SMBC

SMBC Group

Pillar 3 disclosures

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As of 31 March 2026

Contents

- The purpose of the Pillar 3 disclosures as contained within this Disclosure Document is to explain how SMBC Bank International plc (SMBC BI or the Bank) complies with certain prudential requirements and to provide information about the management of risks relating to those requirements.
- This Disclosure Document does not constitute any form of financial statement on behalf of the Bank, and it should be read in conjunction with the Bank's annual report and financial statements, which can be found on the Bank's website at: Notices & Reporting | SMBC
- This Disclosure Document reflects, where appropriate, information that is contained within the Bank's annual report and financial statements. Where reference is made to disclosures within the annual report and financial statements, such disclosures are incorporated by cross-reference.
- This information has been subject to internal review but has not been audited by the Bank's external auditor, KPMG.
- Although Pillar 3 disclosures are designed to provide transparent capital and liquidity disclosures made by banks on a common basis, the information contained in this Disclosure Document may not be directly comparable with those made available by other banks. This may be due to several factors, such as:
  - the different approaches to calculating capital allowed under prudential regulatory requirements;
  - the mix of exposure types between banks;
  - the different risk appetites and profiles of banks; and
  - the different waivers applied for and granted by the Prudential Regulation Authority (PRA).

1. Overview

1.1 Background

SMBC BI is authorised by the PRA and regulated by the Financial Conduct Authority (FCA) and the PRA in the UK, from which it receives information for assessing capital and liquidity adequacy and setting capital and liquidity requirements.

- The framework of the PRA requirements involves a three-pillar approach, with each individual pillar being an important and mutually reinforcing element in determining the overall capital that an institution needs to have in place:
- Pillar 1 is the Minimum and Enhanced Capital Requirement (involving the quantification of credit risk, market risk and operational risk).
- Pillar 2 is the Supervisory Review (involving the total capital requirement and assessment by the regulator, based on the consideration of individual bank risk and business and control risk factors – this enables the capture of other, wider general risks not captured sufficiently under Pillar 1).
- Pillar 3 is Market Discipline (which requires disclosure to allow market participants to understand the Bank's risk profile).

The relevant Pillar 3 requirements are contained in the Capital Requirement Regulations (CRR) and, from 1 January 2022, in the 'Disclosure (CRR)' part of the PRA Rulebook for CRR firms in the UK. These requirements are designed to promote market discipline by providing market participants with key information on a firm's risk exposures, risk management processes and capital adequacy. Improved public disclosure of such information is intended to ensure increased transparency and, hence, more effective market discipline.

1.2 Disclosure Document overview

This Disclosure Document contains both qualitative and quantitative information concerning the following areas:

- **Key metrics** (section 2);
- **Own funds** (sections 3 and 4);
- **Risk management**, both in relation to overall risk management issues and specific risk categories (sections 5, 6, 10, 12, 13, 14, 15 and 17);
- **Credit risk exposures** (sections 7, 8 and 9);
- **Securitisations** (section 11);
- **Interest rate risk in the banking book (IRRBB)** (section 12);
- **Leverage ratio** (section 16);
- **Liquidity risk management** (section 17);
- **Asset encumbrances** (section 18); and
- **Remuneration disclosures** (section 19).

In line with Article 431(4) of the 'Disclosure (CRR)' part of the PRA Rulebook, prior-year comparative figures are provided, together with qualitative narratives (and any other supplementary information where necessary) on significant movements against the prior year, except for new disclosures or enhanced disclosures made in the current year, if any. Table-name references and row/column numbering in the tables follow the Pillar 3 templates, as prescribed in the PRA's 'Disclosure (CRR)' part of the Rulebook.

All the quantitative information contained in this Disclosure Document is given in US Dollar millions, unless otherwise stated.

1.3 Basis and frequency of disclosures

In accordance with the PRA's 'Disclosure (CRR)' part of the Rulebook, these disclosures are based on 31 March 2026 year-end data. The corporate governance disclosures can be found in the Bank's annual report and financial statements.

This Disclosure Document will be formally updated on an annual basis to reflect the situation as at the end of each financial year. In addition, effective from 1 January 2022, SMBC BI is subject to both semi-annual and quarterly disclosure requirements under Article 433a of the 'Disclosure (CRR)' part of the PRA Rulebook.

1.4 Consolidation basis

There is no difference in the basis of consolidation for accounting and prudential purposes.

At the date of publication of this Disclosure Document, the Bank had one branch, established in Abu Dhabi in the United Arab Emirates.

1.5 Verification, attestation and approval

Under SMBC BI's Pillar 3 Policy, this Disclosure Document has been reviewed and approved by the Bank's Board of Directors but has not been subject to external audit. However, where data is equivalent to that included in the Bank's annual report and financial statements, such data has been subject to external audit during the formal review and verification process.

In accordance with Article 431(3), the written attestation from Mr Koichi Nunami, Chief Financial Officer, is attached below:

> "I attest that the SMBC Bank International plc Pillar 3 disclosures, to the best of my knowledge, are in line with the formal policies, internal processes, systems and controls in accordance with Part Eight of the UK CRR."

1.6 Location

The Disclosure Document is published on the Bank's corporate website, which is felt to be the most appropriate medium, as per Article 434 of the 'Disclosure (CRR)' part of the PRA Rulebook.

This can be found at: Notices & Reporting | SMBC

2. Key metrics

The key metrics dashboard provides an overview of the Bank's prudential regulatory situation, including its capital, leverage ratio and liquidity ratios.

On 16 February 2026, SMBC BI successfully completed a project involving the transfer of SMBC BI's Paris Branch to SMBC Bank EU, following the conclusion of a multi-year strategic project.

Overall, the Bank's ratios have remained robust over the year. The increase in capital ratio was driven by a decrease in Credit Risk-Weighted Exposure Amounts (RWEAs), due to the transfer of SMBC BI's Paris Branch to SMBC Bank EU.

Table 2.1: KM1 – Key metrics

		31 Mar 2026	31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	6,168	5,761	5,771	5,780	5,786
2	Tier 1 capital	6,168	5,761	5,771	5,780	5,786
3	Total capital	6,168	5,761	5,771	5,780	5,786

		31 Mar 2026	31 Dec 2025	30 Sep 2025	30 Jun 2025	31 Mar 2025
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	29,411	34,723	32,117	34,299	33,891
	Capital ratios (as a percentage of the risk-weighted exposure amount)					
5	CET1 ratio (%)	21.0	16.6	18.0	16.9	17.1
6	Tier 1 ratio (%)	21.0	16.6	18.0	16.9	17.1
7	Total capital ratio (%)	21.0	16.6	18.0	16.9	17.1
	Additional own funds requirements, based on the SREP* (as a percentage of the risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	1.6	1.6	1.0	1.0	1.0
UK 7b	Additional Tier 1 SREP requirements (%)	0.5	0.5	0.3	0.3	0.3
UK 7c	Additional Tier 2 SREP requirements (%)	0.7	0.7	0.5	0.5	0.5
UK 7d	Total SREP own funds requirements (%)	10.9	10.9	9.8	9.8	9.8
	Combined buffer requirement (as a percentage of the risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
9	Institution-specific countercyclical capital buffer (%)	1.0	1.1	1.1	1.1	1.1
11	Combined buffer requirement (%)	3.5	3.6	3.6	3.6	3.6
UK11a	Overall capital requirement (%)	14.4	14.4	13.4	13.4	13.4
12	CET1 available after meeting the total SREP own funds requirements (%)	10.1	5.7	8.1	7.0	7.2
	Leverage ratio					
13	Total exposure measure, excluding claims on central banks	73,939	74,964	64,993	63,790	57,267
14	Leverage ratio, excluding claims on central banks (%)	8.3	7.7	8.9	9.1	10.1
	Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL** accounting model leverage ratio, excluding claims on central banks (%)	8.3	10.1	9.2	13.6	15.1
14b	Leverage ratio, including claims on central banks (%)	7.2	7.0	6.8	8.8	9.6
14c	Average leverage ratio, excluding claims on central banks (%)	8.3	9.9	9.3	14.3	14.6
14d	Average leverage ratio, including claims on central banks (%)	6.7	7.1	6.9	9.0	9.2
14e	Countercyclical leverage ratio buffer (%)	0.4	0.4	0.4	0.4	0.4
	Liquidity coverage ratio					
15	Total High-quality Liquid Assets (HQLA) (weighted value – average)	29,498	25,359	24,939	25,369	25,342
UK 16a	Cash outflows – Total weighted value	25,852	20,582	19,357	18,932	19,184
UK 16b	Cash inflows – Total weighted value	6,799	4,747	3,973	3,281	3,329
16	Total net cash outflows (adjusted value)	19,053	15,835	15,384	15,651	15,855
17	Liquidity coverage ratio (%)	154.8	160.1	162.1	162.1	159.8
	Net stable funding ratio					
18	Total available stable funding	25,902	22,673	22,805	23,060	23,516
19	Total required stable funding	19,511	17,827	16,987	16,693	16,735
20	NSFR ratio (%)	132.8	127.2	134.3	138.1	140.5

* Supervisory review and evaluation process.
** Expected credit loss.

3. Own funds

Table 3.1 CC1 – Composition of regulatory own funds

The Bank determines its own funds on the basis laid down in the CRR.

		(a)		(b)
		31 March 2026	31 March 2025	Balance sheet source in Table CC2
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	3,200.1	3,200.1	a
2	Retained earnings	3,069.4	2,626.2	b
3	Accumulated amounts of other comprehensive income (and other reserves)	80.2	100.1	c
6	**CET1 capital before regulatory adjustments**	6,349.7	5,926.4	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments	(10.5)	(6.1)	h
8	Intangible assets (net of related tax liability)	(145.3)	(107.2)	d
11	Fair value reserves related to gains or losses on the cash flow hedges of financial instruments that are not valued at fair value	2.6	0.1	e
14	Gains or losses on liabilities valued at fair value, resulting from changes in own credit standing	0.0	0	
15	Defined benefit pension fund assets	(28.7)	(26.4)	f
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments, when relevant)	(0.1)	(0.9)	g
28	**Total regulatory adjustments to CET1**	(182.0)	(140.5)	
29	**CET1 capital**	6,167.7	5,785.8	
60	**Total risk exposure amount**	29,411	33,891	
Capital ratios and buffers				
61	CET1 (as a percentage of total risk exposure amount)	21.0%	17.1%	
62	Tier 1 (as a percentage of total risk exposure amount)	21.0%	17.1%	
63	Total capital (as a percentage of total risk exposure amount)	21.0%	17.1%	
64	Institution CET1 overall capital requirement (the CET1 requirement in accordance with Article 92(1) CRR, plus the additional CET1 requirement that the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus the combined buffer requirement in accordance with Article 128(6) CRD (expressed as a percentage of risk exposure amount))	9.6%	9.1%	
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical buffer requirement	1.0%	1.1%	
68	**CET1 available to meet buffers (as a percentage of risk exposure amount)**	11.3%	7.9%	
Amounts below the thresholds for deduction (before risk weighting)				
75	Deferred tax assets arising from temporary differences (amount below the 17.65% threshold, net of related tax liability where the conditions in Article 38(3) CRR are met)	18	39	

Table 3.2: CC2 – Reconciliation of regulatory own funds to the balance sheet in the audited financial statements

The Bank's financial statements are prepared in accordance with the IFRS, and regulatory own funds are prepared under prudential rules. Financial statements within the regulatory scope of consolidation form the basis for the calculation of regulatory capital requirements. There is no difference in the regulatory and accounting scopes of consolidation.

		Balance sheet, as in published financial statements	Under regulatory scope of consolidation	Reference to Table CC1
		31 March 2026		
Assets – Breakdown by asset class according to the balance sheet in the published financial statements				
1	Cash and balances at central banks	12,321.1		
2	Settlement balances	695.1		
3	Loans and advances to banks	7,201.0		
4	Loans and advances to customers	13,981.7		
5	Reverse repurchasing agreements	33,507.9		
6	Investment securities	4,178.6		
	of which: subject to capital deduction (prudential valuation adjustment)	4.2		h
7	Trading assets	2,149.8		
	of which: subject to capital deduction (prudential valuation adjustment)	2.1		h
8	Derivative assets	1,914.5		
	of which: subject to capital deduction (prudential valuation adjustment)	1.9		h
9	Other assets	1,582.0		
10	Intangible assets and goodwill	145.3		
	of which: subject to capital deduction	145.3		d
11	Property and equipment	180.6		
12	Current tax asset	0		
13	Deferred tax asset	18.5		
14	Pensions surplus	39.8		
	of which: subject to capital deduction (defined benefit pensions fund)	39.8		f
	Total assets	77,915.8		
Liabilities – Breakdown by liability class according to the balance sheet in the published financial statements				
1	Deposits by banks	20,657.6		
2	Customer accounts	25,394.2		
3	Debts securities in issue	99.4		
4	Repurchase agreements	21,229.0		
5	Derivatives liabilities	1,653.5		
	of which: subject to capital deduction (prudential valuation adjustment)	1.7		h
	of which: subject to capital decrease (fair value gains from the institution's own credit risk)	0.1		g
6	Trading liabilities	634.8		
	of which: subject to capital deduction (prudential valuation adjustment)	0.6		h
7	Other liabilities	1,837.5		
8	Other provisions	25.0		
9	Deferred tax liability	19.3		
	of which: use for offsetting the pensions surplus	11.1		f
10	Current tax liability	15.7		

		Balance sheet, as in published financial statements	Under regulatory scope of consolidation	Reference to Table CC1
		31 March 2026		
	Total liabilities	71,566.1		
Shareholders' equity				
1	Called up share capital	3,200.1		a
2	Retained earnings	3,069.4		b
	of which: unrecognised current year profits	0		
3	Other reserves	80.2		c
	of which: subject to capital deduction (fair value reserves related to gains or losses on cash flow hedges)	(2.6)		e
	Total shareholders' equity	6,349.7		

Table 3.3: CCA – Main features of regulatory own funds instruments and eligible liabilities instruments

This table provides a description of the main features of the regulatory instruments issued and included as capital in Table 2 as at 31 March 2026.

		a	b	c	d	e	f
1	Issuer			SMBC BI plc			
2	Unique identifier			n/a			
2a	Public or private placement			Private			
3	Governing law(s) of the instrument			English			
3a	Contractual recognition of write-down and conversion powers of resolution authorities			n/a			
	Regulatory treatment						
4	Current treatment, taking into account, where applicable, transitional CRR rules			Common Equity Tier 1			
5	Post transitional CRR rules			Common Equity Tier 1			
6	Eligible at solo/(sub-)consolidated/ solo and (sub-)consolidated			Solo & consolidated			
7	Instrument type (types to be specified by each jurisdiction)			Ordinary shares			
8	Amount recognised in regulatory capital or eligible liabilities (currency in millions, as at the most recent reporting date)	USD 800 million	USD 800 million	USD 400 million	USD 1.2 billion	GBP 50 thousand	USD 1 thousand
9	Nominal amount of instruments	800,000	800,000	400,000	1,199,999	50,000	1
UK 9a	Issue price	USD 1,000 each	USD 1,000 each	USD 1,000 each	USD 1,000 each	GBP 1 each	USD 1,000
UK 9b	Redemption price			n/a			
10	Accounting classification			Shareholders' equity			
11	Original date of issuance	28 May 2013	25 May 2012	27 May 2008	5 March 2003	31 July 2020	3 March 2003
12	Perpetual or dated			Perpetual			
13	Original maturity date			n/a			

		a	b	c	d	e	f
14	Issuer call subject to prior supervisory approval			n/a			

4. Own funds requirements and risk-weighted exposure amounts

Table 4.1: OV1 – Overview of risk-weighted exposure amounts

This table provides a breakdown of RWEAs and the total own funds requirements, by exposure class and calculation approach, of SMBC BI as at 31 March 2026. Total own funds requirements are calculated as RWEAs, multiplied by 8%.

		RWEAs		Total own funds requirements	
		31 March 2026	31 March 2025	31 March 2026	31 March 2025
1	Credit risk (excluding CCR)	20,790	27,889	1,663	2,231
2	of which: the standardised approach	20,790	27,889	1,663	2,231
6	Counterparty credit risk – CCR	2,163	1,841	173	147
7	of which: the standardised approach	1,021	1,395	82	112
UK 8a	of which: exposures to a CCP	15.1	2.5	1.2	0.2
UK 8b	of which: credit valuation adjustment – CVA	242	222	19	18
9	of which other CCR	1,127	222	90	18
15	Settlement risk	0.5	0.1	0.04	0.0
20	Position, foreign exchange and commodities risks (market risk)	3,412	1,818	273	145
21	of which: the standardised approach	3,412	1,818	273	145
UK 22a	Large exposures	–	–	–	–
23	Operational risk	2,796	2,343	224	187
UK 23a	of which: basic indicator approach	–	–	–	–
UK 23b	of which: standardised approach	2,796	2,343	224	187
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (for information)	46	99	4	8
29	Total	29,411	33,891	2,353	2,711

Decrease in credit RWEAs due to the transfer of SMBC BI Paris Branch to SMBC Bank EU. Increase in market risk is mainly due to an increase in securities business.

Table 4.2: LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

This table provides information about the differences between the Bank's regulatory exposures and carrying amounts presented in the financial statements prepared in accordance with IFRS as at 31 March 2026.

