. These amounts, as presented net and gross within accounts receivables, accounts payables, and derivative financial instruments in the Balance Sheets at December 31, were as follows:

	2023					
			Amounts offset	Amounts not offset		
	Gross Amounts Before Offset	**Amounts Offset**	**Net Amounts as Presented**	**Cash Collateral Received/Pledged**	**Other Offsetting Instruments**	**Net Amounts**
			(In Thousands of Dollars)			
Assets:						
Within accounts receivables	$ 69,600	$ (43,094)	$ 26,506	$ (6)	-	$ 26,500
Within receivable from affiliate	9,606	(9,174)	432	-	-	432
Within assets from risk management activities	405,837	(75,520)	330,317	(15,574)	(119,232)	195,511
Liabilities:						
Within accounts payables	$ (49,066)	$ 43,094	$ (5,972)	$ 1,462	-	$ (4,510)
Within payable to affiliate	(36,514)	9,174	(27,340)	-	-	$ (27,340)
Within liabilities from risk management activities	(405,022)	75,520	(329,502)	12,500	119,232	(197,770)

5. Financial Instruments (Continued)

	2022					
			Amounts offset		Amounts not offset	
	Gross Amounts Before Offset	Amounts Offset	Net Amounts as Presented	Cash Collateral Received/Pledged	Other Offsetting Instruments	Net Amounts
			(In Thousands of Dollars)			
Assets:						
Within accounts receivables	$ 133,555	$ (49,827)	$ 83,728	$ (13,322)	-	$ 70,406
Within receivable from affiliate	47,354	(47,354)	-	-	-	-
Within assets from risk management activities	1,136,561	(175,602)	960,959	(30,255)	(237,144)	693,559
Liabilities:						
Within accounts payables	$ (85,506)	$ 49,827	$ (35,679)	$ 2,253	-	$ (33,426)
Within payable to affiliate	(70,625)	47,354	(23,271)	-	-	$ (23,271)
Within liabilities from risk management activities	(1,163,137)	175,602	(987,535)	87,803	237,144	(662,588)

Amounts not offset principally relate to contracts where the intention to settle on a net basis was not clearly established at December 31.

The carrying amount of financial assets pledged as collateral for liabilities at December 31, 2023 and 2022, presented within prepayments and other, were $18 million and $46 million, respectively. The carrying amount of collateral held at December 31, 2023 and 2022, presented within accrued liabilities and other payables, were $13 million and $97 million, respectively. Collateral mainly relates to over-the-counter counterparty variation margins.

Liquidity Risk

Liquidity risk is the risk that suitable sources of funding for STRM's business activities may not be available. Management believes that it has access to sufficient debt funding sources and to undrawn committed borrowing facilities to meet foreseeable requirements. Information about borrowing facilities is presented in Note 4.

5. Financial Instruments (Continued)

All trade payables are expected to result in a cash outflow within the next 12 months. The contractual maturities of derivative liabilities were as follows:

	2023						
	Contractual Maturities						
	Less Than 1 year	Between 1 and 2 Years	Between 2 and 3 Years	Between 3 and 4 Years	Between 4 and 5 Years	5 Years and Later	Total
	(In Thousands of Dollars)						
Liabilities from risk management activities	$ 168,940	$ 127,141	$ 40,927	$ 6,009	$ 2,035	$ 1,345	$ 346,396

	2022						
	Contractual Maturities						
	Less Than 1 year	Between 1 and 2 Years	Between 2 and 3 Years	Between 3 and 4 Years	Between 4 and 5 Years	5 Years and Later	Total
	(In Thousands of Dollars)						
Liabilities from risk management activities	$ 647,063	$ 233,844	$ 131,073	$ 6,700	$ 2,559	$ 6,999	$ 1,028,238

Fair Value Measurement

STRM is required to provide information according to the fair value hierarchy, which ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. STRM's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. STRM's fair value measurement techniques incorporate various valuation approaches, including market and income approaches. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 – Fair value is based on unadjusted quoted market prices for assets or liabilities in active markets. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Fair value is based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than

5. Financial Instruments (Continued)

quoted prices that are observable for the assets or liabilities, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If

the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term. The fair values for Level 2 assets or liabilities are generally obtained from third-party broker quotes, independent pricing services, and exchanges. Level 2 primarily consists of over-the-counter financial swaps.

