

Sainsbury's Bank plc
Interim Pillar 3 Disclosures
H1 2022

BASIS OF PREPERATION

This report presents the interim Pillar 3 disclosures of Sainsbury's Bank plc ('the Bank') as at 31 August 2022.

The disclosures have been prepared in accordance with the Disclosure Part of the PRA Rulebook which includes revised disclosure requirements applicable from 1 January 2022 following the UK implementation of the remaining provisions of Capital Requirements Regulation II.

Specific Pillar 3 templates are required to be disclosed on a half yearly basis and these are included within this report

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

Key metrics and overview of risk weighted exposure amounts

		Aug 2022	Feb 2022
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital (£m)	669	685
2	Tier 1 capital (£m)	669	685
3	Total capital (£m)	714	794
Risk weighted exposure amounts			
4	Total risk weighted exposure amount (£m)	4,489	4,392
Capital ratios (as a percentage of risk weighted exposure amount)			
5	Common Equity Tier 1 ratio (%) ¹	14.9%	15.6%
6	Tier 1 ratio (%)	14.9%	15.6%
7	Total capital ratio (%) ²	15.9%	18.1%
Additional own funds requirements based on SREP (as a percentage of RWEA)			
UK 7a	Additional CET1 SREP requirements (%)	1.73%	1.97%
UK 7d	Total SREP own funds requirements (%)	9.73%	9.97%
Combined buffer requirement (as a percentage of risk weighted exposure amount)			
8	Capital conservation buffer (%)	2.5%	2.5%
9	Institution specific countercyclical capital buffer (%)	0%	0%
UK 9a	Systemic risk buffer (%)	-	-
11	Combined buffer requirement (%)	2.5%	2.5%
UK 11a	Overall capital requirements (%)	12.2%	12.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.2%	5.7%
Leverage ratio			
13	PRA Leverage ratio total exposure measure (£m)	7,669	7,048
14	PRA Leverage ratio (£m)	8.7%	9.7%
Liquidity Coverage Ratio ³			
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	695	859
UK 16a	Cash outflows - Total weighted value (£m)	497	537
UK 16b	Cash inflows - Total weighted value (£m)	200	220
16	Total net cash outflows (adjusted value) (£m)	297	316
17	Liquidity coverage ratio (%)	234%	272%
Net Stable Funding Ratio			
18	Total available stable funding	6,128	5,717
19	Total required stable funding	4,944	4,736
20	NSFR ratio %	124%	121%

Source: Template UK KM1

¹ The Capital Ratio excludes interim profits that are still subject to formal verification. Inclusion of these profits would increase the CET1 ratio and total capital ratios by 0.4%

² The Total Capital Position includes temporary de-recognition of Tier 2 capital that was tendered for on the 30th August and replaced by a new issue for the same amount on 12th September. The Total Capital ratio including the new issue is 17.3%

³ Liquidity balances and ratios are calculated as a simple average of 13 month rolling average

Common Equity Tier 1

The Bank's capital position continues to be strong with >5% CET1 surplus available after meeting own funds requirements.

The Bank CET1 ratio (IFRS 9 transitional basis) of 14.9% is 0.7% lower than the February 2022 position of 15.6%. This is driven by the annual reduction of IFRS9 transitional relief which reduced CET1% by 0.4% and increased RWA which is driven by balance sheet growth.

Total Capital Ratio

The additional reduction in total capital ratio reduction from 18.1% in February 2022 to 15.6% is due to temporary reduction in Tier2 capital due to timing of capital being recognised between the tender to repurchase existing capital and issue of replacement notes for the same value as noted at the foot of prior page. If not for this the total capital ratio would have been 17.3%.

Transitional capital benefit

The Bank has elected to apply the CRR Article 473a transitional approach to IFRS 9 and therefore recognises transitional adjustments within own funds (CET1 capital) and in addition to apply a 100% risk weighting to the consequential Standardised credit risk add -back. The reduction in the amount of relief between reporting periods is due to the phasing out of the relief which reduced from 50% to 25%.

	Aug 2022	Feb 2022
	£m	£m
Available capital		
CET1 capital	669	685
CET1 capital as if IFRS 9 transitional arrangements had not been applied	650	647
Tier 1 capital	669	685
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	650	647
Total capital	714	794
Total capital as if IFRS 9 transitional arrangements had not been applied	756	756
Risk weighted assets		
Total risk weighted assets	4,489	4,392
Total risk weighted assets as if IFRS 9 transitional arrangements had not been applied	4,477	4,367
Capital ratios		
CET1 (as a percentage of risk exposure amount)	14.9%	15.6%
CET1 as if IFRS 9 transitional arrangements had not been applied	14.5%	14.8%
Tier 1	14.9%	15.6%
Tier 1 as if IFRS 9 transitional arrangements had not been applied	14.5%	14.8%
Total capital	15.9%	18.1%
Total capital as if IFRS 9 transitional arrangements had not been applied	15.5%	17.3%
UK Leverage ratio		
UK Leverage ratio total exposure measure	7,536	7,048
UK Leverage ratio excluding central bank claims	8.9%	9.7%
UK Leverage ratio excluding central bank claims as if IFRS 9 transitional arrangements had not been applied	8.6%	9.2%