			Carrying values of items			
	Carrying values as reported in published financial statements	Carrying values under the scope of regulatory consolidation	Subject to the Credit Risk Framework	Subject to the CCR Framework	Subject to the Market Risk Framework	Not subject to own funds requirements or subject to deduction from own funds
Assets						
Cash and balances at central banks	12,321	12,321	12,321	–	–	–
Settlement balances	695	695	695	–	–	–
Loans and advances to banks	7,201	7,201	7,201	–	–	–
Loans and advances to customers	13,982	13,982	13,982	–	–	–
Reverse repurchase agreements	33,508	33,508	–	33,508	31,490	–
Investment securities	4,179	4,179	4,179	–	–	–
Trading assets	2,150	2,150	–	–	2,150	–
Derivative assets	1,914	1,914	–	1,914	1,852	–
Other assets	1,582	1,582	1,442	140	–	–
Intangible assets and goodwill	145	145	–	–	–	145
Property and equipment	181	181	181	–	–	–
Current tax asset	0	0	–	–	–	–
Deferred tax asset	18	18	18	–	–	–
Pensions surplus	40	40	–	–	–	40
Total assets	**77,916**	**77,916**	**40,018**	**35,562**	**35,491**	**185**
Liabilities						
Deposits by banks	20,658	20,658	–	–	–	20,658
Customer accounts	25,394	25,394	–	–	–	25,394
Debts securities in issue	99	99	–	–	–	99
Repurchase agreements	21,229	21,229	–	21,229	21,229	–
Derivatives liabilities	1,654	1,654	–	1,654	1,600	–
Trading liabilities	635	635	–	–	635	–
Other liabilities	1,838	1,838	–	558	–	1,279
Other provisions	25	25	25	–	–	–
Current tax liability	16	16	–	–	–	16
Deferred tax liability	19	19	–	–	–	19
Total liabilities	**71,566**	**71,566**	**25**	**23,441**	**23,464**	**47,465**

In addition, any assets and liabilities denominated in currencies that are not in the Bank's reporting currency (i.e., US Dollars) are subject to foreign exchange market risk capital requirements.

Table 4.3: LI2 – Main sources of differences between regulatory exposure amounts and carrying values in the financial statements

This table provides a reconciliation between the assets' carrying values under the regulatory consolidation shown in Table 4.2 and the exposures used for regulatory purposes as at 31 March 2026, split according to Regulatory Risk Framework.

		Items subject to		
	Total	Credit Risk Framework	CCR Framework	Market Risk Framework
Assets' carrying value amount under the scope of regulatory consolidation (as per template LI1)	111,072	40,018	35,562	35,491
Liabilities' carrying value amount under the regulatory scope of consolidation (as per template LI1)	46,930	25	23,441	23,464
Total net amount under the regulatory scope of consolidation	64,142	39,993	12,121	12,027
Off–balance sheet amounts	13,965	13,965		
Differences in valuations	(11)	(11)		
Differences due to different netting rules, other than those already included in row 2[1]	(8,238)		(8,238)	
Differences due to consideration of provisions				
Differences due to the use of Credit Risk Mitigation techniques (CRMs)	(8,041)	(8,041)		
Differences due to credit conversion factors	(6,216)	(6,216)		
Other differences[2]	(286)	(215)	(70)	
Exposure amounts considered for regulatory purposes	55,316	39,475	3,814	12,027

Table 4.4: LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

There are no differences in the scope of consolidation between accounting and regulatory consolidation.

5. Risk Management Framework

5.1 Risk management objectives

The Risk Management function, under the leadership of the Chief Risk Officer (CRO), supports the Board and the Risk Committee (Risk Committee/Audit and Compliance Risk Committee) to perform the role of risk oversight, Framework development, Framework and methodology formulation, and the independent monitoring and reporting of key risk issues. Specifically, the UK and regional risk management objectives are:

- to coordinate the implementation of a Board–approved Risk Management Framework that ensures the effective identification, assessment, measurement, management and reporting of existing key risks and emerging risks;
- to ensure that an appropriate Risk Appetite Framework is in place, which is observed and maintained in the pursuance of the strategic objectives;
- to ensure the maintenance of a sufficient quality and quantity of capital resources, consistent with the level and nature of the risks being taken;
- to ensure the maintenance of a sufficient quality and quantity of liquidity resources at all times to meet liabilities as they fall due;
- to assess aggregate risk against Risk Appetite, based on individual assessments provided by subject matter experts in different departments to RMD. This will, for instance, include the Compliance Department (CPD) undertaking and providing assessments for financial crime and conduct risk or the IT Security Department undertaking and providing assessments for IT and Cyber Risk;
- to ensure adherence to the letter and spirit of laws and regulations governing its business;
- to review and alert the Board regarding aggregate risks across the organisation, and to review and challenge the end–to–end control framework;
- to keep the Board and management informed of the latest developments pertaining to risk management matters in international standards and practices on risk management (in general and specific to financial institutions);
- to provide technical advice and support to the Board and management on improving and advancing the Risk

[1] Includes differences due to SA-CCR for derivatives and the financial collateral comprehensive method for SFT.

[2] Other differences include the difference between the assets' carrying value as defined per IFRS and the values defined for regulatory reporting.

[3] Sustainability risk is recognised as cross-cutting risk – see the Sustainability Risk Framework for further details

Management system as the legal and regulatory environment, its standards and/or the business focus changes; and
- to ensure coverage of both the base case and downside risks that may have implications for the Bank's ability to meet its objectives. This encompasses all risks, e.g., on– and off–balance sheet risks, and applies at group–wide, portfolio and business–line levels. This includes the banking risks defined under the Basel Accord, e.g., credit risk, market risk, liquidity risk and operational risk, and through working with other bank departments on compliance, reputational risk, legal risk and cyber risk.

The Chief Risk Officer Senior Management Function (SMF 4) holds certain prescribed, overall and additional responsibilities under the Senior Management and Certification Regime (SMCR) for the Bank. These are set out in the Management Responsibilities Map for the Bank in the Statement of Responsibilities for the CRO (with each amended from time to time).

5.2 Risk Management Framework components

SMBC BI's Risk Management Framework provides the fundamental structure for management of the risks that it faces, i.e., the governance arrangements, roles and responsibilities, appetites and limits, processes and reporting.

SMBC BI recognises the importance of establishing and embedding a robust risk management culture. Therefore, the Framework is designed to ensure that effective risk governance and management is in place across all business activities.

The Framework can be described through the following components, each outlined below and described in more detail in subsequent sections.

- Risk Governance Structure – who is responsible for risk management and what authorities are given.
- Risk Identification and Assessment – what risks the region faces and how important each risk is.
- Risk Measurement & Monitoring – how risks are individually and collectively measured and monitored.
- Risk Management (Control and Mitigation) – how risks are controlled and mitigated.
- Risk Reporting and Escalation – how risks are reported and escalated to the Board/LMC, executive management and business owners.
- Risk Appetite – what level of risk, for each risk type and on an aggregate basis, it is appropriate to take in the pursuit of its strategic objectives.

Risk Governance Structure

SMBC BI has a governance structure in place that supports the management and oversight of risk. The Board retains all decision–making powers except those that it has delegated to either a committee or an individual. The UK senior managers and the Certification Regime have been appointed for all relevant SMF functions to ensure clear management accountability.

Risk management governance arrangements comprise:

- a committee structure to oversee and manage the risks of the Firm;
- an organisational structure that utilises a 'Three Lines of Defence' (3LoD) model for the management of risks, and clearly establishes the responsibilities for the various Lines of Defence; and
- a Policy Framework that defines the mandatory minimum requirements for the management of risks.

Governance structure

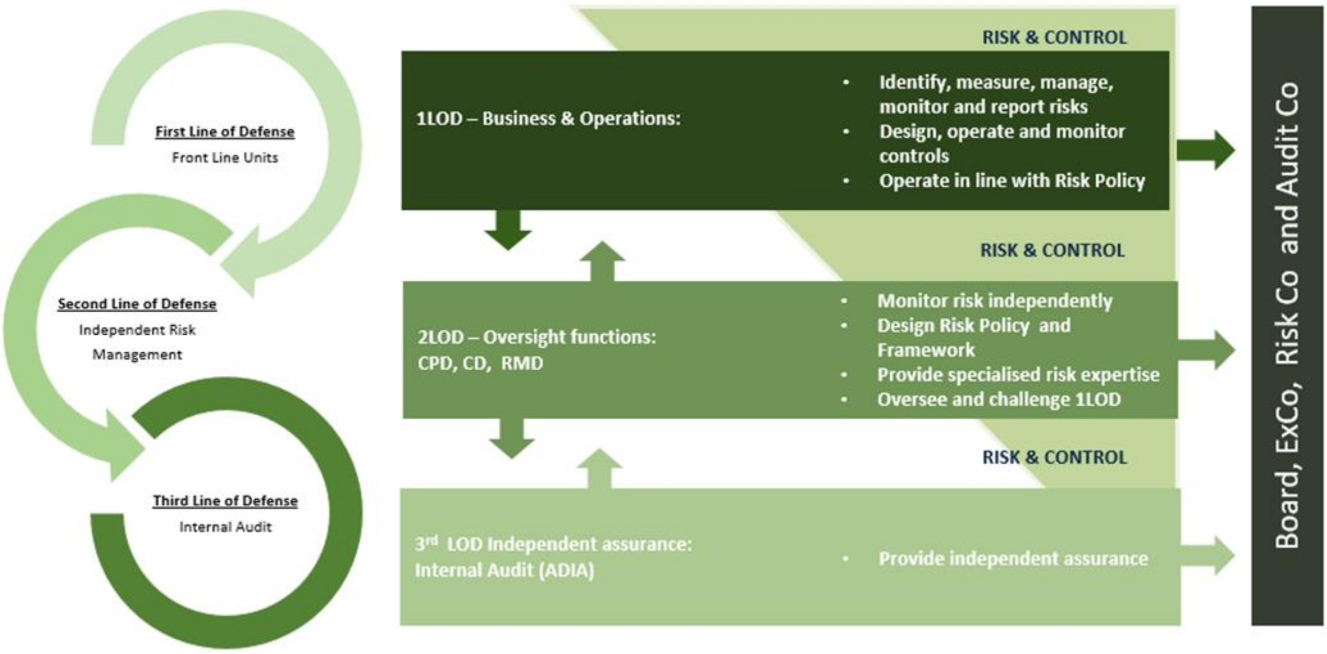
The annual report and financial statements set out further information on SMBC BI's governance structure that complements the information that can be found in this Pillar 3 Disclosure Document. The annual report and financial statements can be found on SMBC BI's website here: Notices & Reporting | SMBC

Governance disclosure	Annual report references	
	Page number	Paragraph
Number of directorships held by members of the management body	36–37	Director biographies
Recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	34	Board composition
	36–37	Director biographies
Policy on diversity and inclusion with regard to the selection of members of the management body, its objectives and the relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved	34	Board composition
Information on the Risk Committee and the number of times that the Committee has met	40	Board Committees – Risk Committee
Information flow on risk to the management body	35; 41–42	Opportunity and risk; Risk Management and Internal Controls
Information on sustainability risk management	20–24	Climate–Related Financial Disclosures

Three lines of defence

The Bank has adopted the three lines of defence model. This approach separates the ownership and management of risk from the functions that oversee risk and the function that provides independent assurance.

The model is illustrated in the diagram below:



First line of defence

Senior management in the first line of defence is responsible for each of the risks and controls that fall within their area of responsibility and is responsible for ensuring that appropriate controls are in place to mitigate those risks. Each department operates within the Risk Appetite threshold in the context of its own strategy, taking into account the overall Risk Management Framework and corporate strategy. This approach is designed to ensure that the Risk Appetite is cascaded down to where the risk is directly taken.

Second line of defence

The Risk Management Department, Compliance Department and Credit Department are, collectively, the Bank's second line of defence. These departments are independent from the business areas that generate risk and operate within a governance framework that allows them to exercise professional judgement and make recommendations in an effective and impartial manner.

The Risk Management Department (RMD) supervises all major risks to which the Bank is, or could potentially be, exposed and assists business in identifying risks and developing frameworks to manage, monitor and control those risks. RMD also oversees the Risk Appetite and owns the policy framework, limits and guidelines for Credit, Market, Liquidity and Sustainability Risk and certain Operational Risks, including Reputational Risk.

The Compliance Department (CPD) is responsible for the formation and execution of Bank–wide compliance risk strategies and policies that are consistent with the risk appetite measures and business strategy in the areas of Financial Crime, Conduct Risk and Regulatory Change; therefore, it is responsible for overseeing that the Bank maintains external and internal regulatory compliance in accordance with the policies, rules and regulations for financial crime and conduct as set out by the PRA and the Financial Conduct Authority (FCA), the Bank and the SMBC Group.

The Credit Department (CD) is responsible for the assessment and approval of individual credit transactions/decisions against the Bank's Risk Appetite Framework. The CD is also responsible for the ongoing management of credit exposures, including special credits and self–assessment and impairment provisioning.

Third line of defence

The Audit Department is the third line of defence; it comprises an Internal Audit Group and a Credit Review Group and is independent of the Bank's business units. The objective of Internal Audit is to provide reasonable assurance to the Board, management and other stakeholders that an effective internal control environment has been established to protect the Bank's assets, reputation and sustainability. To achieve this objective, the Internal Audit Group conducts audits and provides related services using a risk–based approach and by meeting the Global Institute of Internal Auditors Standards and following the Guidance on Effective Internal Audit in the Financial Services Sector issued by the Chartered Institute of Internal Auditors. The Audit Department acts independently of the Bank's business units. The two Co–General Managers of the Audit Department report to the Audit Committee at its quarterly meetings.

Additional assurance is provided by the Credit Review Group, which acts similarly to a credit quality assurance function and is responsible for reviewing the credit–grading process.

Risk identification and assessment

The key purpose of the risk identification and assessment process is to proactively understand all risks to which the Bank is exposed, to identify the major risks that could impact long–term sustainability and to assess the likelihood and impact of such risks materialising so that these risks can be appropriately managed, mitigated and incorporated into strategic decision–making.

Several key processes are in place to ensure that risks are identified and assessed, as tabulated below.

Table 5.2 Key risk identification and assessment processes

		Individual risk category[3]				
Processes	Enterprise level	Credit Risk	Market Risk	Liquidity Risk	Operational Risk (*)	Non–financial Risk (**)
Risk Taxonomy Inventory/Risk ID	√	√	√	√	√	√
Top and Emerging Risks	√	√	√	√	√	√
Key Risk Indicators		√	√	√	√	√
Stress testing (***)		√	√	√	√	√
Reverse stress testing (***)		√	√	√	√	√
RCSA						√
Pillar 2A Operational Risk Scenario analysis					√	√

(*) Including outsourcing risk.
(**) Including conduct and culture risk.
(***) Applicability based on a materiality assessment.

More information on these processes is continued below and on subsequent pages.

Enterprise Risks

There are two key complementary processes for enterprise–wide risk identification purposes: the Risk Taxonomy (i.e. the comprehensive list of risks to select from when performing risk assessments (Inventory) and the risk identification processes, which consider the risk expressed in the Bank's risk inventory, e.g., credit, market, etc., and the Top and Emerging risks process, which considers specific threats that may impact one or many of the risks identified in the Risk Inventory.

EMEA Risk Taxonomy

Risk Taxonomy provides a centralised and standardised structure for the identification of risks that SMBC (across the EMEA region) faces or has the potential to be exposed to. The Risk Taxonomy is used as a list to select from when creating Risk Inventories. The Risk Taxonomy has a 4–level hierarchical structure with a one–to–many relationship consisting of Level 0 ('L0'), Level 1 ('L1'), Level 2 ('L2') and Level 3 ('L3'). Enterprise Risk Management is responsible for the management of the EMEA Risk Taxonomies and for coordination with relevant stakeholders to maintain them.

Risk Inventory

Using the EMEA Risk Taxonomy, the Risk Inventory reflects the key risks facing the Bank that could impact the achievement of their primary strategic objectives, as set out in the corporate strategy. The Risk Inventory is updated on an annual basis as part of the annual Risk Identification process.

Top and Emerging Risks

A Top and Emerging Risk is a risk identified and assessed by senior management as being particularly pertinent to the Bank at a given time. The risk may be either a new risk or a specific example of an identified risk. Top risks are identified as those with the potential to affect the Region's strategy, operations and sustainability of the long–term business model. Emerging risks are those with unknown elements, and their effects could materialise over different time frames.

The primary objective of the Top and Emerging Risks process is to inform the Bank's senior management of the most pertinent risks currently facing the Bank. The process is designed to capture the ever–changing nature of the commercial and risk environment and be a dynamic and proactive part of the risk assessment toolkit. Ultimately, these risks are used during ICAAP/ILAAP/ICARA processes to develop scenarios for stress testing and scenario analysis.

Risk Measurement and Monitoring

Key principles for Risk Measurement and Monitoring are:

- to measure risk exposure by loss modelling, enterprise–level Key Risk Indicators (KRIs), Risk Register execution and scenarios;
- to provide capital methodology and implementation;
- to facilitate senior management's understanding of the severity of the risk;
- to ensure appropriate reporting to the Board/relevant Executive/Senior Management Committee, e.g., the Executive Committee (ExCo), of inherent and post mitigation risk via KRIs to facilitate any mitigation and/or changes to the Risk Appetite;
- to maintain a record of accepted risks.

At the core of the risk measurement and monitoring framework sits a limit system, embedded in the Risk Appetite, which implements limits, ratios and other quantitative measures that are used to monitor these risks at various levels. These include:

- Risk appetite measures;
- control measures and thresholds;
- recovery triggers, if relevant;
- KRIs and Early Warning Indicators; and
- risk limits.

The fundamental approach to risk quantification is through loss modelling, using a variety of techniques including stress testing, reverse stress testing and scenario analyses. The capital and liquidity planning and assessment exercises (beyond the risk quantification for Pillar 1 capital) act as comprehensive strategic exercises to quantify the risks and ensure the adequacy of capital and liquidity resources.

