

SMBC BANK INTERNATIONAL

# SMBC Bank International plc

## Interim Q1 Pillar 3 Disclosures

As of 30 June 2023



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# Document disclaimer

- 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.
- The 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 by banks on a common basis, the information contained in this Disclosure Document may not be directly comparable with that made available by other banks. This may be due to several factors such as:
  - the different approaches to calculating capital allowed under the Prudential regulatory requirements.
  - the mix of corporate 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 and key changes in the June 2023 Pillar 3

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 which an institution needs to have in place:

- Pillar 1 is Minimum and Enhanced Capital Requirement (quantification of credit risk, market risk and operational risk).
- Pillar 2 is Supervisory Review (involving total capital requirement and assessment by the regulator based on consideration of individual bank risk, and business and control risk factors. This enables capture of other wider general risks not captured sufficiently under Pillar 1).
- Pillar 3 is Market Discipline (requires disclosure to allow market participants to understand the Bank's risk profile).

The relevant Pillar 3 requirements are contained in the 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 disclosures of such information are intended to ensure increased transparency and hence more effective market discipline.

Specific Pillar 3 templates are required to be disclosed by large institutions on a quarterly basis and these are included within this report with the following exceptions:

- Template CR8 (RWA flow statements of credit risk exposures under the IRB approach) is not applicable to SMBC BI PLC
- Template CCR7 (RWA flow statements of CCR exposures under the IMM) is not applicable to SMBC BI PLC.
- Template MR2-B (RWA flow statements of market risk exposures under the IMA) has been omitted on the grounds of materiality.

The information presented in this Pillar 3 report is not required to be, and has not been, subject to external audit.

## 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. Overall, the Bank's capital and liquidity ratios remained stable as of 30 June 2023.

Table 1: KM1 Key metrics

|  | 30 Jun<br>2023 | 31 Mar<br>2023 | 31 Dec<br>2022 | 30 Sep<br>2022 | 30 Jun<br>2022 |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Available own funds (amounts)</b>   |                |                |                |                |                |
| 1 Common Equity Tier 1 (CET1) capital  | 5,077          | 5,083          | 4,878          | 4,871          | 4,864          |
| 2 Tier 1 capital   | 5,077          | 5,083          | 4,878          | 4,871          | 4,864          |
| 3 Total capital  | 5,077          | 5,083          | 4,878          | 4,871          | 4,864          |
| <b>Risk weighted exposure amounts</b>  |                |                |                |                |                |
| 4 Total risk weighted exposure amount  | 29,791         | 28,579         | 28,657         | 27,759         | 28,233         |
| <b>Capital ratios (as a percentage of risk weighted exposure amount)</b>                                   |                |                |                |                |                |
| 5 CET1 ratio (%)   | 17.0           | 17.8           | 17.0           | 17.5           | 17.2           |
| 6 Tier 1 ratio (%)   | 17.0           | 17.8           | 17.0           | 17.5           | 17.2           |
| 7 Total capital ratio (%)  | 17.0           | 17.8           | 17.0           | 17.5           | 17.2           |
| <b>Additional own funds requirements based on SREP* (as a percentage of risk weighted exposure amount)</b> |                |                |                |                |                |
| UK 7a Additional CET1 SREP requirements (%)  | 0.7            | 0.7            | 0.7            | 0.7            | 0.7            |
| UK 7b Additional Tier 1 SREP requirements (%)  | 0.2            | 0.2            | 0.3            | 0.3            | 0.3            |
| UK 7c Additional Tier 2 SREP requirements (%)  | 0.3            | 0.3            | 0.3            | 0.3            | 0.3            |
| UK 7d Total SREP own funds requirements (%)  | 9.3            | 9.3            | 9.3            | 9.3            | 9.3            |
| <b>Combined buffer requirement (as a percentage of risk weighted exposure amount)</b>                      |                |                |                |                |                |
| 8 Capital conservation buffer (%)  | 2.5            | 2.5            | 2.5            | 2.5            | 2.5            |
| 9 Institution specific countercyclical capital buffer (%)  | 0.6            | 0.4            | 0.4            | 0.04           | 0.04           |
| 11 Combined buffer requirement (%)   | 3.1            | 2.9            | 2.9            | 2.5            | 2.5            |
| UK11a Overall capital requirements (%)   | 12.4           | 12.3           | 12.2           | 11.8           | 11.8           |
| 12 CET1 available after meeting the total SREP own funds requirements (%)                                  | 7.7            | 8.5            | 7.7            | 8.2            | 7.9            |
| <b>Leverage ratio</b>  |                |                |                |                |                |
| 13 Total exposure measure excluding claims on central banks  | 36,456         | 36,713         | 38,261         | 42,903         | 38,634         |
| 14 Leverage ratio excluding claims on central banks (%)  | 13.9           | 13.8           | 12.7           | 11.4           | 12.6           |
| <b>Additional leverage ratio disclosure requirements</b>   |                |                |                |                |                |
| 14a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)                 | 13.9           | 13.8           |                |                |                |
| 14b Leverage ratio including claims on central banks (%)   | 8.7            | 8.2            |                |                |                |
| 14c Average leverage ratio excluding claims on central banks (%)   | 13.8           | 13.4           |                | n/a            |                |
| 14d Average leverage ratio including claims on central banks (%)   | 8.7            | 8.1            |                |                |                |
| 14e Countercyclical leverage ratio buffer (%)  | 0.2            | 0.2            |                |                |                |
| <b>Liquidity coverage ratio</b>  |                |                |                |                |                |
| 15 Total high quality liquid assets (HQLA) (Weighted value – average)                                      | 22,986         | 27,770         | 28,599         | 26,812         | 27,878         |
| UK16a Cash outflows – Total weighted value   | 18,656         | 22,064         | 22,090         | 20,311         | 23,455         |
| UK16b Cash inflows – Total weighted value  | 3,355          | 2,970          | 2,915          | 3,377          | 3,725          |
| 16 Total net cash outflows (adjusted value)  | 15,301         | 19,094         | 19,175         | 16,934         | 19,730         |
| 17 Liquidity coverage ratio (%)  | 150.2          | 145.4          | 149.1          | 158.3          | 141.1          |



