



# *PILLAR 3 DISCLOSURES*

*For September 2023*

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# 1. Introduction

## 1.1 Background and basis of preparation

This document sets out the consolidated Pillar 3 disclosures for OSB GROUP PLC (OSBG) and its subsidiaries (the Group) as at 30 September 2023. The two banking entities within the Group are authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA (being OneSavings Bank plc (OSB) and Charter Court Financial Services Limited (CCFSL)).

The finalised Basel standards in relation to market disclosures came into force in the UK on 1 January 2022 through the Capital Requirements Regulation (CRR II) No 2019/876 amending regulation 575/2013 and the subsequent PRA UK ruleset (published in policy statement PS 22/21) 'PRA Rulebook (CRR) instrument 2021'. The PRA issued UK versions of disclosure templates and related instructions in that same policy statement.

The Group's disclosures have been presented and prepared in accordance with Disclosure (CRR) Part of the PRA Rulebook. The disclosures have not been subject to external audit, and should be read in conjunction with the Trading Update as at 30 September 2023. Both can be found in a single medium location on the Group's website: [www.osb.co.uk](http://www.osb.co.uk).

The Group has assessed itself as a 'large institution' based on the criteria prescribed in the PRA Rulebook. As a 'large institution' the Group is required to publish Pillar 3 disclosures in accordance with Article 433a of the CRR which also describes the information and frequency.

On a quarterly basis we disclose the key metrics template (KM1), the impact of IFRS9 transitional arrangements on key metrics (IFRS9), an overview of risk weighted assets (OV1) and liquidity requirements (LIQ1 and LIQB). These can be found in Sections 2 and 3. Where disclosures are new, or are being disclosed for the first time, previous periods are not required to be disclosed. The Group has disclosed key metrics for previous periods where that data is available and has previously been published. Only columns and rows that are applicable to the Group have been included.

## 1.2 Summary of key metrics

The Group's capital position remains strong, with a Common Equity Tier 1 (CET1) ratio of 15.3% and a total capital ratio of 18.8% as at 30 September 2023 (30 June 2023: 15.7% and 19.2%, respectively). The small decreases in the CET1 and total capital ratios are primarily due to growth in the loan book and the associated increase in Risk Weighted Assets, with third quarter profits not yet verified, hence not included in the calculation. The Group is targeting a CET1 ratio of 14%, once the capital stack has been optimised fully over the next couple of years. The Group has a leverage ratio of 7.1% as at 30 September 2023 (30 June 2023: 7.5%).

The Group's Liquidity Coverage Ratio (LCR) averaged 192.7% over the 12 months ended 30 September 2023 (30 June 2023: 189.9%), significantly in excess of the regulatory minimum of 100% plus Individual Liquidity Guidance.

The Group's Net Stable Funding Ratio (NSFR) averaged 133.5%, over the four quarters ended 30 September 2023 (30 June 2023: 133.1%), significantly in excess of the regulatory requirement of 100%.