Risk Management (control and mitigation)

As part of ongoing efforts to enhance Risk Management, enhancements have been made to the 1LoD risk management capabilities, as well as role clarity between the 1LoD and the Second Line of Defence (2LoD). For the Bank, this is reflected through the following:

- **Enhanced Risk and Control Management** – the implementation of comprehensive risk and control inventories with new taxonomies, improved management processes and strengthened governance through self–assessments, issue management and event tracking.
- **The EMEA Control Office** – led by the Chief Control Officer, this consists of a central Control Planning team within Operations Planning Department (OPPD), providing control assurance, MI, analytics and governance, along with Business Control Officers embedded in First Line of Defence (1LoD) departments.

Business Control Officers, who remain within their 1LoD (Front Office and Control & Support) departments, play an integral role in strengthening our 3LoD model by embedding their responsibilities across the organisation. 1LoD departments will be undertaking Risk and Control Self Assessments, Risk ID, developing the reporting of Operational Risk Events, Risk Issues/Acceptances, Mitigations and Key Risk Indicators, and will be instrumental in embedding the appropriate 1LoD Committees.

SMBC BI seeks to mitigate its inherent financial risks as far as possible to ensure that they remain within their Risk Appetite. This takes the form of tangible mitigations such as collateral and guarantees, as well as policies, processes and controls. Both inherent and residual risks are monitored to analyse the risk profile.

The Control Office plays a critical role in implementing and embedding risk framework enhancements within the 1LoD model by:

- providing ongoing support to 1LoD – strengthening risk management, control design, and execution;
- enhancing oversight and governance – providing improved oversight and governance within 1LoD;
- providing 1LoD assurance – offering various assurance capabilities, including control testing and thematic risk reviews; and
- enhancing 1LoD risk and control governance – improving governance structures related to risk and control.

The risk control and mitigations undertaken may include:

- tangible security;
- financial collateral;
- guarantees;
- risk governance, framework, policy and procedures;
- individual and collective controls; and
- other mitigation and control actions.

The controls and mitigations are articulated in the key policy documents for the main risk types that support this framework. These key policy documents are underpinned by the relevant procedures/standards/guidelines for the Bank's operational processes.

Risk Reporting and Escalation

The key principles for Risk Reporting and Escalation are as follows:

- Ensuring that senior management is provided with the necessary information regarding the region's principal risks, so that an informed view of the regional risk profile can be made.
- Ensuring that the RMD has properly reported all material risks and delivered a complete view of the full range of risks facing the region.
- The principal risks facing the region are reported at the appropriate monthly Risk and Control Committee meetings (Asset and Liability Management Committee (ALMCo), Credit and Counterparty Credit Risk Management Committee (CCRC), Model Risk Management Committee (MRMC), Enterprise Risk Management Committee (ERMC), Operational Risk and Resilience Committee (ORRC) and Sustainability Risk Management Committee (SRMC)). The Risk and Control Committees have responsibility for the principal risk categories and related risk management matters.
- Delivering a Risk Report that incorporates the key themes/messages from the Risk and Control Committees to the Executive or other appropriate senior management Committee on a monthly basis.
- The format of the risk report is regularly reviewed to ensure that it continues to meet senior management information requirements appropriately.
- Ensuring a robust escalation framework for risk indicators.

Risk appetite

The purpose of risk appetite is to define the broad–based level of risk that the Bank is willing to accept in pursuit of its strategic objectives. The risk appetite and risk strategy are complementary, aligning with and supporting the corporate strategy. The risk appetite ensures formal identification and consensus about the strategic–level risks that the Bank is facing and is a key tool for the business.

The key principles of the Risk Appetite Framework are as follows:

- risk appetite is set on an annual basis as part of the strategic planning process;
- the risk appetite is driven by both top–down senior leadership and the bottom–up involvement of business units and second–line teams;
- facilitating the embedding of risk appetite into culture,
- evaluating opportunities for appropriate risk–taking and acting as a defence against excessive risk–taking;
- promoting robust discussions about the regional risk profile as a result of its activities;
- being adaptive, where appropriate, to changes in business and market conditions;
- covering all regional activities;
- being monitored regularly; and
- being governed effectively.

The Risk Appetite Framework underpins the Risk Strategy. The Risk Strategy is linked to the overall business and corporate strategy, including the assessment of new business opportunities, liquidity, funding and capital planning.

Stress Testing and Scenario Analysis

The Bank uses a range of stress–testing methodologies across most of its risk categories. Stress testing is a key forward–looking tool to calculate the impact of several scenarios over differing timeframes. Stress testing models the impact of low–frequency, downside and extreme–impact events that might not be sufficiently captured by other risk management techniques. Stress testing involves not only regular stress testing in particular, as part of the capital and liquidity planning and assessment processes, but also ad–hoc exercises. In terms of techniques, these range from sensitivity analysis to scenario–based modelling.

Reverse Stress Testing

Reverse Stress Testing (RST) is used to identify any factors and stress levels that have the potential to cause the Bank's business model to become unviable. It is an important part of the overall EMEA Risk Management Framework since it can aid in understanding key vulnerabilities within the business model and can help to identify potential control enhancements.

Model Risk Management Framework

The Model Risk Management Framework applies to all models across all risk types, ensuring comprehensive oversight and control. It serves as the governing document for models used in credit risk (including stress testing), market risk, operational risk, liquidity risk, treasury, compliance, financial crime, anti–money laundering, surveillance and monitoring, as well as valuation and pricing. Additionally, all models are subject to PRA self–assessment against the Model Risk Management principles outlined in Supervisory Statement SS1/23, with the findings of this assessment reported in the ICAAP document.

Risk Management Training

Risk management training supports consistent risk understanding, reinforces the risk culture and ensures that senior leaders understand the key risk disciplines and regulatory expectations.

The key principles for risk management training are as follows:

- To facilitate senior management understanding and engagement with key risk management topics and processes.

- To ensure that an appropriate and up–to–date framework is in place so that the required skill sets are updated and refreshed regularly, thereby reinforcing the 3LoD model.
- To communicate and embed the Risk Culture and Framework throughout the organisation.

5.3 Risk Profile

This Risk Management Framework applies to all activities undertaken by SMBC BI. The Bank's management objective is to achieve long–term sustainable growth. To support the achievement of this objective, proactive management of risk and optimisation of risk/return within appetite are undertaken. This means optimising risk/reward for risks taken proactively, such as Credit, Market and Liquidity Risks, and minimising/mitigating the impact of risks assumed as a by–product of business activity, such as Conduct Risk and Operational Risk. The Bank categorises its risks as follows:

- Credit Risk – the risk of loss from a borrower or counterparty failing to meet its obligations under a credit agreement leading to a reduction or loss in the Bank's value of assets (including off–balance sheet assets).
- Counterparty Credit Risk – the risk that the counterparty to a transaction could default before the final settlement of the transaction in cases where there is a bilateral risk of loss (e.g., derivatives, repo, stock borrowing/lending and long settlement transactions).
- Liquidity Risk – the risk that the Bank cannot meet its liabilities, unwind or settle its positions as they become due.
- Market Risk – the possibility that fluctuations in interest rates, foreign exchange rates, credit spreads or equity prices will change the market value of financial products, leading to a loss.
- Conduct Risk – the risk of the Bank's actions, inactions or behaviours resulting in poor outcomes for its customers and/or stakeholders, damaging the integrity of the financial markets or undermining effective competition.
- Operational Risk – the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks.

- **Model Risk** – the risk of loss because of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models.
- **Sustainability Risk** – the risk resulting from Environmental, Social or Governance (ESG) issues, events or conditions that have the potential to impact (financially, reputationally or physically) the Bank, its clients, the environment or society.
- **Reputational Risk** – the potential harm to an organisation's earnings, capital, or strategy due to actual or perceived actions, behaviours or associations – internal or external – that fall short of stakeholder* expectations. It can affect trust, hinder business growth, and often overlaps with other risk types across the organisation.
- **Top and Emerging Risks** – the risks resulting from macroeconomic, geopolitical or other external events with unknown elements that could materialise over a longer time period and, therefore, have the potential to affect the Bank's strategy, its operations and the sustainability of the long–term business model.

The complete comprehensive set of risks identified by the firm (business units and support/control functions) is detailed in the Risk Identification/Taxonomy and Inventories, which are updated at least annually.

5.4 Strategic Planning

As part of its overall strategic and risk governance approach, the Bank undertakes and produces several key internal processes and documents, which are outlined below.

5.4.1 Capital planning

As part of the ICAAP/capital assessment, the Board critically assesses the capital resources available to support the capital requirements determined through the corporate strategy development process. This covers a three–year horizon in both Business as Usual (BAU) and stressed market conditions. This is documented through the Internal Capital Adequacy Assessment Process (ICAAP).

Credit risk: The Bank uses a standardised approach for all credit exposures under Pillar 1.

Market risk: The Bank follows a standardised methodology for calculating market risk capital under Pillar 1 for its foreign exchange and interest rate risk positions.

Operational risk: The Bank follows a standardised approach for assessing Pillar 1 capital for operational risk.

Risk category	Pillar 1 approach
Credit risk	
Credit risk–weighted assets	Standardised approach under Chapter 2, Title II, Part Three of the UK CRR
Funded credit risk mitigation	UK CRR Article 220
Counterparty credit risk	Standardised approach for counterparty credit risk in Section 3, Chapter 6, Title II, Part Three of the UK CRR
Long Settlement Transactions	Original Exposure Method UK CRR Article 275
Market risk	
Interest rate general market risk	Maturity–based approach under UK CRR Article 339
Interest rate–specific market risk	UK CRR Article 336
Securitisation–specific market risk	External ratings–based approach, as per UK Securitisation Regulation Articles 263 and 264
Foreign exchange risk	Standardised approach under UK CRR Article 352 and Article 329(1), in accordance with the PRA's permission to use the Bank's own delta calculations for FX options
Operational risk	Standardised approach under Chapter 3, Title III, Part Three of the UK CRR
Credit valuation adjustment risk	Standardised method under UK CRR Article 384
Settlement risk	UK CRR Article 378

See sections 6, 10 and 11 for further details.

5.4.2 Liquidity planning

As part of the corporate strategy process, the Board critically assesses the Bank's liquidity and funding needs to support the business plan and those requirements under stress. This is documented through the Internal Liquidity Adequacy Assessment Process (ILAAP).

5.4.3 Recovery and resolution planning

The Board also considers, on an annual basis, crisis preparedness: assuming extreme but plausible stress scenarios that can be systemic or idiosyncratic in nature and that would result in the invocation of the Recovery Plan, which documents the crisis monitoring and escalation procedure, stress testing, and credible recovery options that could be taken to weather a financial crisis situation.

The Bank is included in the Sumitomo Mitsui Financial Group (SMFG) resolution strategy, i.e., a Single point of Entry (SPE). In the SPE, the SMFG holding company will be resolved while the operational banks, including SMBC, Nikko and their subsidiaries, will utilise TLAC to resolve their capital shortage and will continue their operations after their transfer to a Bridge Bank owned by the Deposit Insurance Corporation of Japan (DICJ) until their eventual reprivatisation.

6. Credit risk management

Credit risk is the risk of any losses the Bank may incur due to a reduction or loss of the value of assets (including off–balance sheet assets) arising from any credit events, such as the deterioration of a borrower's financial standing.

6.1 The framework

The identification and assessment of credit risk is undertaken through the following processes and tools:

- A fully comprehensive credit assessment is undertaken at transaction and client levels, including the analysis of a variety of financial measures (e.g., cash flow) and quantitative analysis of industrial trends such as the competitiveness of a borrower's products, services and management calibre.
- Strong rating systems to measure the risk of individual transactions and clients.
- Thorough risk analysis and reporting functions, conducted by a Credit Management team with the capabilities and resources to evaluate and monitor the Bank's exposures and limits.
- Implementation of the Credit Risk Appetite.
- Understanding of vulnerabilities through stress testing and reverse stress testing.

6.2 Credit assessment

The Bank assesses and manages the credit risk of individual loans and credit portfolios on a consistent quantitative basis, utilising an internal rating system.

The rating system consists of two indicators, namely:

- the obligor grading, which indicates the creditworthiness of the borrower; and
- the facility grading, which indicates the probability of repayment of each facility. Facility grades are assigned based on the borrower's obligor grading and on transaction terms such as 'guarantee', 'maturity' and 'collateral taken as credit mitigation'.

Where a borrower is domiciled overseas, internal ratings for credit include consideration of the country rank, which represents an assessment of the credit quality of each country, based on its political and economic situation.

The Bank follows a standardised approach for each of the exposure classes.

The Bank's internal obligor grading and borrower categories are used for the purposes of determining the Bank's credit quality of obligors.

In addition to the internal rating assessment, to ensure a fully comprehensive credit assessment, further analysis is undertaken, including:

- analysis of a variety of financial measures (e.g., cash flow); and
- quantitative analyses of industrial trends, such as the competitiveness of a borrower's products, services and management calibre.

The results of the credit risk assessments are used to make optimal business decisions across the whole range of operations, such as pricing, reporting, stress testing, formulating business plans or providing a standard against which individual credit applications are assessed.

6.3 Credit monitoring

Credit monitoring is carried out through an ongoing reassessment of obligor grades, involving:

- annual monitoring following financial results disclosures; and
- ad–hoc monitoring, should credit conditions change.

Should a customer be downgraded or be considered a likely candidate for future downgrade(s) to below the 'Normal borrowers' category, the customer is added to the special credit borrower list and reported to management.

To minimise the potential loss that may arise from any model failure and/or inadequate usage of models and systems, the Bank has appropriate policies in place to manage its models and grading systems. The Bank's Credit Risk Management Department performs validation of the grading models at least annually to ensure the appropriateness and conservatism of its grading models.

The Bank regularly monitors the credit risks associated with wider aspects of its business, such as specific country exposure, products, industries, etc., on a portfolio basis. The Bank also undertakes regular stress tests on its portfolio to ensure that adequate capital is kept at all times to cover any potential losses incurred during extreme but plausible events.

The scope and definitions of 'past due' and 'impaired' exposures are contained in notes 2 and 4 to the financial statements.

6.4 Industry exposures

The exposure by major industrial sectors of cash and balances at central banks, advances and loans to banks and customers, and debt securities can be analysed and are found in note 4 to the financial statements.

6.5 Geographical exposures

Please refer to note 4 to the financial statements for an analysis of the geographical spread of cash and balances at central banks, advances and loans to banks and customers, and debt securities. This is based on the country of domicile of the counterparty.

6.6 Maximum exposure to credit risk

Please refer to note 4 to the financial statements, which shows the maximum exposure to credit risk for the components of the Statement of Financial Position, including derivatives. The maximum exposure is shown as gross and does not consider collateral or other credit enhancements.

6.7 Use of credit risk mitigation techniques

Depending on the situation, the Bank's corporate lending is secured by fixed and floating charges on the assets of borrowers. The frequency of the revaluation varies according to the types of collateral, and the collateral is valued on a continuous basis. Collateral takes various forms, and the value of this form of security will vary over time and is dependent on the types of assets and the jurisdiction of the borrowers, as well as the ability to dispose of the collateral.

The use of credit risk mitigation techniques is described in the Bank's Security Management procedures. These contain the policies and processes for collateral valuation and management.

SMBC BI conducts the ongoing monitoring of collateral provided by SMBC to mitigate intra–group exposures.

6.8 Offsetting of financial assets and financial liabilities

The Bank receives or gives collateral against certain derivative transactions, with such collateral subject to standard industry terms, including the International Swaps and Derivatives Association (ISDA) Credit Support Annex.

The Bank also enters ISDA and similar master netting agreements that only allow offsetting on certain events, such as following an event of default. These do not meet the criteria for offsetting in the Statement of Financial Position.

The disclosures set out in note 13 to the financial statements include derivative assets and derivative liabilities that are offset in the Bank's Statement of Financial Position or that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are offset in the Statement of Financial Position.

6.9 Credit quality of counterparty per class of financial assets

A detailed breakdown of the credit quality of the counterparty per class of financial assets can be found in note 4 to the financial statements.

6.10 Counterparty credit risk

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction in cases where there is a bilateral risk of loss (e.g., derivatives, repo, stock borrowing/lending and long settlement transactions).

For further information on counterparty credit risk exposure, see section 9.

6.11 Qualitative information on external credit ratings

SMBC BI uses ratings from external credit assessment institutions (ECAIs) to derive risk weights under the standardised approach for all exposures. The ECAI that has been nominated by SMBC BI for external ratings for banking book exposures, including corporates, is Standard & Poor's Ratings Services (S&P).

All exposures to credit risk can be found in section 7.

7. Credit risk exposures

7.1 Analysis of non–performing and forborne exposures

The following tables on the disclosure of non–performing and forborne exposures are presented in accordance with the PRA's Pillar 3 templates and instructions. Several of the template disclosures are not applicable to SMBC BI:

- CQ2 Quality of forbearance;
- CQ5 Credit quality of loans and advances by industry;
- CQ6 Collateral valuation – loans and advances; and
- CQ8 Collateral obtained by taking possession and execution processes – vintage breakdown.

Detailed qualitative information on credit risk quality can be found in note 4 to the financial statements.

The tables have been prepared in accordance with Financial Information Reporting (FINREP) regulations, and, for ease of reading, the tables only include those items applicable to SMBC BI, with 'nil' rows/columns omitted.

Table 7.1: CQ1 – Credit quality of forborne exposures

The following table presents the credit quality of the performing and non–performing forborne exposures by portfolio and exposure class.