|                                 | 30 Jun 2023                    | 31 Mar 2023 | 31 Dec 2022 | 30 Sep 2022 | 30 Jun 2022 |        |
|---------------------------------|--------------------------------|-------------|-------------|-------------|-------------|--------|
| <b>Net stable funding ratio</b> |                                |             |             |             |             |        |
| 18                              | Total available stable funding | 23,210      | 23,984      | 24,228      | 24,965      | 22,865 |
| 19                              | Total required stable funding  | 16,613      | 16,839      | 17,256      | 16,274      | 17,191 |
| 20                              | NSFR ratio (%)                 | 139.7       | 142.4       | 140.4       | 153.4       | 133.0  |

\* Supervisory Review and Evaluation Process.

### 3. Own funds requirements and risk weighted exposure amounts

Table 2: OV1 Overview of risk weighted exposure amounts

This table provides a breakdown of the risk weighted exposure amounts (RWEAs) and the total own funds requirements, by exposure class and calculation approach, of SMBC BI as of 30 June 2023. Total own funds requirements are calculated as RWEAs multiplied by 8%.

|        | RWEAs  |               | Total own funds requirements |               |              |
|--------|--|---------------|------------------------------|---------------|--------------|
|        | 30 June 2023   | 31 March 2023 | 30 June 2023                 | 31 March 2023 |              |
| 1      | Credit risk (excluding CCR)  | 25,587        | 24,625                       | 2,047         | 1,970        |
| 2      | Of which the standardised approach   | 25,587        | 24,625                       | 2,047         | 1,970        |
| 6      | Counterparty credit risk – CCR   | 1,618         | 1,742                        | 129           | 139          |
| UK 8b  | Of which credit valuation adjustment – CVA   | 227           | 255                          | 18            | 20           |
| 20     | Position, foreign exchange and commodities risks (market risk)                             | 613           | 466                          | 49            | 37           |
| 21     | Of which the standardised approach   | 613           | 466                          | 49            | 37           |
| UK 22a | Large exposures  |               |                              |               |              |
| 23     | Operational risk   | 1,745         | 1,745                        | 140           | 140          |
| UK 23a | Of which basic indicator approach  |               |                              |               |              |
| UK 23b | Of which standardised approach   | 1,745         | 1,745                        | 140           | 140          |
| 24     | Amounts below the thresholds for deduction (subject to 250% risk weight) (for information) | 66            | 65                           | 5             | 5            |
| 29     | <b>Total</b>   | <b>29,791</b> | <b>28,579</b>                | <b>2,383</b>  | <b>2,285</b> |