## 2. Annex I | Key metrics and overview of risk-weighted exposure amounts

### 2.1 UK KM1 – Key metrics template

		a	b	c	d
£m		30 Sep 23	30 Jun 23	31 Mar 23	31 Dec 22
<b>Available own funds (amounts)</b>					
1	Common Equity Tier 1 (CET1) capital	1,775.4	1,778.5	1,761.1	1,920.7
2	Tier 1 capital	1,925.4	1,928.5	1,911.1	2,070.7
3	Total capital	2,175.4	2,178.5	1,911.1	2,070.7
<b>Risk weighted exposure amounts</b>					
4	Total risk-weighted exposure amount	11,579.5	11,353.9	10,784.5	10,494.7
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>					
5	Common Equity Tier 1 ratio (%)	15.3	15.7	16.3	18.3
6	Tier 1 ratio (%)	16.6	17.0	17.7	19.7
7	Total capital ratio (%)	18.8	19.2	17.7	19.7
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>					
UK 7a	Additional CET1 SREP requirements (%)	0.8	0.8	0.8	0.8
UK 7b	Additional AT1 SREP requirements (%)	0.3	0.3	0.3	0.3
UK 7c	Additional T2 SREP requirements (%)	0.4	0.4	0.4	0.4
UK 7d	Total SREP own funds requirements (%)	9.4	9.4	9.5	9.5
<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
9	Institution specific countercyclical capital buffer (%)	2.0	1.0	1.0	1.0
11	Combined buffer requirement (%)	4.5	3.5	3.5	3.5
UK 11a	Overall capital requirements (%)	13.9	12.9	13.0	13.0
12	CET1 available after meeting the total SREP own funds requirements (%) <sup>1</sup>	9.3	9.7	8.3	10.3
<b>Leverage ratio</b>					
13	Total exposure measure excluding claims on central banks	26,993.5	25,865.4	24,995.5	24,725.4
14	Leverage ratio excluding claims on central banks (%)	7.1	7.5	7.6	8.4
<b>Liquidity coverage</b>					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	3,033.2	2,986.5	2,923.3	2,907.1
16a	Cash outflows - Total weighted value	1,842.0	1,809.4	1,726.2	1,656.8
16b	Cash inflows - Total weighted value	261.8	226.7	172.7	165.3
16	Total net cash outflows (adjusted value)	1,580.2	1,582.7	1,553.5	1,491.5
17	Liquidity coverage ratio (%)	192.7	189.9	189.2	197.0
<b>Net stable funding ratio<sup>2</sup></b>					
18	Total available stable funding	25,823.6	25,165.0	24,191.3	
19	Total required stable funding	19,346.6	18,909.3	18,327.2	
20	NSFR ratio (%)	133.5	133.1	132.0	

<sup>1</sup> Total Supervisory Review and Evaluation Process (SREP) own funds requirements of 9.4% of risk-weighted exposure amount are met by 5.9% CET1 and 1.3% AT1. This leaves available CET1 of 9.3% of RWAs after meeting total SREP own funds requirements.

<sup>2</sup> In line with PS22/21, disclosures for the Net Stable Funding Ratio were not required until reporting reference dates after 1 January 2023.

## 2.2 IFRS 9 – Impact of IFRS 9 transitional arrangement

The table below details capital, risk weighted assets, capital and leverage ratios with and without the International Financial Reporting Standard (IFRS) 9 transitional arrangement (as if IFRS 9 or analogous Expected Credit Loss (ECLs) transitional arrangements had not been applied).

£m		a	b	c
		30 Sep 23	30 Jun 23	31 Mar 23
<b>Available capital (amounts)</b>				
1	Common Equity Tier 1 capital (CET1)	1,775.4	1,778.5	1,761.1
2	Common Equity Tier 1 capital (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangement had not been applied	1,748.1	1,751.2	1,743.6
3	Tier 1 capital	1,925.4	1,928.5	1,911.1
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangement had not been applied	1,898.1	1,901.2	1,893.6
5	Total capital	2,175.4	2,178.5	1,911.1
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangement had not been applied	2,148.1	2,151.2	1,893.6
<b>Risk weighted assets (amounts)</b>				
7	Total risk-weighted Assets	11,579.5	11,353.9	10,784.5
8	Total risk-weighted Assets as if IFRS 9 or analogous ECLs transitional arrangement had not been applied	11,552.2	11,326.6	10,767.0
<b>Capital Ratios</b>				
9	Common Equity Tier 1 (%)	15.3	15.7	16.3
10	Common Equity Tier 1 as if IFRS 9 or analogous ECLs transitional arrangement had not been applied (%)	15.1	15.5	16.2
11	Tier 1 (%)	16.6	17.0	17.7
12	Tier 1 as if IFRS 9 or analogous ECLs transitional arrangement had not been applied (%)	16.4	16.8	17.6
13	Total capital (%)	18.8	19.2	17.7
14	Total capital as if IFRS 9 or analogous ECLs transitional arrangement had not been applied (%)	18.6	19.0	17.6
<b>Leverage ratios</b>				
15	Leverage ratio total exposure measure excluding claims on central banks	26,993.5	25,865.4	24,995.5
16	Leverage ratio excluding claims on central banks (%)	7.1	7.5	7.6
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangement had not been applied (%)	7.0	7.4	7.6

## 2.3 UK OV1 - Overview of risk weighted exposure amounts

The table below provides an overview of risk weighted exposures and own funds requirements.