31 March 2026

	Gross carrying amount/Nominal amounts of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Non–performing forborne						
	Performing forborne		Of which: defaulted	Of which: impaired	On performing forborne exposures	On non–performing forborne exposures		Of which: Collateral and financial guarantees received on non–performing exposures with forbearance measures
Loans and advances	52	18	18	18	(0)	(4)	–	–
Other financial corporations	–						–	
Non–financial corporations	52	18	18	18	(0)	(4)	–	–
Total	52	18	18	18	(0)	(4)	–	–

31 March 2025

	Gross carrying amount/Nominal amounts of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Non–performing forborne						
	Performing forborne		Of which: defaulted	Of which: impaired	On performing forborne exposures	On non–performing forborne exposures		Of which: Collateral and financial guarantees received on non–performing exposures with forbearance measures
Loans and advances	86	23	23	23	(0)	(4)	–	–
Other financial corporations	–						–	
Non–financial corporations	86	23	23	23	(0)	(4)	–	–
Total	86	23	23	23	(0)	(4)	–	–

Table 7.2: CQ3 – Credit quality of performing and non–performing exposures by past due days

31 March 2026

	Gross carrying amount/Nominal amount									
	Performing exposures		Non–performing exposures							
		Not past due or past due ≤ 30 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which: defaulted
Cash balances at central banks and other demand deposits	13,086	13,086	–	–	–	–	–	–	–	–
Loans and advances	55,009	54,901	108	108	–	–	–	–	–	108
Central banks	17	17	–	–	–	–	–	–	–	–
General governments	562	562	–	–	–	–	–	–	–	–
Credit institutions	18,772	18,772	–	–	–	–	–	–	–	–
Other financial corporations	24,439	24,439	–	–	–	–	–	–	–	–
Non–financial corporations	11,218	11,110	108	108	–	–	–	–	–	108
Households	1	1	–	–	–	–	–	–	–	–
Debt securities	4,161	4,161	–	–	–	–	–	–	–	–
General governments	4,019	4,019	–	–	–	–	–	–	–	–
Credit institutions	3	3								
Other financial corporations	139	139	–	–	–	–	–	–	–	–
Off–balance sheet exposures	14,071	14,071	1	–	–	–	–	–	–	1
General governments	–	–	–	–	–	–	–	–	–	–
Credit institutions	701	701	–	–	–	–	–	–	–	–
Other financial corporations	1,328	1,328	–	–	–	–	–	–	–	–
Non–financial corporations	12,042	12,042	1	–	–	–	–	–	–	1
Total	86,327	86,218	109	108	–	–	–	–	–	109

31 March 2025

	Gross carrying amount/Nominal amount									
	Performing exposures		Non–performing exposures							
		Not past due or past due ≤ 30 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which: defaulted
Cash balances at central banks and other demand deposits	25,681	25,681	–	–	–	–	–	–	–	–
Loans and advances	39,986	39,986	222	222	–	–	–	–	–	222
Central banks	22	22	–	–	–	–	–	–	–	–
General governments	482	482	–	–	–	–	–	–	–	–
Credit institutions	8,126	8,126	–	–	–	–	–	–	–	–
Other financial corporations	13,134	13,134	54	54	–	–	–	–	–	54
Non–financial corporations	18,222	18,222	168	168	–	–	–	–	–	168
Households	1	1	–	–	–	–	–	–	–	–
Debt securities	741	741	–	–	–	–	–	–	–	–
General governments	509	509	–	–	–	–	–	–	–	–
Other financial corporations	18	18	–	–	–	–	–	–	–	–
Off–balance sheet exposures	20,750	–	83	–	–	–	–	–	–	83
General governments	–	–	–	–	–	–	–	–	–	–
Credit institutions	929	–	–	–	–	–	–	–	–	–
Other financial corporations	1,482	–	–	–	–	–	–	–	–	–
Non–financial corporations	18,339	–	29	–	–	–	–	–	–	29
Total	87,158	66,408	306	222	–	–	–	–	–	306

Table 7.3: CQ4 – Quality of non–performing exposures by geography
31 March 2026

	Gross carrying/Nominal amount						
		Of which: non–performing					
			Of which: defaulted	Of which: subject to impairment	Accumulated impairment	Provisions on off–balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non–performing exposures
On–balance sheet exposures	**59,278**	**108**	**108**	**59,278**	**(194)**	**–**	**–**
United Kingdom	11,173	17	17	11,173	(22)	–	–
France	6,709	–	–	6,709	–	–	–
Saudi Arabia	630	–	–	630	(8)	–	–
Japan	16,809	–	–	16,809	(0)	–	–
Netherlands	480	–	–	480	(4)	–	–
United States	1,932	–	–	1,932	(1)	–	–
South Africa	739	–	–	739	(0)	–	–
Switzerland	506	10	10	506	(1)	–	–
Turkey	614	–	–	614	(1)	–	–
Russian Federation	129	–	–	129	(129)	–	–
Other countries	19,559	82	82	19,559	(28)	–	–
Off–balance sheet exposures	**14,072**	–	–	**–**	**–**	**25**	
France	0	–	–	–	–	–	
United Kingdom	7,565	–	–	–	–	18	
Saudi Arabia	4	–	–	–	–	0	
Spain	1	–	–	–	–	0	
South Africa	492	–	–	–	–	0	
Netherlands	548	–	–	–	–	2	
Cayman Islands	498	–	–	–	–	0	
Japan	176	–	–	–	–	0	
Hong Kong	–	–	–	–	–	–	
Jersey	121	–	–	–	–	0	
Other countries	4,667	–	–	–	–	4	
Total	**73,350**	**108**	**108**	**59,278**	**(194)**	**25**	**–**

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	Gross carrying/Nominal amount					Provisions on off–balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non–performing exposures
		Of which: non–performing					
			Of which: defaulted	Of which: subject to impairment	Accumulated impairment		
On–balance sheet exposures	**40,949**	**222**	**222**	**40,949**	**(207)**	**–**	**–**
United Kingdom	11,998	106	106	11,998	(28)	–	–
France	4,860	–	–	4,860	(13)	–	–
Saudi Arabia	778	–	–	778	(16)	–	–
Japan	10,289	–	–	10,289	(0)	–	–
Netherlands	906	–	–	906	(1)	–	–
United States	983	–	–	983	(1)	–	–
South Africa	890	–	–	890	(0)	–	–
Switzerland	769	9	9	769	(1)	–	–
Turkey	549	–	–	549	(1)	–	–
Russian Federation	123	–	–	123	(123)	–	–
Other countries	8,804	108	108	8,804	(23)	–	–
Off–balance sheet exposures	**20,833**	**83**	**83**	**–**	**–**	**19**	
France	6,803	–	–	–	–	3	
United Kingdom	8,149	83	83	–	–	9	
Saudi Arabia	6	–	–	–	–	–	
Spain	90	–	–	–	–	–	
South Africa	349	–	–	–	–	–	
Netherlands	584	–	–	–	–	2	
Cayman Islands	492	–	–	–	–	2	
Japan	228	–	–	–	–	–	
Hong Kong	–	–	–	–	–	–	
Jersey	175	–	–	–	–	–	
Other countries	3,959	–	–	–	–	3	
Total	**61,783**	**306**	**306**	**40,949**	**(207)**	**19**	**–**

Table 7.4: CR1 – Performing and non–performing exposures and related provisions

This table presents the credit quality of the performing and non–performing exposures by portfolio and exposure class, showing the impairment stage.

31 March 2026

	Gross carrying amount/Nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received	
	Performing exposures			Non–performing exposures			Performing exposures – accumulated impairment and provisions			Non–performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				
		Of which: Stage 1	Of which: Stage 2		Of which: Stage 2	Of which: Stage 3		Of which: Stage 1	Of which: Stage 2		Of which: Stage 2	Of which: Stage 3	On performing exposures	On non–performing exposures
Cash balances at central banks and other demand deposits	13,086	13,086	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	55,009	54,032	977	108	–	108	(174)	(27)	(148)	(20)	–	(20)	9,996	–
Central banks	17	17	–	–	–	–	(0)	(0)	–	–	–	–	–	–
General governments	562	542	19	–	–	–	(0.7)	(0.6)	(0)	–	–	–	–	–
Credit institutions	18,772	18,577	195	–	–	–	(131)	(1)	(129)	–	–	–	5,551	–
Other financial corporations	24,439	24,439	–	–	–	–	(6)	(6)	–	–	–	–	501	–
Non–financial corporations	11,218	10,456	763	108	–	108	(37)	(19)	(18)	(20)	–	(20)	3,945	–
Households	1	1	–	–	–	–	–	–	–	–	–	–	–	–
Debt securities	4,161	4,161	–	–	–	–	–	–	–	–	–	–	–	–
General governments	4,019	4,019	–	–	–	–	–	–	–	–	–	–	–	–
Other financial corporations	139	139	–	–	–	–	–	–	–	–	–	–	–	–
Non–financial corporations	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Off–balance sheet exposures	14,071	13,129	942	1	–	–	(25)	(14)	(11)	(0)	–	(0)	–	–
Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–
General governments	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Credit institutions	701	701	–	–	–	–	(2)	(2)	(0)	–	–	–	–	–
Other financial corporations	1,328	1,328	–	–	–	–	(1)	(1)	–	–	–	–	–	–
Non–financial corporations	12,042	11,101	942	1	–	–	(22)	(11)	(11)	(0)	–	(0)	–	–
Total	86,327	84,409	1,919	109	–	108	(199)	(41)	(159)	(20)	–	(20)	9,996	–

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	Gross carrying amount/Nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received	
	Performing exposures			Non–performing exposures			Performing exposures – accumulated impairment and provisions			Non–performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				
		Of which: Stage 1	Of which: Stage 2		Of which: Stage 2	Of which: Stage 3		Of which: Stage 1	Of which: Stage 2		Of which: Stage 2	Of which: Stage 3	On performing exposures	On non–performing exposures
Cash balances at central banks and other demand deposits	25,681	25,681	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances	39,986	38,648	1,337	222	0	222	(179)	(21)	(158)	(28)	0	(28)	9,110	35
Central banks	22	22	–	–	–	–	–	–	–	–	–	–	–	–
General governments	482	458	24	–	–	–	(0)	(0)	(0)	–	–	–	–	–
Credit institutions	8,126	7,971	155	–	–	–	(126)	(3)	(123)	–	–	–	2,457	–
Other financial corporations	13,134	13,101	34	54	–	54	(1)	(1)	(0)	–	–	–	575	–
Non–financial corporations	18,222	17,097	1,125	168	–	168	(52)	(16)	(35)	(28)	–	(28)	6,078	35
Households	1	1	–	–	–	–	–	–	–	–	–	–	–	–
Debt securities	741	741	–	–	–	–	–	–	–	–	–	–	–	–
General governments	509	509	–	–	–	–	–	–	–	–	–	–	–	–
Other financial corporations	156	156	–	–	–	–	–	–	–	–	–	–	–	–
Non–financial corporations	76	76	–	–	–	–	–	–	–	–	–	–	–	–
Off–balance sheet exposures	20,750	17,337	3,413	83	–	83	18	11	7	1	–	1	–	–
Central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–
General governments	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Credit institutions	929	705	224	–	–	–	1	1	0	–	–	–	–	–
Other financial corporations	1,482	1,460	22	54	–	54	–	0	0	–	–	–	–	–
Non–financial corporations	18,339	15,172	3,167	29	–	29	16	10	6	1	–	1	–	–
Total	87,158	82,407	4,750	306	–	306	(161)	(10)	(151)	(27)	–	(27)	9,110	35

Table 7.5: CR1–A – Maturity of exposures

This table presents the maturity analysis of SMBC BI's credit quality of the performing and non–performing exposures, split by the residual contractual maturity band of the portfolio. Net exposure value represents the gross carry amount, less provisions.

31 March 2026

	Net exposure value					
	On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
Loans and advances	–	44,990	7,118	2,705	–	54,814
Debt securities	–	1,736	1,764	679	–	4,178
Total	–	46,726	8,882	3,384	–	58,992

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	Net exposure value					
	On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
Loans and advances	–	24,312	10,195	4,108	–	38,615
Debt securities	–	527	214	–	–	7412
Total	–	24,839	10,409	4,108	–	39,356

Table 7.6: CR2 – Changes in the stock of non–performing loans and advances

31 March 2026

	Gross carrying amount
Initial stock of non–performing loans and advances	222
Inflows to non–performing portfolios	–
Outflows from non–performing portfolios	(114)
Outflows due to write–offs	–
Outflows due to other situations	(114)
Final stock of non–performing loans and advances	108

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	Gross carrying amount
Initial stock of non–performing loans and advances	253
Inflows to non–performing portfolios	132
Outflows from non–performing portfolios	(162)
Outflows due to write–offs	(75)
Outflow due to other situations	(87)
Final stock of non–performing loans and advances	222

Table 7.7: CR2a – Changes in the stock of non–performing loans and advances and related net accumulated recoveries

31 March 2026

	Gross carrying amount	Related net accumulated recoveries
Initial stock of non–performing loans and advances	222	–
Inflows to non–performing portfolios	–	–
Outflows from non–performing portfolios	(114)	–
Outflows to performing portfolios	–	–
Outflows due to loan repayment, either partial or total	(107)	
Outflows due to the sale of instruments	(10)	–
Outflows due to write–offs	–	–
Outflows due to other situations	3	–
Final stock of non–performing loans and advances	108	–

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	Gross carrying amount	Related net accumulated recoveries
Initial stock of non–performing loans and advances	253	–
Inflows to non–performing portfolios	132	–
Outflows from non–performing portfolios	(163)	–
Outflow to performing portfolio	–	–
Outflow due to loan repayment, partial or total	(35)	
Outflow due to sale of instruments	(16)	–
Outflows due to write–offs	(75)	–
Outflow due to other situations	(37)	–
Final stock of non–performing loans and advances	222	–

Table 7.8: CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

The following table presents information for the calculation of SMBC BI's countercyclical capital buffer.

31 March 2026

Breakdown by country	Exposure value under the standardised approach	Sum of long and short positions of trading book exposures for SA	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Own funds requirement	Risk–weighted exposure amounts	Own funds req. weights %	Countercyclical buffer rate (%)
Australia	56	21	77	2	1	3	41	0.2%	1.0%
Azerbaijan	117	0	117	9	0	9	117	0.6%	0.0%
Belgium	42	3	46	3	0	3	42	0.2%	1.0%
Bermuda	296	0	296	24	0	24	296	1.4%	0.0%
Cayman Islands	983	49	1,032	100	2	102	1,272	6.2%	0.0%
Cote d'Ivoire	153	0	153	4	0	4	49	0.2%	0.0%
Czechia	5	12	17	0	1	1	17	0.1%	1.3%
Denmark	0	2	2	0	0	0	2	0.0%	2.5%
Egypt	70	0	70	1	0	1	17	0.1%	0.0%
Finland	45	0	45	4	0	4	45	0.2%	0.0%
France	0	108	108	0	7	7	88	0.4%	1.0%
Germany	42	155	197	3	13	16	201	1.0%	0.8%
Hong Kong	5	21	26	0	1	1	13	0.1%	0.5%
Ireland	292	193	485	20	14	33	416	2.0%	1.5%
Isle of Man	129	0	129	10	0	10	129	0.6%	0.0%
Italy	0	52	52	0	3	3	37	0.2%	0.0%
Japan	361	28	388	26	1	27	336	1.6%	0.0%
Jersey	860	0	860	74	0	74	927	4.5%	0.0%
Liberia	271	0	271	22	0	22	271	1.3%	0.0%
Luxembourg	973	43	1,015	78	3	81	1,015	4.9%	0.5%
Marshall Islands	86	0	86	7	0	7	86	0.4%	0.0%
Morocco	82	0	82	7	0	7	82	0.4%	0.0%
Netherlands	763	122	885	67	5	72	900	4.4%	2.0%
Nigeria	424	0	424	34	0	34	430	2.1%	0.0%
Norway	14	0	14	1	0	1	16	0.1%	2.5%
Panama	218	0	218	17	0	17	218	1.1%	0.0%
Qatar	75	3	79	3	0	3	38	0.2%	0.0%
Republic of Korea	0	40	40	0	3	3	35	0.2%	1.0%
Saudi Arabia	611	13	624	39	0	39	488	2.4%	0.0%
Singapore	606	37	643	36	1	38	473	2.3%	0.0%
South Africa	945	0	945	76	0	76	945	4.6%	0.0%
Spain	27	11	38	2	1	3	38	0.2%	0.5%
Sweden	14	36	49	2	0	2	26	0.1%	2.0%
Switzerland	1,004	0	1,004	78	0	78	979	4.8%	0.0%
Togo	266	0	266	18	0	18	229	1.1%	0.0%

Breakdown by country	Exposure value under the standardised approach	Sum of long and short positions of trading book exposures for SA	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Own funds requirement	Risk–weighted exposure amounts	Own funds req. weights %	Countercyclical buffer rate (%)
Turkey	170	0	170	5	0	5	59	0.3%	0.0%
United Arab Emirates	429	6	435	30	0	30	376	1.8%	0.5%
United Kingdom	8,670	91	8,761	693	6	699	8,734	42.5%	2.0%
United States	576	175	752	43	11	54	678	3.3%	0.0%
Uzbekistan	86	0	86	2	0	2	21	0.1%	0.0%
Other countries	350	59	410	23	4	27	344	0.0%	0.0%
Total	20,117	1,279	21,396	1,564	78	1,642	20,526	100%	