## 4. Liquidity requirements

Table 3: LIQ1 – Quantitative information of LCR

| UK 1a                             | Quarter ending on (DD Month YYYY)  | Total unweighted value (average) |               |             |             | Total weighted value (average) |               |             |             |
|-----------------------------------|--|----------------------------------|---------------|-------------|-------------|--------------------------------|---------------|-------------|-------------|
|                                   |  | 30 June 2023                     | 31 March 2023 | 31 Dec 2022 | 30 Sep 2022 | 30 June 2023                   | 31 March 2023 | 31 Dec 2022 | 30 Sep 2022 |
| UK 1b                             | Number of data points used in the calculation of averages                  | 3                                | 3             | 3           | 3           | 3                              | 3             | 3           | 3           |
| <b>High quality liquid assets</b> |  |                                  |               |             |             |                                |               |             |             |
| 1                                 | Total high quality liquid assets (HQLA)                                    |                                  |               |             |             | 22,986                         | 27,770        | 28,599      | 26,812      |
| <b>Cash outflows</b>              |  |                                  |               |             |             |                                |               |             |             |
| 5                                 | Unsecured wholesale funding  | 20,760                           | 24,606        | 25,717      | 23,479      | 14,820                         | 18,453        | 18,324      | 16,893      |
| 7                                 | Non-operational deposits (all counterparties)                              | 20,405                           | 24,166        | 25,361      | 23,003      | 14,465                         | 18,013        | 17,968      | 16,417      |
| 8                                 | Unsecured debt   | 355                              | 440           | 356         | 476         | 355                            | 440           | 356         | 476         |
| 10                                | Additional requirements  | 1,095                            | 1,093         | 1,151       | 867         | 1,095                          | 1,093         | 1,151       | 867         |
| 11                                | Outflows related to derivative exposures and other collateral requirements | 1,095                            | 1,093         | 1,151       | 867         | 1,095                          | 1,093         | 1,151       | 867         |
| 13                                | Credit and liquidity facilities  | 12,943                           | 12,582        | 12,467      | 12,832      | 2,379                          | 2,159         | 2,203       | 2,256       |
| 14                                | Other contractual funding obligations                                      | 668                              | 457           | 346         | 314         | 143                            | 1141          | 85          | 60          |
| 15                                | Other contingent funding obligations                                       | 23,822                           | 23,666        | 25,166      | 11,208      | 219                            | 217           | 326         | 235         |
| 16                                | Total cash outflows  | –                                | –             | –           | –           | –                              | 22,064        | 22,090      | 20,311      |
| <b>Cash inflows</b>               |  |                                  |               |             |             |                                |               |             |             |
| 17                                | Secured lending (e.g., reverse repos)                                      | 1,196                            | 1,266         | 1,116       | 1,014       | –                              | –             | –           | –           |
| 18                                | Inflows from fully performing exposures                                    | 3,027                            | 3,548         | 2,983       | 3,047       | 2,278                          | 2,691         | 2,340       | 2,318       |
| 19                                | Other cash inflows   | 1,211                            | 427           | 723         | 1,178       | 1,076                          | 279           | 575         | 1,059       |
| 20                                | Total cash inflows   | 5,434                            | 5,240         | 4,822       | 5,240       | 3,355                          | 2,970         | 2,915       | 3,377       |
| UK 20c                            | Inflows subject to 75% cap   | 5,434                            | 5,240         | 4,822       | 5,240       | 3,355                          | 2,970         | 2,915       | 3,377       |
| <b>Total adjusted value</b>       |  |                                  |               |             |             |                                |               |             |             |
| UK 21                             | Liquidity buffer   |                                  |               |             |             | 22,986                         | 27,770        | 28,599      | 26,812      |
| 22                                | Total net cash outflows  |                                  |               |             |             | 15,301                         | 19,094        | 19,175      | 16,934      |
| 23                                | Liquidity coverage ratio   |                                  |               |             |             | 150.2%                         | 145.4%        | 149.1%      | 158.3%      |

