



# ***PILLAR 3 DISCLOSURES***

***For March 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 31 March 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), firm registration number 530504 and Charter Court Financial Services Limited (CCFSL), firm registration number 494549).

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 Part Eight of the UK CRR. The disclosures have not been subject to external audit however, should be read in conjunction with the Group Trading update results as at 31 March 2023. Both can be found in a single medium location, which can be found 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, 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) are disclosed. These can be found in Section 2. 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 16.3% and a total capital ratio of 17.7% as at March 2023 (31 December 2022: 18.3% and 19.7%, respectively). The decrease in both ratios is primarily the result of the £150m share repurchase programme, announced on 16 March 2023, as well as growth in the balance sheet. Both ratios, as at March 2023, exclude unverified profits for the first quarter. The Group has repurchased £20.1m worth of shares at the end of April under the £150m share repurchase programme. The Group is targeting a CET1 ratio of 14%, once the capital stack has been optimised fully over the next couple of years. In April, the Group issued £250m of Tier 2 debt securities, marking further progress on its journey of optimising the Group's capital composition. The Group has a leverage ratio of 7.6% as at 31 March 2023 (31 December 2022: 8.4%).

The Group's Liquidity Coverage Ratio (LCR) averaged 189% over the 12 months ended 31 March 2023 (31 December 2022: 197%), significantly in excess of the regulatory minimum of 100% plus Individual Liquidity Guidance.

The Group's Net Stable Funding Ratio (NSFR) averaged 132%, significantly in excess of the regulatory requirement of 100%. The ratio is mainly driven by the Group's funding levels and mix, predominantly retail deposits, relative to the levels of retail and SME lending.

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

### 2.1 UK KM1 – Key metrics template

£m		31 Mar 23	31 Dec 22	30 Jun 22
<b>Available own funds (amounts)</b>				
1	Common Equity Tier 1 (CET1) capital	1,761.1	1,920.7	1,820.0
2	Tier 1 capital	1,911.1	2,070.7	1,970.0
3	Total capital	1,911.1	2,070.7	1,970.0
<b>Risk weighted exposure amounts</b>				
4	Total risk-weighted exposure amount	10,784.5	10,494.7	9,640.2
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>				
5	Common Equity Tier 1 ratio (%)	16.3	18.3	18.9
6	Tier 1 ratio (%)	17.7	19.7	20.4
7	Total capital ratio (%)	17.7	19.7	20.4
<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
UK 7b	Additional AT1 SREP requirements (%)	0.3	0.3	0.3
UK 7c	Additional T2 SREP requirements (%)	0.4	0.4	0.4
UK 7d	Total SREP own funds requirements (%)	9.5	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
9	Institution specific countercyclical capital buffer (%)	1.0	1.0	0.0
11	Combined buffer requirement (%)	3.5	3.5	2.5
UK 11a	Overall capital requirements (%)	13.0	13.0	12.0
12	CET1 available after meeting the total SREP own funds requirements (%)	8.3	10.3	11.0
<b>Leverage ratio</b>				
13	Total exposure measure excluding claims on central banks	24,995.5	24,725.4	22,644.6
14	Leverage ratio excluding claims on central banks (%)	7.6	8.4	8.7
<b>Liquidity coverage<sup>1</sup></b>				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	2,923.3	2,907.1	2,678.5
16a	Cash outflows - Total weighted value	1,726.2	1,656.8	1,486.9
16b	Cash inflows - Total weighted value	172.7	165.3	128.3
16	Total net cash outflows (adjusted value)	1,553.5	1,491.5	1,358.5
17	Liquidity coverage ratio (%)	189.2	197.0	197.6
<b>Net stable funding ratio<sup>2</sup></b>				
18	Total available stable funding	24,191.3		
19	Total required stable funding	18,327.2		
20	NSFR ratio (%)	132.0		

<sup>1</sup> Liquidity coverage has been restated for June 2022 due to a change in methodology. Disclosures prior to December 2022 were prepared using a 3 month quarterly average. Since December this has been restated to incorporate a 12 month average preceding the quarter in line with regulation.

<sup>2</sup> Net Stable Funding Ratio is computed as an average of the preceding 4 quarter ends.

## 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	31 Mar 23	31 Dec 22
<b>Available capital (amounts)</b>		
Common Equity Tier 1 capital (CET1)	1,761.1	1,920.7
Common Equity Tier 1 capital (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangement had not been applied	1,743.6	1,893.4
Tier 1 capital	1,911.1	2,070.7
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangement had not been applied	1,893.6	2,043.4
Total capital	1,911.1	2,070.7
Total capital as if IFRS 9 or analogous ECLs transitional arrangement had not been applied	1,893.6	2,043.4
<b>Risk weighted assets (amounts)</b>		
Total risk-weighted Assets	10,784.5	10,494.7
Total risk-weighted Assets as if IFRS 9 or analogous ECLs transitional arrangement had not been applied	10,767.0	10,467.4
<b>Capital Ratios</b>		
Common Equity Tier 1 (%)	16.3	18.3
Common Equity Tier 1 as if IFRS 9 or analogous ECLs transitional arrangement had not been applied (%)	16.2	18.1
Tier 1 (%)	17.7	19.7
Tier 1 as if IFRS 9 or analogous ECLs transitional arrangement had not been applied (%)	17.6	19.5
Total capital (%)	17.7	19.7
Total capital as if IFRS 9 or analogous ECLs transitional arrangement had not been applied (%)	17.6	19.5
<b>Leverage ratios</b>		
Leverage ratio total exposure measure excluding claims on central banks	24,995.5	24,725.4
Leverage ratio excluding claims on central banks (%)	7.6	8.4
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangement had not been applied (%)	7.6	8.3