£m		a	b	c
		Risk weighted exposure amount		Own funds requirement
		30 Sep 23	30 Jun 23	30 Sep 23
1	<b>Credit risk (excluding CCR)</b>	10,323.7	10,013.3	825.9
2	of which the standardised approach	10,323.7	10,013.3	825.9
6	<b>Counterparty credit risk – CCR</b>	254.3	337.2	20.3
7	of which standardised approach	115.4	158.6	9.2
UK 8a	of which exposures to a CCP	7.9	0.7	0.6
UK 8b	of which credit valuation adjustment - CVA	130.9	174.2	10.5
9	Of which other CCR	0.2	3.7	0.0
16	<b>Securitisation exposures in the non-trading book</b>	41.9	43.8	3.4
18	Of which SEC-ERBA (including IAA)	1.5	1.7	0.1
19	of which SEC-SA approach	40.4	42.1	3.2
23	<b>Operational risk</b>	959.6	959.6	76.8
UK 23b	of which standardised approach	959.6	959.6	76.8
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (for information)	3.0	3.8	0.2
29	<b>Total</b>	11,579.5	11,353.9	926.4

### 3. Annex XIII | Liquidity requirements

#### 3.1 UK LIQB Qualitative information on LCR, which complements template UK LIQ1

##### **(a) Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time**

The Group's business model centres on lending to retail and SME customers including professional landlords, which are predominantly funded by retail savings products. Consequently, the main drivers of LCR results are retail deposit outflows and mortgage pipeline outflows, offset by mortgage repayments. The changes in the LCR over time are predominantly driven by changes in the levels and remaining term of retail savings deposits held within OSB and CCFSL impacting the size of outflows, and the Liquidity Buffer, and by changes in the levels of mortgage pipeline and net lending flows. The Group's swap margin requirement contribution in the LCR calculation has increased over time due to increased volatility of the swap markets. This is calculated under the Historic Look Back Approach (HLBA).

##### **(b) Explanations on the changes in the LCR over time**

In the third quarter of 2023, the Group's 12-month average LCR has increased primarily driven by the increase in HQLA, increased contractual mortgage repayments and reduced mortgage pipeline requirements, offset by increased retail savings and swap margin requirements.

##### **(c) Explanations on the actual concentration of funding sources**

In addition to the regulatory Additional Liquidity Monitoring Metrics (ALMM), the Group ensures that funding diversification is measured on a regular basis, paying particular attention to the split between sources of funding (retail, wholesale, central bank facilities, etc.) and any concentrations by maturity, customer and product type in its internal risk metrics. These monitoring metrics are reported on a regular basis and escalated to the appropriate levels for review. The Group's main source of funding is from retail depositors and is therefore considered well diversified. Internal risk appetite limits are set to limit the level of individual depositor balances to reduce concentration risk.

##### **(d) High-level description of the composition of the institution's liquidity buffer.**

The Group and the individual OSB and CCFSL liquidity buffers are mainly comprised of central bank reserves, as well as HQLA eligible government securities and Residential Mortgage Backed Securities (RMBS). In addition to HQLA eligible instruments, each entity holds RMBS (internally issued or third party) which can be used in a stress to generate liquidity and to which an element of value is given as part of their ILAAP assessments.

##### **(e) Derivative exposures and potential collateral calls**

The Group maintains the capability to value all derivative trades as often as necessary and at least daily. Margin calls are assessed and made in line with the contractual terms and standard market practices. The Group also considers the impact of external factors on its derivative margin and looks at the impact of shifts in the yield curve.

##### **(f) Currency mismatch in the LCR**

Due to the simple nature of the Group's balance sheet, currency mismatch does not pose a material risk.