31 March 2025

Breakdown by country	Exposure value under the standardised approach	Sum of long and short positions of trading book exposures for SA	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Own funds requirement	Risk weighted exposure amounts	Own funds req. weights %	Countercyclical buffer rate (%)
Australia	55	86	141	4	6	10	127	0.5%	1.0%
Austria	0	0	0	0	0	0	0	0.0%	0.0%
Belgium	16	5	21	1	0	1	17	0.1%	1.0%
Bermuda	234	0	234	19	0	19	234	0.8%	0.0%
Cayman Islands	779	52	831	81	2	83	1,041	3.8%	0.0%
Czechia	61	0	61	5	0	5	61	0.2%	1.3%
Denmark	0	13	13	0	1	1	13	0.0%	2.5%
Finland	42	0	42	3	0	3	43	0.2%	0.0%
France	5,254	32	5,285	397	2	399	4,992	18.0%	1.0%
Germany	41	28	69	3	2	6	71	0.3%	0.8%
Greece	8	0	8	1	0	1	8	0.0%	0.0%
Guernsey	71	0	71	6	0	6	71	0.3%	0.0%
Hong Kong	0	20	21	0	1	1	9	0.0%	1.0%
Hungary	32	0	32	3	0	3	32	0.1%	0.5%
Ireland	338	172	510	27	20	47	586	2.1%	1.5%
Italy	0	109	109	0	4	4	49	0.2%	0.0%
Japan	403	12	416	28	1	29	365	1.3%	0.0%
Jersey	980	9	989	83	0	84	1,045	3.8%	0.0%
Luxembourg	989	51	1,041	79	2	81	1,018	3.7%	0.5%
Morocco	109	0	109	7	0	7	91	0.3%	0.0%
Netherlands	1,200	67	1,267	95	4	99	1,234	4.4%	2.0%
Nigeria	531	0	531	42	0	42	527	1.9%	0.0%
Norway	26	0	26	2	0	2	26	0.1%	2.5%
Oman	41	0	41	3	0	3	41	0.1%	0.0%
Portugal	0	1	1	0	0	0	1	0.0%	0.0%
Qatar	46	0	46	2	0	2	23	0.1%	0.0%

Breakdown by country	Exposure value under the standardised approach	Sum of long and short positions of trading book exposures for SA	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Own funds requirement	Risk weighted exposure amounts	Own funds req. weights %	Countercyclical buffer rate (%)
Russian Federation	6	0	6	1	0	1	9	0.0%	0.0%
Saudi Arabia	719	0	719	47	0	47	591	2.1%	0.0%
Singapore	731	28	759	57	2	59	737	2.7%	0.0%
Slovakia	3	0	3	0	0	0	3	0.0%	1.5%
South Africa	971	0	971	78	0	78	971	3.5%	0.0%
Spain	59	8	67	5	1	5	66	0.2%	0.0%
Sweden	12	37	48	1	1	2	23	0.1%	2.0%
Switzerland	615	0	615	49	0	49	616	2.2%	0.0%
United Arab Emirates	80	23	104	6	1	7	86	0.3%	0.0%
United Kingdom	10,499	111	10,609	835	22	857	10,715	38.6%	2.0%
United States	824	68	892	53	5	58	726	2.6%	0.0%
Other countries	1,683	35	1,718	116	2	119	1,484	5.34%	0.0%
Total	**27,462**	**968**	**28,430**	**2,142**	**79**	**2,220**	**27,753**	**100%**	

Table 7.9: CCyB2 – Amount of institution–specific countercyclical capital buffer

31 March 2026	Total
Total risk–weighted assets	29,411
Institution–specific countercyclical capital buffer rate	1.03%
Institution–specific countercyclical capital buffer requirement	302

31 March 2025	Total
Total risk–weighted assets	33,891
Institution–specific countercyclical capital buffer rate	1.11%
Institution–specific countercyclical capital buffer requirement	375

8. Standardised approach

Credit risk is the risk of any losses the Bank may incur due to the reduction or loss of the value of assets (including off–balance sheet assets) arising from any credit events, such as the deterioration of a borrower's financial standing. Credit risks are calculated based on the borrower's overall ability to repay.

Table 8.1: CR4 – Credit risk exposure and CRM effects

The following table presents the standardised credit risk exposures, split according to exposure class, on two different bases before and after the credit conversion factor (CCF) and CRM.

31 March 2026

		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	Exposure classes	On–balance sheet exposures	Off–balance sheet exposures	On–balance sheet exposures	Off–balance sheet exposures	RWAs	RWAs density (%)
1	Central governments or central banks	16,411	0	16,425	3	417	2.5%
4	Multilateral development banks	777	49	628	28	619	94.5%
5	International organisations	487	0	487	0	0	0.0%
6	Institutions	7,244	300	2,292	487	1,054	37.9%
7	Corporates	12,247	13,419	10,626	6,137	15,919	95.0%
8	Retail	0	0	0	0	0	75.0%
9	Secured by mortgages on immovable property	1,748	124	1,748	62	1,810	100.0%
10	Exposures in default	88	1	83	0	124	150.0%
11	Exposures associated with particularly high risk	280	40	174	12	279	150.0%
14	Collective investment undertakings	23	2	23	2	308	1250.0%
16	Other items	258	0	258	0	258	100.0%
17	Total	39,565	13,935	32,744	6,731	20,790	52.7%

31 March 2025

		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	Exposure classes	On–balance sheet exposures	Off–balance sheet exposures	On–balance sheet exposures	Off–balance sheet exposures	RWAs	RWAs density (%)
1	Central governments or central banks	26,255	0	26,655	39	403	1.5%
3	Public sector entities	0	0	72	0	14	20.0%
4	Multilateral development banks	663	0	503	38	492	91.0%
6	Institutions	3,114	407	1,452	894	1,227	52.3%
7	Corporates	18,599	20,260	16,037	8,722	23,716	95.8%
8	Retail	0	0	0	0	0	75.0%
9	Secured by mortgages on immovable property	994	29	994	14	1,008	100.0%
10	Exposures in default	137	57	103	28	188	143.5%
11	Exposures associated with particularly high risk	221	2	167	1	253	150.0%
14	Collective investment undertakings	22	3	22	3	313	1250.0%
16	Other items	274	0	274	0	274	100.0%
17	Total	50,279	20,757	46,279	9,740	27,889	49.8%

Table 8.2: CR5 – Standardised approach

The following tables outline the standardised credit risk exposure classes, split according to the prescribed risk weight.

	Risk weight									
Exposure classes	0%	20%	50%	75%	100%	150%	250%	1250%	Total	Of which: unrated
Central governments or central banks	16,039	0	–	–	371	–	18	–	16,429	371
Regional government or local authorities	–	–	–	–	–	–	–	–	–	–
Public sector entities	–	–	–	–	–	–	–	–	–	–
Multilateral development banks	15	27	–	–	614	–	–	–	655	614
International organisations	487	–	–	–	–	–	–	–	487	614
Institutions	–	1,901	407	–	470	–	–	–	2,778	503
Corporates	–	719	996	–	14,586	463	–	–	16,764	12,988
Retail	–	–	–	0	–	–	–	–	0	0
Exposures secured by mortgages on immovable property	–	–	–	–	1,810	–	–	–	1,810	1,810
Exposures in default	–	–	–	–	0	83	–	–	83	83
Exposures associated with particularly high risk	–	–	–	–	–	186	–	–	186	186
Units or shares in collective investment undertakings	–	–	–	–	–	–	–	25	25	25
Equity	–	–	–	–	0	–	–	–	0	0
Other items	–	–	–	–	258	–	–	–	258	258
As at 31 March 2026	16,541	2,647	1,403	0	18,109	732	18	25	39,475	17,452

Exposure classes	Risk weight 0%	20%	50%	75%	100%	150%	250%	1250%	Total	Of which: unrated
Central governments or central banks	26,351	–	–	–	304	–	39	–	26,694	305
Regional government or local authorities	–	–	–	–	–	–	–	–	–	–
Public sector entities	–	72	–	–	–	–	–	–	72	–
Multilateral development banks	30	–	37	–	473	–	–	–	541	511
International organisations	–	–	–	–	–	–	–	–	–	–
Institutions	–	913	776	–	657	–	–	–	2,346	1,008
Corporates	–	776	1,062	–	22,582	339	–	–	24,760	20,851
Retail	–	–	–	0	–	–	–	–	0	0
Exposures secured by mortgages on immovable property	–	–	–	–	1,008	–	–	–	1,008	1,008
Exposures in default	–	–	–	–	17	114	–	–	131	104
Exposures associated with particularly high risk	–	–	–	–	–	169	–	–	169	169
Units or shares in collective investment undertakings	–	–	–	–	–	–	–	25	25	25
Equity	–	–	–	–	0	–	–	–	0	0
Other items	–	–	–	–	274	–	–	–	274	274
As at 31 March 2025	26,381	1,761	1,876	0	25,315	622	39	25	56,019	24,253

Table 8.3: CR3 – CRM techniques overview: use of CRM techniques

31 March 2026

	Unsecured carrying amount	Secured carrying amount			
			Of which: secured by collateral	Of which: secured by financial guarantees	Of which: secured by credit derivatives
	a	b	c	d	e
Loans and advances	58,207	9,996	8,427	1,569	–
Debt securities	4,161	–	–	–	
Total	62,368	9,996	8,427	1,569	–
of which: non–performing exposures	108	–	–	–	–

31 March 2025

	Unsecured carrying amount	Secured carrying amount			
			Of which: secured by collateral	Of which: secured by financial guarantees	Of which: secured by credit derivatives
	a	b	c	d	e
Loans and advances	56,744	9,145	6,959	2,186	
Debt securities	741	–	–	–	
Total	57,485	9,145	6,959	2,186	
of which: non–performing exposures	187	35	–	35	

9. Exposures to counterparty credit risk

Counterparty credit risk is the risk of a counterparty to a contract (recorded in either the trading book or non–trading book) defaulting before the final settlement of cash flow obligations. The size of the potential loss could be reduced by the application of netting or collateral agreements with the counterparty. As at 31 March 2026, SMBC BI did not have any counterparty credit risk exposures to credit derivatives or central counterparties.

The calculation of exposure value under the SA–CCR regime is equal to the sum of potential future exposure and replacement cost, multiplied by the alpha factor (1.4). The risk mitigation benefits of collateral arrangements (e.g., the Credit Support Annex) and qualifying netting agreements (e.g., the ISDA Master Agreement) are reflected in the exposure value where appropriate.

Table 9.1: CCR1 – Analysis of CCR exposure by approach

The following table presents the SA–CCR method that is used to calculate counterparty credit risk exposure.

31 March 2026

	Replacement cost	Potential future exposure	Alpha used for computing regulatory exposure value	Exposure value pre–CRM	Exposure value post CRM	Exposure value	RWEA
Original Exposure Method (for derivatives)	9	3	1.4	17	17	17	6
SA–CCR (for derivatives)	154	905	1.4	1,482	1,482	1,482	1,021
Financial collateral comprehensive method							
(for securities financing transactions)				79,385	2,315	2,315	1,136
Total				80,884	3,814	3,814	2,163

31 March 2025

	Replacement cost	Potential future exposure	Alpha used for computing regulatory exposure value	Exposure value pre–CRM	Exposure value post CRM	Exposure value	RWEA
Original Exposure Method (for derivatives)	18	1	1.4	26	26	26	10
SA–CCR (for derivatives)	544	921	1.4	1,986	1,766	1,766	1,395
Financial collateral comprehensive method							
(for securities financing transactions)				32,829	538	538	213
Total				34,842	2,330	2,330	1,618

Table 9.2: CCR2 – Transactions subject to own funds requirements for CVA risk

31 March 2026

	Exposure value	RWEA
Transactions subject to the standardised method	757	242
Total transactions subject to own funds requirements for CVA risk	757	242

31 March 2025

	Exposure value	RWEA
Transactions subject to the standardised method	590	222
Total transactions subject to own funds requirements for CVA risk	590	222

Table 9.3: CCR3 – Standardised approach: CCR exposures by regulatory exposure class and risk weights

This table presents the counterparty credit risk position subject to the standardised risk–weight method, split according to exposure class and prescribed risk weight.

31 March 2026

	Risk weight											
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
Central governments or central banks									0.4			0.4
Multilateral development banks									4			4
International organisations	62											62
Institutions		453			706	962			103			2,224
Corporates					36	138			1,348			1,523
Other items									0.1			0.1
Total exposure value	62	453			742	1,100			1,456			3,814

31 March 2025

	Risk weight											
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
Institutions		67			406	604						1,077
Corporates					14	19			1,220	1		1,253
Total exposure value		67			419	622			1,220	1		2,330

Table 9.4: CCR5 – Standardised approach: composition of collateral for CCR exposures

The table presents a breakdown of the types of collateral posted or received relating to derivative transactions or Securities Financing Transactions (SFTs).

31 March 2026

	Collateral used in derivatives transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of collateral posted			
Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of collateral posted
Cash		547		53	240	77
Debt					42,512	27,983
Other					4,671	3,298
Total		547		53	47,422	31,358

31 March 2025

	Collateral used in derivatives transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of collateral posted			
Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of collateral posted
Cash		308		461	41	90
Debt					16,026	12,934
Other					2,048	1,557
Total		308		461	18,115	14,582

Table 9.5: CCR6 – Credit derivatives exposures

31 March 2026

		a	b
		Protection bought	Protection sold
	Notionals		
1	Single–name credit default swaps	–	–
2	Index credit default swaps	284	–
3	Total return swaps	–	–
4	Credit options	–	–
5	Other credit derivatives	–	–
6	Total notionals	284	–
	Fair values		
7	Positive fair value (asset)	–	–
8	Negative fair value (liability)	(6)	–

31 March 2025

		a	b
		Protection bought	Protection sold
	Notionals		
1	Single–name credit default swaps	–	–
2	Index credit default swaps	43	–
3	Total return swaps	–	–
4	Credit options	–	–
5	Other credit derivatives	–	–
6	Total notionals	43	–
	Fair values		
7	Positive fair value (asset)	–	–
8	Negative fair value (liability)	(2)	–

Table 9.6: CCR8 – Exposures to Central Counterparties (CCPs)

31 March 2026

	Exposure value	RWEA
Exposures to QCCPs* (total)		15.1
Exposures for trades at QCCPs (excluding initial margin and default fund contributions), of which:	320.8	6.4
(iii) SFTs	320.8	6.4
Non–segregated initial margin	120.3	2.4
Prefunded default fund contributions	12.2	6.3

31 March 2025

	Exposure value	RWEA
Exposures to QCCPs (total)		2.5
Exposures for trades at QCCPs (excluding initial margin and default fund contributions), of which:	15.3	0.3
(iii) SFTs	15.3	0.3
Non–segregated initial margin	43.8	0.9
Prefunded default fund contributions	8.3	1.4

* Qualifying Central Counterparties

10. Market risk management

Market risk is the risk that movements in interest rates, foreign exchange rates or stock prices will change the market value of financial products, leading to a loss.

The identification and assessment of market risk is undertaken through the following processes and tools:

- Value at Risk (VaR) is a measure of the maximum expected loss in a portfolio to a given degree of confidence over a specified period. An ongoing programme of back–testing and analysis for the VaR model is in place.
- Interest rate risk in the banking book refers to the current or prospective risk to capital and earnings arising from adverse movements in interest rates that affect banking book positions. This is assessed using:
  - the scenarios as prescribed by the Basel Committee on Banking Supervision (BCBS) (parallel/non–parallel), which are assessed monthly and then daily, in the event that pre–amber limits are breached;
  - historical stress scenarios;
  - daily market risk reporting of net Basis Point Value (BPV) limits for the overall portfolio and by each major currency's (GBP, USD, EUR and JPY) respective maturity ladder;
  - monitoring and assessing the daily profit and loss to ensure it is in line with the Bank's expectation; and
  - early warning indicators.

Fair value of derivative assets and liabilities

The tables in note 13 to the financial statements show the Bank's fair value disclosures as at 31 March 2026.

Table 10.1: MR1 – Market risk under the standardised approach

		RWEAs	
		31 March 2026	31 March 2025
	Outright products		
1	Interest rate risk (general and specific)	1,861	1,071
2	Equity risk (general and specific)		
3	Foreign exchange risk	489	221
4	Commodity risk		
	Options		
5	Simplified approach		
6	Delta–plus method	848	6
7	Scenario approach		
8	Securitisation (specific risk)	214	521
9	Total	3,412	1,818

11. Securitisation

SMBC BI invests in highly rated securitisations where external credit rating assessments have been provided by S&P, Moody's and Fitch (where available). SMBC BI does not act as a sponsor or originator in any securitisations.

Activities include the trading of cash securitisation products, including Simple, Transparent and Standardised (STS) eligible transactions. There are no synthetics. The purpose of the activities is to support the primary securitisation business, make markets and provide liquidity to the institutional client base.

The trading book's risk is managed according to a granular framework that monitors and limits notional exposure to specific rating categories, asset classes and jurisdictions, alongside other metrics such as credit spread (CS01) and VaR.

Exposure is to various securitisation asset classes across Asset–backed Securities (ABS), Mortgage–backed Securities (MBS) (residential only, no commercial) and Collateralised Loan Obligations (CLOs). This includes STS and non–STS transactions. By its seniority, SMBC BI has exposure to senior positions and junior positions rated down to B3/B– as a minimum. All risk is incurred in relation to transactions originated by third parties.

Table 11.1: SEC2 – Securitisation exposures in the trading book

This table shows the trading book securitisation exposures, split by exposure type and associated regulatory capital requirements.

31 March 2026

		Institution acts as investor			
		Traditional STS	Non–STS	Synthetic	Sub–total
1	Total exposures	23	249	–	272
2	Retail (total)	23	84	–	107
3	Residential mortgage	8	61	–	69
4	Credit card	15	1	–	16
5	Other retail exposures	–	22	–	22
7	Wholesale (total)	–	165	–	165
8	Loans to corporates	–	165	–	165

31 March 2025

		Institution acts as investor			
		Traditional STS	Non–STS	Synthetic	Sub–total
1	Total exposures	71	223	–	294
2	Retail (total)	71	81	–	152
3	Residential mortgage	27	52	–	80
4	Credit card	44	–	–	44
5	Other retail exposures	–	29	–	29
7	Wholesale (total)	–	141	–	141
8	Loans to corporates	–	141	–	141

12. Interest rate risk in the banking book

12.1 IRRBB risk management objectives and policies

Interest Rate Risk in the Banking Book (IRRBB) is the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's banking book positions. Changes in interest rates affect:

– the Bank's Economic Value Equity (EVE), due to changes in the underlying value of the Bank's assets, liabilities and off–balance sheet items; and
– the Bank's Net Interest Income (NII), due to changes in its interest rate–sensitive income and expenses.