Level 3 – Fair value is based on unobservable inputs that are significant to the fair value measurement. Level 3 fair value transactions primarily consist of over-the-counter financial options and long-term commodity contracts qualifying as derivatives, where a significant portion of the term of the contract extends beyond the period where there are observable quoted prices or options where the volatility inputs are not observable for the full term of the contract. At each balance sheet date, STRM performs an analysis of all instruments subject to fair value measurement and includes in Level 3 all of those whose fair value is based on significant unobservable input. In cases where there is no corroborative market information obtainable to support significant model inputs, the transaction price is used as the best estimate of fair value.

The following tables summarize the net carrying amounts of derivative contracts held at December 31, categorized according to the predominant source and nature of inputs used in determining the fair value of each contract:

	2023			
	Fair Value Measurement			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands of Dollars)			
Derivative	-	7,369	(6,554)	815
Total	$ -	$ 7,369	$ (6,554)	$ 815

	2022			
	Fair Value Measurement			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands of Dollars)			
Derivative	-	(4,211)	(22,365)	(26,576)
Total	$ -	$ (4,211)	$ (22,365)	$ (26,576)

5. Financial Instruments (Continued)

The following sets forth a reconciliation of the changes in the fair value of derivatives classified as Level 3:

	2023	
	(In Thousands of Dollars)	
Balance, beginning of year	$	(22,365)
Realized and unrealized gains included in net income		17,161
Purchases		19,081
Issuances		(20,431)
Transfers into Level 3		-
Transfers out of Level 3		-
Balance, end of year	$	(6,554)

	2022	
	(In Thousands of Dollars)	
Balance, beginning of year	$	(34,949)
Realized and unrealized gains included in net income		20,656
Purchases		39,083
Issuances		(47,155)
Transfers into Level 3		-
Transfers out of Level 3		-
Balance, end of year	$	(22,365)

Included in net gains recognized in revenue in 2023 were unrealized net gains totaling $13 million and $6 million related to assets and liabilities held at December 31, 2023 and 2022, respectively.

5. Financial Instruments (Continued)

Gains and losses (realized and unrealized) from Level 3 trading derivatives are included in net trading revenue on the statements of profit or loss. Gains and losses (realized and unrealized) from Level 3 instruments could potentially be offset by gains and losses (realized and unrealized) on instruments classified in Level 2. STRM transfers amounts among levels of the fair value hierarchy as of the end of each period. Transfers into Level 3 represent existing assets or liabilities that were previously categorized at a higher level for which the inputs to STRM's models became unobservable. Transfers out of Level 3 represent existing assets or liabilities that were previously classified as Level 3 for which the inputs became observable in accordance with STRM's hierarchy policy.

6. Commitments and Contingencies

As of December 31, 2023, no commitments or contingencies exist that would require disclosure in the financial statements.

7. Subsequent Events

The Company has evaluated subsequent events from the December 31, 2023 balance sheet date through March 19, 2024, the date these financial statements were available to be issued.

Supplementary Information – Capital Requirements under 17 CFR § 23.101

On November 16, 2020 the Commodities and Futures Trading Commission (“CFTC”) issued final regulations with respect to minimum capital requirements for swap dealers. As a result of the issuance of these new regulations the Company is now required to meet 17 CFR § 23.101(2). We have elected to meet these new rules using the Net Tangible Worth criteria as described in 17 CFR § 23.101. The below numbers represent the Company’s tangible net worth at the end of the 2023 fiscal year. The Company maintained a tangible net worth within the risk tolerance limits set forth by the Capital Model Minimum Tangible Net Worth Requirements. The Company monitors and retains a tangible net worth in excess of the 120% regulatory notice threshold.

December 31, 2023 000's

*Minimum Tangible Net Worth Requirement	**$ 498,589**
Regulatory Notice Threshold (120% Min Req.)	**$ 598,306**
#Tangible Net Worth	**$ 3,096,958**

Tangible Net Worth Calculation as on 31 December 2023, as below(USD ‘000):

Baseline Tangible Net Worth	$ 20,000
Credit Risk Exposure	$ 478,589
Market Risk	$ 0
*Tangible Net Worth Requirement	$ 498,589
Total ownership equity	$ 3,096,958
#STRM Tangible Net Worth 12/31/2023	$ 3,096,958

In April 2022, the Company decreased equity by $1.0 billion through a non-cash dividend to our Parent.

STRM does not have any creditors as subordinates and hence do not hold any subordinated liabilities during the year.

No material differences existed between the unaudited financial information filed with CFTC, post year end in January’24, with the certified statements of accounts except for the accounts receivable/payable netting adjustment as reflected on the balance sheet.