##### **(g) 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**

In its ILAAP, the Group has taken into consideration a range of risk factors that may not be captured by the regulatory LCR disclosure. As defined in its ILAAP document, these include; Intraday Liquidity Risk, Off Balance Sheet Risk, Concentration & Correlation Risk, and Liquid Asset Buffer (LAB) Monetisation.

### 3.2 UK LIQ1 - Quantitative information of LCR

		a	b	c	d	e	f	g	h
£m		Total unweighted value (average)				Total weighted value (average)			
UK1a	Quarter ending on (DD Month YYYY)	30 Sep 23	30 Jun 23	31 Mar 23	31 Dec 22	30 Sep 23	30 Jun 23	31 Mar 23	31 Dec 22
UK1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>									
<b>1</b>	<b>Total high-quality liquid assets (HQLA)</b>					3,033.2	2,986.5	2,923.3	2,907.1
<b>CASH – OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	18,684.4	18,018.0	17,404.7	16,931.3	845.4	797.0	766.6	763.1
3	<i>Stable deposits</i>	4,769.6	4,721.5	4,676.4	4,762.4	238.5	236.1	233.8	238.1
4	<i>Less stable deposits</i>	4,450.6	4,063.2	3,741.9	3,611.4	561.9	514.5	475.1	460.5
5	Unsecured wholesale funding	592.5	590.6	535.6	484.4	236.8	236.1	214.1	193.6
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	<i>Non-operational deposits (all counterparties)</i>	592.4	590.6	535.6	484.4	236.8	236.1	214.1	193.6
8	<i>Unsecured debt</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Secured wholesale funding					20.3	23.2	20.1	19.7
10	Additional requirements	361.9	329.8	275.7	216.8	361.9	329.8	275.7	216.8
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	361.9	329.8	275.7	216.8	361.9	329.8	275.7	216.8
12	<i>Outflows related to loss of funding on debt products</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	<i>Credit and liquidity facilities</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Other contractual funding obligations	25.9	27.8	27.9	27.5	0.0	0.0	0.0	0.0
15	Other contingent funding obligations	1,022.3	1,142.4	1,206.5	1,239.7	377.6	423.3	449.7	463.5
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>					1,842.0	1,809.4	1,726.2	1,656.8
<b>CASH – INFLOWS</b>									
17	Secured lending (e.g. reverse repos)	7.8	7.8	21.0	41.8	0.0	0.0	0.0	20.9
18	Inflows from fully performing exposures	209.1	192.7	184.1	172.3	197.8	174.7	153.8	131.7
19	Other cash inflows	64.0	52.0	18.9	12.6	64.0	52.0	18.9	12.6
UK19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0.0	0.0	0.0	0.0
UK19b	(Excess inflows from a related specialised credit institution)					0.0	0.0	0.0	0.0
<b>20</b>	<b>TOTAL CASH INFLOWS</b>	281.0	252.6	224.0	226.6	261.8	226.7	172.7	165.3
UK20a	<i>Fully exempt inflows</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
UK20b	<i>Inflows subject to 90% cap</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

UK20c	<i>Inflows subject to 75% cap</i>	281.0	252.6	224.0	226.6	261.8	226.7	172.7	165.3
<b>TOTAL ADJUSTED VALUE</b>									
UK21	Liquidity buffer					3,033.2	2,986.5	2,923.3	2,907.1
22	Total net cash outflows					1,580.2	1,582.7	1,553.5	1,491.5
<b>23</b>	<b>Liquidity coverage ratio (%)</b>					192.7	189.9	189.2	197.0



## 4. Glossary

Term/Acronym	Definition
BCBS	Basel Committee on Banking Supervision
CCFSL	Charter Court Financial Services Limited
CRR	Capital Requirements Regulation
FCA	Financial Conduct Authority
HLBA	Historic look-back approach
HQLA	High Quality Liquid Asset
LCR	Liquidity Coverage Ratio
NSFR	Net Stable Funding Ratio
OSB	OneSavings Bank plc
OSBG	OSB Group plc
PRA	Prudential Regulation Authority
RMBS	Residential Mortgage Backed Securities
UK	United Kingdom