Under regulatory guidance, banks are required to use market value–based metrics such as EVE, as well as earnings–based metrics such as NII, to assess and manage risk exposures. SMBC BI Market Risk team performs monthly stress tests using both metrics, as reported in Table 12.1 below.

12.1.1 Risk management and risk assessment purposes

SMBC BI formally defines, measures, mitigates and controls its IRRBB risk through the following measures:

– a Risk Appetite Framework (RAF) for monitoring IRRBB EVE within both the regulatory limits and internal Risk Appetite;
– The establishment of roles and responsibilities for IRRBB management, including governance and oversight; and
– regular management information to monitor and ensure that the Bank is operating within its Risk Appetite.

12.1.2 Risk management and risk assessment strategies

On a daily basis, the Bank monitors its IRRBB risk based on the Basis Point Value (BPV) measure. BPV positions represent a change in market value due to one basis point (e.g., 0.01%) of parallel movement in the yield curve for each currency, based on their future cash flows in each maturity bucket.

RMD compiles a daily Risk Report on BPV positions and monitors them against internal limits. In the event that a position exceeds the internal limit, actions are taken to remediate the situation with immediate effect. The daily Risk Report is distributed to senior management among the RMD, Finance and Control, and Treasury departments.

12.1.3 Risk management frequency and key indicators

To manage IRRBB, the Bank measures and monitors its exposure in EVE through stress testing on a monthly basis. The results for EVE are monitored against the RAF and regulatory limits. For NII, the Bank has developed two stress tests under the guidance of both the European Banking Authority (EBA) (regulatory) and the PRA (for internal management purposes), and it has since been producing and monitoring the results against a threshold of 5%, as introduced by the EBA, although this is not a regulatory limit applicable to SMBC BI following Brexit because that entity resides in the UK.

For EVE stress testing, the maximum loss scenario (out of the six scenarios listed in section 12.1.4 below) is considered as a ratio to the Bank's Tier 1 capital features in the Bank's RAF under one KRI.

– Six standardised scenarios, with amber (4.5%) and red (6%) thresholds.

These have been calibrated for KRI, based on the Risk Report limits – linking the frameworks to make the thresholds. Note that the above internal thresholds are well below the regulatory threshold of 15% as a conservative measure, to reflect the Bank's business model and Risk Appetite in IRRBB.

On a monthly basis, the outcomes of the six scenarios are presented to the Bank's ALMCo for review and challenge.

12.1.4 Interest rate shocks and stress scenarios

The Bank performs IRRBB EVE stress testing, comprising six scenarios (listed below) for positions in the major currencies, each applying shock scenarios as prescribed by the Basel Committee based on historical time series ranging from 2000 to 2022. This period captures multiple crises, including the Financial Crisis of 2007–09.

The six scenarios are:

i) parallel shock up;
ii) parallel shock down;
iii) steepener shock (short rates down and long rates up);
iv) flattener shock (short rates up and long rates down);
v) short rates shock up; and
vi) short rates shock down.

To complement the PRA–prescribed scenarios, the Market Risk team also performs five historical stress tests monthly, based on real–life crises, including the Lehman crisis, Black Monday and the COVID–19 pandemic. Loss in the two metrics is measured as:

vii) the maximum loss in a single day over a three–month stress period; and
viii) the accumulated maximum loss over a three–month stress period.

12.1.5 Model assumption deviations

With respect to IRRBB EVE stress tests, the Bank has applied scenarios prescribed by the PRA Supervisory Review Evaluation Process SS31/15. The Bank has not applied any discretional overlays as these scenarios are deemed to be comprehensive/appropriate, considering the Bank's appetite for IRRBB.

The model used for the IRRBB EVE stress test had been independently validated by the Model Validation Group of the SMFG.

As part of this validation, sensitivity analysis has been performed to establish the Bank's potential loss in the event that the shifts were greater than those prescribed.

This additional analysis has two advantages: (i) it provides insight into the stability of the model; and (ii) it provides insight into the potential loss amount outside of these prescribed scenarios.

12.1.6 NII stress testing

The EBA stress testing and internal stress testing conducted by the Market Risk team share the following key assumptions/calculation rationale:

– There is a constant balance sheet for the next 12–month period.
– Once shocks are applied, rates remain the same over the repricing period.
– Floating rate trades are repriced at the next reset date, while fixed rate trades are repriced on the maturity date.
– Trades are excluded if the next reprice date is greater than one year.
– Profit and Loss (P&L) at currency level is aggregated, based on a conservative approach under EBA guidance.

EBA stress testing

The stress loss in NII, as reported in Table 12.1 below, is based on EBA methodology and the requirements stipulated in the EBA papers on Supervisory Outlier Tests (EBA–RTS–2022–09) and Regulatory Technical Standards (EBA/RTS/2022/10).

The Market Risk team opts to produce NII stress testing under EBA guidance, even though EBA RTSs are no longer legally binding for UK banks post Brexit.

The shock scenario applies a single instantaneous parallel shock, differentiated between currencies, to spot interest rate yield curves, with the resultant shocks in forward rates being recalculated based on EBA formulae.

Internal stress testing

The shock scenarios and methodologies were both developed in–house by the Market Risk team, with the following features:

– Calibration of shocks is based on a historic time series going back to 2008, designated to simulate real–life stress conditions in financial markets.
– The shocks feature quarterly cumulative and non–parallel shifts, differentiated between currency, repricing tenor and maturity.
– The largest quarterly shocks (per currency) are selected to be applied to the first quarter of the 12–month repricing period, aiming at reproducing a more severe loss.
– The shocks are refreshed each month. This ensures that the stress test captures the latest interest rate movements in the markets, and that the shock scenario is dynamic.

12.1.7 Basis Risk

The Market Risk team has assessed the impact of basis risk at transaction level for each notional + interest price on floating rate indexes where the repricing date is not <> O/N. This is observed on a small number of transactions:

– Interest Rate Swaps (Pay Fixed/Receive Float).
– Deposits:
  – Borrowing: these are related to long–term funding from Tokyo Head Office.

  – The theme observed is that new floating rate deals are typically now repriced on an O/N basis.

The assessment involved sourcing the data series for each index being repriced <> O/N vs. the same currency OIS index. Of the difference between the indexes, a 1–year holding period was calculated, and this was calibrated at a 99.9% confidence level for both a shock up and a shock down.

A parallel shift was applied (up/down). For maximum–loss scenario purposes, the loss was assumed for each repricing index; this approach was considered conservative as the rates can go either way.

It is deemed that SMBC BI has negligible exposure to floating rate instruments on indices other than those with an overnight reference rate; monthly monitoring is done twofold:

1) The overnight reference rate/benchmark exceeds 5% of interest rate sensitive assets in the banking book [4].

  – Non–overnight Asset (Only)/Total Assets (repricing in 12m).

2) A more complete assessment netting Assets and Liabilities.

  – Non–overnight Asset (Net of Asset/Liabilities)/Total Assets (repricing in 12m).

[4] As per EBA/RTS/2022/09, '2.2,24. Inclusion of basis risk in the NII'.

12.1.8 Hedge strategies and accounting treatment

The Bank's policy is to have minimal interest rate risk in the banking book, and this is managed using both internal and external hedge transactions.

The Bank applies fair value and cash flow hedge accounting on the derivative instruments used for hedging purposes. Further related details are in note 13 to the annual financial statements.

12.1.9 Other information

The maximum loss in the worst scenarios over the past period has been consistent and is well below the KRI pre–amber thresholds.

Table 12.1 : IRRBB1 – Quantitative information on IRRBB

		a	b	c	d	e	f
	In reporting currency	ΔEVE*		ΔNII**		Tier 1 capital	
	Period	31 March 2026	31 March 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2025
010	Parallel shock up	(111.5)	10.3	70.9	72.3		
020	Parallel shock down	35.7	(30.9)	(173.3)	(168.1)		
030	Steepener shock	(22.3)	(26.3)				
040	Flattener shock	(25.3)	6.8				
050	Short rates shock up	(74.2)	11.0				
060	Short rates shock down	6.8	(43.4)				
070	Maximum	(111.5)	(43.4)	(173.3)	(168.1)		
080	Tier 1 capital					6,168	5,786

* Change in the economic value of equity.
** Change in net interest income.

12.2 Credit spread risk in the banking book

The Market Risk team monitors Credit Spread Risk in the Banking Book (CSRBB) on a quarterly basis for all eligible instruments on the SMBC BI balance sheet.

During FY26, the FMD bond portfolio (the largest component of SMBC BI's CSRBB) grew to USD 4 billion in market value and USD 905,000 in BPV as at the end of March 2026, driven by FMD's investment strategy, with the asset class expanding to include supra–nationals.

To align with this evolution, the stress–testing scenario has been refined in FY26. Currency and tenor–specific Credit Spread shocks are calibrated based on historical time series. Other parameters include a 99% confidence level and a 30–day holding period, which is deemed appropriate as per the PRA recommendation of more than 10 days.

- There are three EUR Supranational Bonds that carry CSRBB, and the following shocks are applied to stress positions in order to calculate the estimated potential loss:

Tenor	Shock bps
1Y	+23.03
3Y	+19.44
7Y	+20.42

Those in scope that do not have CSRBB primarily consist of:

- Government bonds issued in home currency by their home government – CS01 is negligible.
- For HQLA purposes, to date, only USD, GBP and EUR Bonds have been purchased. The EUR purchases were primarily German Government Bonds.
- Other Government Bonds that were purchased and used for supplementary liquidity purposes were in DKK, CHF, SEK and NOK.

13. Operational and other risks

13.1 Operational risk

The identification and assessment of operational risk is undertaken through the following processes and tools:

- **Risk and Control Taxonomy and Inventory:** The Risk and Control Taxonomies are standardised across EMEA. These represent a comprehensive list/library of the risks to which the business is exposed and the controls that are/should be in place to mitigate them. This enables consistency in risk identification, as well as comparative analysis across different regions and departments. From this library, the relevant risks and controls can be selected, i.e., when creating the Risk and Control Inventories. These Risk and Control Inventories are used when undertaking an assessment (e.g., Risk and Control Self–Assessments, as well as any compliance–related assessments at department/entity/branch levels), and they are also used when mapping Operational Risk Events, Risk Issues, Control Testing results, Key Risk Indicator results, etc. Governance of Non–Financial Risk Management is, therefore, based on the risks and controls relevant to a particular department/entity/branch.
- **Risk and Control Self–Assessment:** Risk and Control Self–Assessment (RCSA) is the mechanism to (i) identify the relevant risks and controls for an assessment area and determine (ii) the Inherent Risk ratings of applicable risks, (iii) the control ratings of applicable controls and (iv) the Residual Risk ratings. The results are then compared to the Bank's risk appetite to help ascertain the need for an appropriate risk response (e.g., Risk Issues and/or Risk Acceptances).
- **Operational Risk Events:** The Organisation defines an Operational Risk Event as an occurrence that results in a negative impact for the Organisation, either financial (i.e., realised Dollar losses/gains) or non–financial (e.g., customer, legal, regulatory, reputational or internal business operations). The cause of an Operational Risk Event can originate internally (e.g., from failures in the Organisation's own processes, staff functions and systems), or externally (e.g., from the operations of external providers). In instances where a negative impact did not manifest for fortuitous reasons, this event is referred to as a Near Miss. The aim of reporting Operational Risk Events is to capture and remediate the adverse impact suffered by the Organisation from anomalous or unexpected occurrences.
- **External Events and Emerging Risks:** The External Events and Emerging Risks process is a methodology that draws upon industry and regulatory developments, external risk events, trends, themes and threats (together with internal data points) to help identify future operational risk exposures and themes. External Events are Operational Risk Events that are experienced by other institutions external to SMBC group entities. External Event information can be used to trigger proactive risk assessments of relevant areas of the Organisation, in order to discover possible weaknesses in the internal control environment that are similar or to consider previously unidentified risk exposures.
- **Key Risk Indicators:** KRIs are metrics that indicate the amount of exposure to a given risk and are used as a tool to monitor risks and controls. It is important to establish KRIs for each of the Organisation's Non–Financial Risks, to help inform related risk assessments and to monitor this ongoing.

- **Operational Risk Scenario Analysis:** Operational Risk Scenario Analysis aims to identify the high–impact, low–likelihood but plausible events that could impact the Organisation and to estimate the respective severities and probabilities of each event. This provides a picture of potential loss amounts/risk exposures if the most significant risks were to materialise and offers a proactive and forward–looking approach to risk management. The discussions that take place around potential events and control failings could help to inform risk management decisions. They are also a reference point for Operational Resilience Scenario Testing.
- **Operational Risk Capital:** The purpose of Operational Risk capital assessment/calculation is to ensure that the Organisation has adequate capital to support the operational risk it generates and to encourage the Organisation to develop and use better risk management techniques in monitoring and managing its risk. An Operational Risk Capital Model is used to calculate Pillar 2 capital, which uses feeds from (i) internal losses, (ii), Group losses, (iii) external losses and (iv) Operational Risk Scenario Analysis loss data.
- **Post Implementation Project Impact Assessment:** The Post Implementation Project Impact Assessment process involves appropriately identifying and capturing any post implementation impacts relating to projects that concern the BAU environment. These may change the Organisation's Non–Financial Risk profile. These risks are considered and reflected through relevant assessment processes (e.g., RCSA).
- **Risk Appetite Framework:** The purpose of risk appetite is to define the broad–based level of risk that the Organisation is willing to accept in pursuit of its strategic objectives. The risk appetite and risk strategy are complementary, aligning with and supportive of the corporate strategy. The risk appetite ensures formal identification and consensus about the strategic–level risks that the Organisation is facing. The Risk Appetite Framework comprises strategic statements as well as measures at different levels.
- **Risk Issues:** A Risk Issue is a problem, observation or state that potentially exposes the Organisation to risk; future 'losses' or otherwise could worsen the Organisation's existing exposure. These losses may crystallise as direct monetary impacts or, alternatively, as non–monetary crystallisations that may manifest as client, reputational, regulatory, legal, or operational continuity impacts at some point in the future. Risk Issues are observations that require actionable steps by defined owner(s) within a finite period.
- **Risk Acceptances:** A Risk Acceptance is a formal acknowledgment that the Organisation is unable or unwilling (from a risk–reward perspective and not in breach of risk appetite) to mitigate an identified risk exposure to an appropriate residual level. The Risk Acceptance process enables this conclusion to be formally understood and agreed, as well as to be monitored until the point of renewal or closure.
- **Third Party Risk Management/Outsourcing (TPRM):** RMD provides second–line key advice/inputs and challenge in relation to the first line's execution of the Outsourcing/TPRM Framework requirements. For example, RMD advises on criticality assessments of the service and performs a risk assessment of a third party. In addition, RMD challenges metrics in relation to the ongoing monitoring of the performance of a third party, as well as cyclical reviews of the relationship and risk.
- **IT & Cyber Risk Oversight:** RMD has a dedicated team in place to provide advice, guidance and challenge to the first line of defence on their management of IT and Cyber Risk. This team follows the general operational Risk Management Framework, as mentioned above.

13.2 Operational resilience

Operational Resilience (OpRes) is the ability of firms, financial market infrastructure and the financial market as a whole to prevent, adapt, respond to, recover and learn from operational disruption.

SMBC's Operational Resilience strategy is aligned with the Bank's business strategy and is facilitated by the implementation of the Operational Resilience Framework.

The following are the key components of the existing Operational Resilience Framework:

13.3 Important Business Services

An Important Business Service is a service provided by SMBC, or by another person on behalf of SMBC, to one or more clients of SMBC that, if disrupted, could:

- cause intolerable levels of harm to any one or more of SMBC's clients;
- pose a risk to SMBC's safety and soundness; or
- pose a risk to the soundness, stability or resilience of the financial system or the orderly operation of the financial markets.

13.4 Impact tolerances

An impact tolerance is the point at which any further disruption to Important Business Services could:

- cause intolerable levels of harm to any one or more of SMBC's clients;
- pose a risk to SMBC's safety and soundness; or

– pose a risk to the soundness, stability or resilience of the financial system or the orderly operation of the financial markets.

13.5 Mapping

Mapping is the process used to identify the critical resources that underpin the delivery of an Important Business Service.

13.6 Scenario testing

Scenario testing is used to assess the ability of an Important Business Service to remain within its maximum tolerable level of disruption under different levels of stress.

13.7 Self–assessments

Self–assessments are used to capture all relevant information about the Operational Resilience approach within a region.

13.8 Board and governance

An interim governance structure has been introduced, with an Operational Resilience Council (ORC) chaired by the SMF 24 (or equivalent). The Council includes IBS Owners and Capability Leads who, together, can review the status of each IBS.

The Operational Resilience Programme, which directs the developing maturity of a number of core capabilities during the transition period, is governed by a dedicated Steering Committee, chaired by an SMF 24 (or equivalent).

As the Operational Resilience Framework evolves and matures, the second line of defence will continue to challenge the first line of defence, where relevant, to support appropriate outcomes.

Table 13.1: OR1 – Operational risk: own funds requirements and risk–weighted exposure amounts

31 March 2026

	Relevant indicator				
Banking activities	Year 3	Year 2	Last year	Own funds requirements	Risk exposure amount
Banking activities subject to standardised (TSA)/alternative standardised (ASA) approaches	1,274	1,381	1,708	224	2,796
Subject to TSA:	1,274	1,381	1,708		

31 March 2025

	Relevant indicator				
Banking activities	Year 3	Year 2	Last year	Own funds requirements	Risk exposure amount
Banking activities subject to standardised (TSA)/alternative standardised (ASA) approaches	1,014	1,274	1,381	187	2,343
Subject to TSA:	1,014	1,274	1,381		

14. Conduct risk management

Conduct risk is the risk of the SMBC's actions, inactions or behaviours resulting in poor outcomes for customers and/or stakeholders, damaging the integrity of the financial markets or undermining effective competition.

The Conduct Rules form the basis of the Bank's approach to conduct risk management. The Bank has a policy framework to help all colleagues understand good conduct and positive behaviours and help them in raising and addressing concerns. These policies set out the Bank's approach to the identification, understanding and management of conduct risk at individual, departmental and organisational levels. The policies also explain that conduct applies to both financial and non–financial behaviours and that conduct is recognised as being linked to the Bank's values, culture and an environment of psychological safety.

To support the policy framework, the Bank provides training, communications, advice and guidance to help colleagues meet the regulatory and legal requirements and also the rules and standards of conduct to which all staff must adhere. This is supported by monitoring, surveillance, reporting and oversight of adherence to the policy and procedure framework and regulatory expectations.

Conduct Key Risk Indicators, which seek to provide effective risk identification, are regularly reviewed, including by the Executive and Risk Committees, to ensure proportionality and relevance to encourage organisational learning, constructive challenge and inclusion, as well as improved engagement and accountability. Conduct KRIs are provided to each department on a monthly basis to provide them with the information needed to address conduct risks at departmental level. The Bank has a performance and remuneration structure to ensure that an individual's remuneration is at risk if expected levels of conduct are not met.

15. Sustainability risk management

SMBC defines sustainability risk as "a cross–cutting risk that can manifest across all risk types, resulting from environmental, social or governance (ESG) issues, events or conditions that have the potential to substantially impact (financially, reputationally or physically) SMBC, our clients, the environment or society".

The following are the key components of the existing Sustainability Risk Management Framework, which is still being developed, enhanced and implemented:

– **Sustainability Risk Framework:** This framework articulates how SMBC defines, governs and manages sustainability risk, and how the framework is embedded across the region. The document reflects the current sustainability risk governance management processes and will continue to develop as the tools, data, policies and processes mature.

– **CCRA (Climate Change Ratings Assessment):** The CCRA is an internally developed tool that allows the Bank to allocate a climate risk score to risk parent obligors. This tool helps the Bank understand the distribution of climate–related risks (Transition and Physical) in the portfolio, informs stress testing and scenario analysis, and its outputs enable the embedding of climate risk considerations into business and strategy decisions. The combination of the CCRA and a broader consideration of sustainability risks in transactions enables SMBC to understand its clients' sustainability risk and energy transition plans.

– **Stress testing:** Stress testing and scenario analysis are used to determine the climate change impact on the credit portfolio over a 25–30–year period.

– **Risk Register:** The Risk Register is the Bank's internal taxonomy of key risks and controls and is used to inform the ongoing identification of risks. The Bank recognises sustainability risk, including climate change risk, is a cross–cutting risk.

Risk appetite: A Sustainability Risk Appetite statement and ESG Dashboard have been developed. The Dashboard is a suite of sustainability metrics, reported monthly at ExCo meetings. The ESG RAF will continue to evolve and develop in line with SMBC Group aspirations, market best practices and regulatory requirements.

16. Leverage ratio

The Bank's leverage ratio is calculated as its Tier 1 capital, divided by its total exposure measure. The total exposure measure is the sum of the exposure values of all assets and off–balance sheet items not deducted when determining the Tier 1 capital.

The tables below present SMBC BI's leverage ratio calculation and provide a breakdown of the on– and off–balance sheet exposures that are used. Further analysis of qualitative items includes descriptions of the processes used to manage the risk of excessive leverage and the factors that have had an impact on the leverage ratio.

Table 16.1: LR1 – LRSum: summary reconciliation of accounting assets and leverage ratio exposures

31 March 2026

	Applicable amount
Total assets as per the published financial statements	77,916
Adjustment for entities that are consolidated for accounting purposes but are outside the scope of prudential consolidation	0
Adjustment for exemption of exposures to central banks	(12,321)
Adjustment for derivative financial instruments	160
Adjustment for securities financing transactions (SFTs)	909
Adjustment for off–balance sheet items (i.e., conversion to credit equivalent amounts of off–balance sheet exposures)	7,306
Other adjustments	(31)
Total exposure measure	73,939

31 March 2025

	Applicable amount
Total assets as per published financial statements	71,289
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	0
Adjustment for exemption of exposures to central banks	(25.295)
Adjustment for derivative financial instruments	584
Adjustment for securities financing transactions (SFTs)	186
Adjustment for off–balance sheet items (i.e., conversion to credit equivalent amounts of off–balance sheet exposures)	10.818
Other adjustments	(314)
Total exposure measure	57,267

Table 16.2: LR2 – LRCom: leverage ratio of common disclosure

		Leverage ratio exposures	
		31 March 2026	31 March 2025
On–balance sheet exposures (excluding derivatives and SFTs)			
1	On–balance sheet items (excluding derivatives and SFTs but including collateral)	42,637	52,142
6	Asset amounts deducted in determining Tier 1 capital (leverage)	(174)	(134)
7	**Total on–balance sheet exposures (excluding derivatives and SFTs)**	42,463	52,008
Derivative exposures			
8	Replacement costs associated with SA–CCR derivatives transactions (i.e., net of eligible cash variation margin)	618	897
9	Add–on amounts for potential future exposures associated with SA–CCR derivatives transactions	1,440	1,445
UK 9b	Exposure determined under the original exposure method	17	26
13	**Total derivative exposures**	2,075	2,368
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	38,679	17,084
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(5,172)	(232)
16	Counterparty credit risk exposure for SFT assets	909	186
18	**Total SFT exposures**	34,417	17,037
Other off–balance sheet exposures			
19	Off–balance sheet exposures at gross notional amount	13,992	20,810
20	Adjustments for conversion to credit equivalent amounts	(6,686)	(9,992)
21	General provisions deducted in determining Tier 1 capital (leverage) and specific provisions associated with off–balance sheet exposures	–	–
22	**Off–balance sheet exposures**	7,306	10,818
Capital and total exposure measure			
23	Tier 1 capital (leverage)	6,168	5,786
24	Total exposure measure, including claims on central banks	86,260	82,562
UK 24a	Claims on central banks excluded	(12,321)	(25,295)
UK 24b	**Total exposure measure, excluding claims on central banks**	73,939	57,267
Leverage ratio			
25	Leverage ratio, excluding claims on central banks (%)	8.3	10.1
UK 25a	Fully loaded ECL accounting model leverage ratio, excluding claims on central banks (%)	8.3	10.1
UK 25b	Leverage ratio, excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	8.3	10.1
UK 25c	Leverage ratio, including claims on central banks (%)	7.2	7.0
26	Regulatory minimum leverage ratio requirement (%)	3.25	3.25
Additional leverage ratio disclosure requirements – leverage ratio buffers			
27	Leverage ratio buffer (%)	0.4	0.4
UK–27b	of which: countercyclical leverage ratio buffer (%)	0.4	0.4
Additional leverage ratio disclosure requirements – disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	33,306	16,613
29	Quarter–end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	33,508	17,084
UK 31	Average total exposure measure, including claims on central banks	91,479	81,800
UK 32	Average total exposure measure, excluding claims on central banks	74,747	58,307
UK 33	Average leverage ratio, including claims on central banks (%)	6.7	7.1

UK 34	Average leverage ratio, excluding claims on central banks (%)	8.3	9.9

Table 16.3: LR3 – LRSpl: split–up of on–balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

31 March 2026

	Leverage ratio exposures	
	31 March 2026	31 March 2025
Total on–balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	42,637	52,473
Trading book exposures	2,830	1,668
Banking book exposures, of which:	39,807	50,805
Covered bonds	0	0
Exposures treated as sovereigns	16,926	26,685
Exposures to regional governments, multilateral development banks (MDB), international organisations and public sector entity (PSE) not treated as sovereigns	614	545
Institutions	9,166	5,832
Secured by mortgages of immovable properties	1,748	994
Retail exposures	0	0
Corporates	10,613	16,030
Exposures in default	83	103
Other exposures (e.g., equity, securitisations and other non–credit obligation assets)	657	617

LRA – Disclosure of LR qualitative information

Description of the processes used to manage the risk of excessive leverage

The risk of excess leverage is actively managed through the relevant Board–approved Risk Appetite Framework. The Framework monitors the leverage ratio on a monthly basis, and the monitoring results are presented to senior management.

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

The leverage ratio has decreased from 10.1% to 8.3%, driven by an increase in reverse repo transactions.

17. Liquidity risk management

17.1 Liquidity risk

Liquidity risk is the risk that the Bank cannot meet its liabilities, unwind or settle its positions as they become due. The Bank ensures that the level of liquidity risk is in line with its Risk Appetite and business model through the following main measures:

- The identification and assessment of liquidity risk is undertaken through the following processes and tools:
- Establishment of a Liquidity Risk Appetite Framework, and its underpinning quantitative risk metrics, early warning indicators and Key Risk Indicators.
- Defining clear roles and responsibilities for the management of liquidity under normal and stressed circumstances.
- The implementation of a robust Committee Framework to manage liquidity risk issues, with clear terms of reference and standard agendas.
- Regular management information to demonstrate that the Bank is operating within its Risk Appetite, along with other select metrics.

The Liquidity Risk Appetite is monitored against both internal and external regulatory liquidity metrics. The external regulatory liquidity ratios, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), are monitored against the internal Risk Appetite and regulatory requirements. LCR measures the ability of a bank's liquid asset resources to absorb net outflows over a 30–day stress period. The NSFR measures the amount of available stable funding required to fund the Bank's activities.

17.2 Analysis of liquidity risk

The tables in note 4 to the financial statements show the contractual maturity analysis of interest and principal balances for liabilities, issued financial guarantee contracts and unrecognised loan commitments.

The contractual maturity of financial assets and liabilities forms an important source of information used by management for managing liquidity risk. Impairment provisions on loans and advances to banks and customers are included in the 'Up to 3 months' column. The Bank has chosen not to net derivative assets and liabilities in the financial statements.

Table 17.1: LIQ1 – Quantitative information on LCR

		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on (DD Month YYYY)	31 March 2026	31 Dec 2025	30 Sep 2025	30 June 2025	31 March 2026	31 Dec 2025	30 Sep 2025	30 June 2025
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High quality liquid assets									
1	Total high–quality liquid assets (HQLA)					29,498	28,993	27,479	26,296
Cash outflows									
5	Unsecured wholesale funding	22,014	22,543	21,962	21,419	15,912	16,468	16,169	15,512
7	(All counterparties)	21,814	22,251	21,685	21,100	15,712	16,176	15,891	15,193
8	Unsecured debt	200	292	278	319	200	292	278	319
9	Secured wholesale funding					3,863	2,930	2,525	1,752
10	Additional requirements	15,927	16,709	16,145	15,750	4,174	4,230	4,124	3,998
11	Outflows related to derivative exposures and other collateral requirements	788	736	756	800	788	736	756	800
13	Credit and liquidity facilities	15,138	15,973	15,390	14,950	3,386	3,494	3,368	3,197
14	Other contractual funding obligations	2,069	1,600	1,406	1,032	1,607	1,209	1,033	725
15	Other contingent funding obligations	29,643	29,003	27,937	26,673	296	317	315	315
16	Total cash outflows					25,852	25,154	24,166	22,301
Cash inflows									
17	Secured lending (e.g., reverse repos)	13,743	10,764	9,931	7,897	1,466	1,268	1,336	1,027
18	Inflows from fully performing exposures	4,363	4,196	4,264	4,289	3,557	3,266	3,331	3,346
19	Other cash inflows	1,855	1,599	1,549	1,153	1,776	1,521	1,473	1,079
20	Total cash inflows	19,960	16,559	15,744	13,338	6,799	6,055	6,141	5,452
UK 20c	Inflows subject to a 75% cap	19,928	16,526	15,744	13,338	6,799	6,055	6,141	5,452
Total adjusted value									
UK 21	Liquidity buffer					29,498	28,993	27,479	26,296
22	Total net cash outflows					19,053	19,099	18,026	16,850
23	Liquidity coverage ratio (%)					154.82%	151.80%	152.44%	156.06%

17.2 Explanations of the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

The LCR aims to ensure that the Bank holds a sufficient reserve of HQLA to survive a period of liquidity stress lasting 30 calendar days.

All LCR figures shown are average figures for each quarter.

17.3 Explanations of the changes in the LCR over time

The LCR has remained fairly constant over time, with HQLA being managed to maintain an LCR ratio that is well above the regulatory minimum.

Significant growth in securities financing transactions have resulted in increase in outflows where collateral is non HQLA level.

17.4 Explanations of the actual concentration of funding sources

Wholesale unsecured/secured funding is obtained from financial and non–financial customer deposits, repurchase transactions and funding from the parent entity.

17.5 High–level description of the composition of the institution's liquidity buffer

HQLA is primarily of level 1 high–quality securities and Bank of England reserves, along with a small amount of level 2A/2B securities.

17.6 Derivative exposures and potential collateral calls

The Bank actively manages its derivative exposures, and potential collateral calls under stress are captured within the historical look–back approach, which considers the impact of an adverse market scenario on derivatives.

Potential collateral calls under a three–notch downgrade of the Bank's credit ratings are also captured.

17.7 Currency mismatch in the LCR

The LCR is calculated for both consolidated currencies and material currencies, i.e., USD, GBP, EUR and JPY (having liabilities of >5% of total liabilities). The Bank manages its currency mismatch for significant currencies according to its internal Liquidity Adequacy Assessment Framework.

17.8 Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

The commentaries under 17.3 and 17.8 capture those material items in the LCR calculation that are relevant for the Bank's liquidity profile.

Table 17.2: LIQ2 – Net stable funding ratio

The NSFR requires SMBC BI to have sufficient available stable funding to meet its required stable funding over a one–year horizon. Based on current regulatory requirements, the minimum level is 100%. SMBC BI's NSFR as at 31 March 2026 is 132.82%.

31 March 2026

		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding Items						
1	Capital items and instruments	5,922	0	0	0	5,922
2	*Own funds*	5,922	0	0	0	5,922
7	Wholesale funding:		56,811	2,837	9,914	19,802
9	*Other wholesale funding*		56,811	2,837	9,914	19,802
11	Other liabilities:	177	6,387	0	179	179
12	*NSFR derivative liabilities*	177				
13	*All other liabilities and capital instruments not included in the above categories*		6,387	0	179	179
14	Total available stable funding					25,902
Required stable funding Items						
15	Total HQLA					239
UK–15a	Assets encumbered for more than 12 months in cover pool		0	0	0	0
16	Deposits held at other financial institutions for operational purposes		0	0	0	0
17	Performing loans and securities:		33,661	2,764	15,894	17,768
18	*Performing securities financing transactions with financial customers collateralised by level 1 HQLA, subject to a 0% haircut*		17,075	54	164	191
19	*Performing securities financing transactions with financial customers, collateralised by other assets and loans and advances to financial institutions*		13,620	1,300	3,039	4,598
20	*Performing loans to non–financial corporate clients, loans to retail and small business customers, and loans to sovereigns and public sector entities, of which:*		2,892	1,379	11,436	11,856
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange–traded equities and trade finance on–balance sheet products*		74	30	1,255	1,123
26	Other assets:		6,849	48	198	679
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		11	0	2	11
29	*NSFR derivative assets*		0			0
30	*NSFR derivative liabilities before the deduction of the variation margin posted*		604			30
31	*All other assets not included in the above categories*		6,235	48	196	638
32	Off–balance sheet items		18,444	0	0	826
33	**Total required stable funding**					19,511
34	**Net stable funding ratio (%)**					132.8%

31 March 2025

		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding Items						
1	Capital items and instruments	5,666	–	–	–	5,666
2	*Own funds*	5,666	–	–	–	5,666
7	Wholesale funding:	–	40,689	1,354	9,056	16,912
9	*Other wholesale funding*	–	40,689	1,354	9,056	16,912
11	Other liabilities:	47	2,148	0	94	94
12	*NSFR derivative liabilities*	47	–	0	–	–
13	*All other liabilities and capital instruments not included in the above categories*	–	2,148	0	94	94
14	Total available stable funding					22,673
Required stable funding Items						
15	Total HQLA		–	–	–	84
UK–15a	Assets encumbered for more than 12 months in cover pool		–	–	–	–
16	Deposits held at other financial institutions for operational purposes		–	–	–	–
17	Performing loans and securities:		16,131	2,078	14,697	16,123
18	*Performing securities financing transactions with financial customers collateralised by level 1 HQLA subject to 0% haircut*		6,715	2	45	46
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		5,911	587	2,607	3,338
20	*Performing loans to non–financial corporate clients, loans to retail and small business customers, and loans to sovereigns and public sector entities, of which:*		3,458	1,476	11,456	12,205
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange–traded equities and trade finance on–balance sheet products*		48	11	589	533
26	Other assets:		3,013	12	399	798
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		4	–	1	5
29	*NSFR derivative assets*		7	–	–	7
30	*NSFR derivative liabilities before deduction of variation margin posted*		674	–	–	34
31	*All other assets not included in the above categories*		2,328	12	398	753
32	*Off–balance sheet items*		17,990	–	–	823
33	Total required stable funding		–	–	–	17,827
34	Net stable funding ratio (%)					127.2%

The Bank's Available Stable Funding (ASF) mainly consists of its own funds, deposits from customers (both financial and non–financial) and central banks. The Bank holds substantial balances of secured liabilities from financial customers (repo transactions); however, due to their short maturity, no ASF benefit is recognised.

The Bank's Required Stable Funding (RSF) mainly consists of loans to both financial and non–financial customers, and undrawn committed credit facilities. The Bank holds a certain amount of central bank reserves and level 1 assets eligible for a 0% LCR haircut, and 0% RSF is applied to these assets.

18. Asset encumbrances

Asset encumbrances affect the transferability of assets and can restrict their free use. An asset is treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit–enhance any transaction from which it cannot be freely withdrawn.

The Bank assesses asset encumbrances in the following disclosure of on–balance sheet encumbered and unencumbered assets, off–balance sheet collateral and matching liabilities. Please note that the values reported in the following templates are based on the median values across the four quarters throughout the financial year.

Table 18.1: AE1 – Encumbered and unencumbered assets

31 March 2026

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which: notionally eligible EHQLA* and HQLA		of which: notionally eligible EHQLA and HQLA		of which: EHQLA and HQLA		of which: EHQLA and HQLA
Assets of the reporting institution	1,354	622			79,668	24,688		
Equity instruments	–	–			24	–	24	–
Debt securities	1,018	622	1,018	622	2,849	1,709	2,849	1,709
of which: issued by general governments	386	371	386	371	1,566	1,544	1,566	1,544
of which: issued by financial corporations	334	–	334	–	630	–	630	–
of which: issued by non–financial corporations	324	257	324	257	607	196	607	196
Other assets	470	–			75,820	23,161		

* Extremely high–quality liquid assets.

31 March 2025

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which: notionally eligible EHQLA* and HQLA		of which: notionally eligible EHQLA and HQLA		of which: EHQLA and HQLA		of which: EHQLA and HQLA
Assets of the reporting institution	767	60			58,959	22,482		
Equity instruments	–	–	–	–	23	–	23	–
Debt securities	164	60	164	60	1,272	706	1,272	706
of which: issued by general governments	8	7	8	7	666	666	666	666
of which: issued by financial corporations	88	–	88	–	244	–	244	–
of which: issued by non–financial corporations	61	50	61	50	287	90	287	90
Other assets	603	–			57,664	21,775		

Table 18.2: AE2 – Collateral received and own debt securities issued

31 March 2026

	Fair value of encumbered collateral received, or own debt securities issued		Unencumbered: Fair value of collateral received, or own debt securities issued available for encumbrances	
		of which: notionally eligible EHQLA and HQLA		of which: EHQLA and HQLA
Collateral received by the reporting institution	19,431	16,271	18,809	7,065
Loans on demand	–	–	–	–
Debt securities	19,431	16,271	8,034	7,065
of which: issued by general governments	16,867	15,538	7,133	6,991
of which: issued by financial corporations	1,649	–	221	–
of which: issued by non–financial corporations	1,214	619	691	98
Loans and advances other than loans on demand	–	–	10,211	–
Total assets, collateral received and own debt securities issued	**21,006**	**16,925**		

31 March 2025

	Fair value of encumbered collateral received, or own debt securities issued		Unencumbered: Fair value of collateral received, or own debt securities issued available for encumbrances	
		of which: notionally eligible EHQLA and HQLA		of which: EHQLA and HQLA
Collateral received by the reporting institution	6,581	5,824	10,019	2,524
Loans on demand	–	–	–	–
Debt securities	6,581	5,824	2,972	2,524
of which: issued by general governments	5,422	5,352	2,295	2,263
of which: issued by financial corporations	701	266	169	33
of which: issued by non–financial corporations	459	206	209	32
Loans and advances other than loans on demand	–	–	7,047	–
Total assets, collateral received and own debt securities issued	7,403	5,917		

Table 18.3: AE3 – Sources of encumbrances

31 March 2026

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs* encumbered
Carrying amount of selected financial liabilities	20,307	20,385

31 March 2025

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs* encumbered
Carrying amount of selected financial liabilities	6,751	6,990

* Asset–backed securities.

Table 18.4: AE4 – Accompanying narrative information

The main sources that contribute to the Bank's level of encumbrance include collateral received as part of reverse repo and subsequently lent out in repo transactions, margins placed with derivative and repo counterparties, securities borrowed and subsequently lent out, and CCP default fund contributions.

The Bank has a material amount of repurchase transactions where the amounts of repo and reverse repo are largely offset by each other; however, this increases the level of encumbrance for the Bank.

Apart from USD (the Bank's reporting currency), EUR is the second most significant currency, acting as the primary driver of the Bank's encumbrance level through repo transactions.

19. Remuneration

19.1 Governance

SMBC BI has a Remuneration Committee (RemCo) comprising three independent non–executive Directors (one of whom is Chair) and one Shareholder non–executive Director. Non–executive Directors do not receive any form of variable pay.

The RemCo has had five meetings during this performance year.

The Bank consults with PwC LLP for remuneration advice and with several external law firms for legal advice in respect of the development of remuneration practices.

Under proportionality principles and regulations as set out by the PRA and FCA, the Bank is a Level 2 institution.

The RemCo oversees the development and implementation of the Bank's remuneration policies and practices; in particular, it has a responsibility to:

- set, and recommend to the Board for approval, the Remuneration Policy;
- ensure that the Policy, amongst other things, assesses the impact of pay arrangements on culture and all elements of risk management;
- ensure that the Policy provides for equality of opportunity and supports an inclusive and diverse culture; and
- ensure that the Policy adheres to the Remuneration Code and to any other applicable remuneration regulations.

In addition, the RemCo is responsible for specific matters and remuneration arrangements, including the following:

- reviewing and/or approving any compensation offers or changes to SMF role holders and Material Risk Takers (MRTs);
- reviewing and approving current remuneration, including performance adjustments, malus and clawback for identified Material Risk Takers;
- reviewing and approving the bonus fund cap calculation, including ex–ante and ex–post risk adjustments; and
- reviewing and approving bonus pool funding each year, prior to the delivery of awards.

The RemCo has the discretion to adjust the bonus pool and individual payments at any stage in the annual compensation review process, from the calculation and determination of the fund itself to the final distribution arrangements

19.2 Remuneration Policy

The SMBC EMEA Remuneration Policy applies to all locally hired employees of SMBC BI. Except for certain aspects of variable pay for MRTs and other employees, as defined below, it does not apply to employees of the Sumitomo Mitsui Banking Corporation (SMBC) seconded from SMBC, whose remuneration is governed by rules established by SMBC in Japan.

This Policy is reviewed annually, or more frequently if required, by Human Resources (HR). The RemCo will approve any significant revisions to the Policy. During the FY2025 review, only minor adjustments were made to the policy.

Whilst HR owns the Remuneration Policy, the Risk Management Department is involved in the formulation of the Remuneration Policy and the review of individual and business compensation arrangements and levels (including adjustments due to performance or other issues). The Risk and Compliance teams also both provide important feedback and debate in regular management meetings on remuneration matters, as well as in RemCo meetings where appropriate.

19.3 Remuneration Policy objectives

SMBC EMEA's Remuneration Policy is an expression of the Bank's overall philosophy, aims and objectives with regard to how it pays its employees.

It is the Bank's intention that:

1) the Policy will support the Bank's long–term aims. It will seek to encourage and support long–term stability and sustainability, particularly of its capital base, and promote steady growth and keen risk awareness;
2) the Remuneration Policy promotes sound and effective risk management and is consistent with the Bank's risk management strategy and objectives;
3) the Policy should support a fair and inclusive workplace, with all employees being paid equally for equal work or work of equal value. Through the annual salary review, SMBC has established processes and controls to ensure any inequities are reviewed and addressed in a timely way;
4) decisions about the Remuneration Policy will be reviewed, considered and approved by the Remuneration Committee;
5) employees are remunerated by means of the following elements – basic salary, allowances, benefits and variable pay – that may be relevant to their location and function;
6) the amount of fixed remuneration, including appropriate salary, allowances or benefits, should be sufficient for an acceptable standard of living in any given location without a dependency on variable pay; and

7) employees have the opportunity to share in the success of the Bank in years of good performance and also to accept diminished levels of variable pay in times of poor performance or losses.

19.4 Material Risk Takers

The Bank identifies MRTs in line with the requirements under Rule 3 of the Remuneration part of the PRA Rulebook. The identification requirements consist of qualitative and quantitative criteria that typically focus on an employee's role, seniority, remuneration levels and authority to expose the institution to material risk, including credit and market exposures, as well as other identified risks. The Bank does not apply any shareholding requirements to any of its employees, including its MRTs.

The SMF4 (the Chief Risk Officer) has oversight of the MRT identification methodology and is responsible for ensuring its effective implementation, such that all relevant employees are appropriately identified as MRTs. Management is satisfied that it has identified all employees who have significant risk–taking or approval authority or who can place the Bank at risk due to their professional responsibilities. Employees identified as MRTs are subject to all relevant regulations, including the deferral of variable compensation, the delivery of variable compensation in instruments, and the ability to apply malus and/or clawback if relevant.

19.5 Control function employees

The management of employees engaged in the Bank's Risk, Credit, Audit and Compliance functions is independent of the business units they oversee. Their remuneration, both fixed and variable, is determined centrally, with no involvement from front–line business units in the process. The Remuneration Committee reviews and approves Risk, Audit and Compliance function pay for MRTs. Control function pay is predominantly made up of fixed pay.

19.6 Discretionary Bonus Scheme (variable compensation)

All employees are eligible to be considered for a discretionary bonus award if they began their employment with the Bank on or before the last day of February of the appropriate performance year. Awards for new joiners are normally pro–rated based on their start date.

Overall bonus pool funding is calculated with reference to a risk–adjusted bonus pool cap calculation. The outcome of this calculation is reviewed annually with the Strategic Planning and Finance Departments and is reported annually to the RemCo. The Risk Management Department also performs risk–adjusted calculations to contribute to the review of bonus pool funding.

The bonus pool established through these calculations is reviewed by the RemCo, with reference to such factors as internal and market levels of remuneration, and other factors including attrition, inflation and alignment with business strategy and stability. The RemCo has the discretion to adjust the bonus pool from this calculated outcome and to provide final approval of the bonus pool number.

The total funding is subsequently allocated amongst businesses and functions based on department performance, which is assessed on financial, non–financial and management and compliance metrics, as well as by reference to such factors as internal and market levels of remuneration and other factors such as attrition, inflation and alignment with business strategy and stability.

Employee performance is also assessed, with a year–end performance rating being assigned to each employee that measures performance based on the following evaluations, both of which are equally weighted:

1) An evaluation of outcomes (the 'what?') – evaluating an employee's performance against objectives and quality of work.
2) An evaluation of personal behaviours (the 'how?') – evaluating an employee's performance against the expected compliance, risk management and workplace behaviours.

19.7 Pay mix

The Bank believes that fixed pay should be sufficient for its employees to maintain an acceptable standard of living without reliance on variable pay. Variable pay should continue to be a relatively modest component of total remuneration. The Bank seeks an appropriate balance of fixed and variable remuneration.

SMBC BI operates a cap on the maximum variable pay award of 300% of fixed pay following the approval of the RemCo and of SMBC, the sole shareholder of SMBC BI, in 2024.

19.8 Deferral Policy

The Bank's philosophy and commitment to a conservative Risk Appetite extends from its business risk approach to how it remunerates MRTs. The ratio of variable to fixed pay is relatively low. Deferring the variable pay of the MRTs and higher–earning employees provides incentives for both good conduct and prudent risk decisions in the longer term. MRTs' deferred awards are subject to malus and clawback, strengthening the link between conduct and reward.

For employees who are not MRTs, there is a deferral plan for employees at the level of the corporate title of Director and above whose bonus exceeds £100,000. A percentage of the bonus over £100,000 is deferred over three years.

Employees who are MRTs and have bonus awards above the 'de minimis' level set by the regulator will have their bonus awards subject to deferral, in line with the deferral percentage, deferral period and holding period defined by the relevant regulators.

19.9 Performance adjustment – malus and clawback

The Bank's Cash and Phantom Share Scheme Plan Rules provide that any deferred bonus is subject to performance adjustment. Performance adjustment events may occur because of a deliberate or malicious act, error, accident or negligence. Incidents can be internal or external to the EMEA Division. There may also be grounds for a performance adjustment due to a responsible person's failure to act either to prevent a risk event or where timely action would have mitigated the effects of a risk event. Performance adjustment seeks to take account of matters that were not apparent at the time of the original variable award and may result in the loss of bonus. Decisions on performance adjustment are considered and decided by management, the RemCo and the Board, as necessary.

The RemCo and the Board have the authority to withhold (or delay) payment of any bonus in the event of significant organisational stress or incident, as referenced in the Plan Rules.

The RemCo and the Board have the authority to claw back payments of any vested bonus awards for MRTs during a period that may be up to 10 years, depending on the MRT type, after the award date if the participant is involved in or was responsible for any of the circumstances detailed above.

19.10 Guaranteed variable remuneration

Guaranteed variable remuneration will only be given in exceptional circumstances to new joiners. In all circumstances, guarantees will not be made for a period longer than 12 months from the date of joining.

19.11 Severance Payment Policy

The Bank follows all local statutory severance requirements. Any severance payments made will not be disproportionate but will appropriately compensate the employee in cases of early termination of their contract. Severance payments do not reward failure and will not be awarded where there is a failure in risk management or misconduct.

For the following remuneration tables – UK REM1, 2 and 3 – the MRT categories are defined as follows:

– Management Body (MB) Supervisory Function: SMBC BI Board of Directors;
– MB Management Function: SMBC BI Executive Directors;
– Other Senior Management: SMBC BI Executive Committee members; and
– Other Identified Staff: All other SMBC BI MRTs.

Table 19.1: REM1 – Remuneration awarded for the financial year

			MB supervisory function	MB management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	7	4	18	86
2		Total fixed remuneration	1.2	2.7	6.8	26.7
3		of which: cash–based	1.2	2.7	6.8	26.7
9	Variable remuneration	Number of identified staff	–	4	18	86
10		Total variable remuneration	–	3.1	5.0	21.9
11		of which: cash–based	–	1.6	2.9	12.4
12		of which: deferred	–	0.8	1.0	1.8
UK–13b		of which: shares–linked instruments or equivalent non–cash instruments	–	1.5	2.2	9.5
UK–14b		of which: deferred	–	0.9	1.2	6.8
17	Total remuneration (2 + 10)		1.2	5.8	11.9	48.6

Table 19.2: REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		Other senior management	Other identified staff
Severance payments awarded during the financial year			
6	Severance payments awarded during the financial year – Number of identified staff	1	5
7	Severance payments awarded during the financial year – Total amount	0.7	1.9
8	of which: paid during the financial year	0.7	1.9
10	of which: severance payments paid during the financial year that are not taken into account in the bonus cap	0.7	1.9
11	of which: highest payment that has been awarded to a single person	0.7	0.6

Table 19.3: REM3 – Deferred remuneration

		Total amount of deferred remuneration awarded for previous performance periods	Of which: due to vest in the financial year	Of which: vesting in subsequent financial years	Total amount of adjustment during the financial year due to ex–post implicit adjustments (i.e., changes of value of deferred remuneration due to the changes of prices of instruments)	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
7	**MB Management function**	**2.9**	**0.9**	**2.0**	**0.6**	–	**1.3**	**0.3**
8	Cash–based	0.9	0.3	0.6	–	–	0.3	–
10	Share–linked instruments or equivalent non–cash instruments	1.9	0.6	1.3	0.6	–	1.0	0.3
13	**Other senior management**	**6.1**	**1.6**	**4.5**	**0.8**	–	**1.6**	**0.6**
14	Cash–based	1.7	0.4	1.3	–	–	0.4	–
16	Share–linked instruments or equivalent non–cash instruments	4.4	1.2	3.3	0.8	–	1.2	0.6
19	**Other identified staff**	**14.3**	**4.6**	**9.8**	**2.6**	–	**4.5**	**1.8**
20	Cash–based	4.3	1.3	3.0	–	–	1.3	–
22	Share–linked instruments or equivalent non–cash instruments	10.0	3.2	6.7	2.6	–	3.2	1.8
25	**Total amount**	**23.3**	**7.0**	**16.3**	**4.1**	–	**7.4**	**2.6**

Table 19.4: REM4 – Remuneration of EUR 1 million or more per year

		Identified staff that are high earners, as set out in Article 450(i) CRR
1	1,000,000 to below 1,500,000	4
2	1,500,000 to below 2,000,000	3
3	2,000,000 to below 2,500,000	2
4	2,500,000 to below 3,000,000	2

Table 19.5: REM5 – Information on the remuneration of staff whose professional activities have a material impact on an institution's risk profile (identified staff)

		Management body remuneration			Business areas			
		MB Supervisory function	MB Management function	Total MB	Investment banking	Corporate functions	Independent internal control functions	Total
1	Total number of identified staff							115
2	of which: members of the MB	7	4	11				
3	of which: other senior management				4	11	3	
4	of which: other identified staff				52	21	13	
5	Total remuneration of identified staff	1.2	5.8	7.0	39.4	13.3	7.8	
6	of which: variable remuneration	–	3.1	3.1	19.9	4.0	3.0	
7	of which: fixed remuneration	1.2	2.7	3.9	19.5	9.3	4.8	

All SMBC BI front office employees are categorised as 'Investment banking' employees for the purposes of reporting. 'Corporate functions' comprise Support Functions and Operations. 'Independent internal control functions' comprise Compliance, Risk Management and Internal Audit.

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