## 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		Risk weighted exposure amount		Own funds requirement
		31 Mar 23	31 Dec 22	31 Mar 23
1	<b>Credit risk (excluding CCR)</b>	<b>9,775.9</b>	<b>9,496.8</b>	<b>782.1</b>
2	of which the standardised approach	9,775.9	9,496.8	782.1
6	<b>Counterparty credit risk – CCR</b>	<b>11.8</b>	<b>5.3</b>	<b>0.9</b>
7	of which standardised approach	8.9	4.2	0.7
UK 8a	of which exposures to a CCP	0.5	1.1	0.0
UK 8b	of which credit valuation adjustment - CVA	2.0	0.0	0.2
9	Of which other CCR	0.5	0.0	0.0
16	<b>Securitisation exposures in the non-trading book</b>	<b>37.2</b>	<b>32.9</b>	<b>3.0</b>
19	of which SEC-SA approach	37.2	32.9	3.0
23	<b>Operational risk</b>	<b>959.6</b>	<b>959.6</b>	<b>76.8</b>
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	4.6	0.2
29	<b>Total</b>	<b>10,784.5</b>	<b>10,494.7</b>	<b>862.8</b>

### 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 also the Liquidity Buffer, and by changes in the levels of mortgage pipeline and net lending flows. Due to the increased volatility of swap markets, the Group's swap margin requirement contribution in the LCR calculation has increased over time. This is calculated under the Historic Look Back Approach (HLBA).

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

In the first quarter of 2023, the Group 12-month average LCR has reduced primarily driven by net savings and lending growth, and an increased swap collateral requirement, which was partially offset by a decrease in the mortgage pipeline requirement and increased mortgage repayments.

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

In addition to the regulatory Additional Liquidity Monitoring Metric (ALMM) metrics, 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 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 Group's policies. The policies set out the limits around changes in valuations. 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

		Total unweighted value (average)				Total weighted value (average)			
UK1a	Quarter ending on (DD Month YYYY)	31 Mar 23	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 23	31 Dec 22	30 Sep 22	30 Jun 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>									
1	<b>Total high-quality liquid assets (HQLA)</b>					<b>2,923.3</b>	<b>2,907.1</b>	<b>2,849.4</b>	<b>2,678.5</b>
<b>CASH – OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	17,404.7	16,931.3	16,553.9	16,386.6	766.6	763.1	767.2	783.6
3	<i>Stable deposits</i>	4,676.4	4,762.4	4,856.1	4,987.5	233.8	238.1	242.8	249.4
4	<i>Less stable deposits</i>	3,741.9	3,611.4	3,575.5	3,717.1	475.1	460.5	456.9	472.1
5	Unsecured wholesale funding	535.6	484.4	472.4	521.6	214.1	193.6	188.6	208.1
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>								
7	<i>Non-operational deposits (all counterparties)</i>	535.6	484.4	472.4	521.3	214.1	193.6	188.5	207.8
8	<i>Unsecured debt</i>	-	-	0.1	0.3	-	-	0.1	0.3
9	Secured wholesale funding					20.1	19.7	19.9	8.6
10	Additional requirements	275.7	216.8	153.7	112.4	275.7	216.8	153.7	112.4
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	275.7	216.8	153.7	112.4	275.7	216.8	153.7	112.4
12	<i>Outflows related to loss of funding on debt products</i>								
13	<i>Credit and liquidity facilities</i>								
14	Other contractual funding obligations	27.9	27.5	26.0	24.3				
15	Other contingent funding obligations	1,206.5	1,239.7	1,142.7	993.2	449.7	463.5	429.9	374.2
16	<b>TOTAL CASH OUTFLOWS</b>					<b>1,726.2</b>	<b>1,656.8</b>	<b>1,559.3</b>	<b>1,486.9</b>
<b>CASH – INFLOWS</b>									
17	Secured lending (e.g. reverse repos)	21.0	41.8	41.8	41.8	-	20.9	20.9	20.9
18	Inflows from fully performing exposures	184.1	172.3	162.3	155.5	153.8	131.7	111.8	103.4
19	Other cash inflows	18.9	12.6	8.0	4.0	18.9	12.6	8.0	4.0
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)								
UK19b	(Excess inflows from a related specialised credit institution)								

20	<b>TOTAL CASH INFLOWS</b>	<b>224.0</b>	<b>226.6</b>	<b>212.1</b>	<b>201.3</b>	<b>172.7</b>	<b>165.3</b>	<b>140.7</b>	<b>128.3</b>
UK20a	<i>Fully exempt inflows</i>								
UK20b	<i>Inflows subject to 90% cap</i>								
UK20c	<i>Inflows subject to 75% cap</i>	224.0	226.6	212.1	201.3	172.7	165.3	140.7	128.3
<b>TOTAL ADJUSTED VALUE</b>									
UK21	Liquidity buffer					2,923.3	2,907.1	2,849.4	2,678.5
22	Total net cash outflows					1,553.5	1,491.5	1,418.6	1,358.5
<b>23</b>	<b>Liquidity coverage ratio (%)</b>					<b>189.2</b>	<b>197.0</b>	<b>202.0</b>	<b>197.6</b>

## 4. Glossary

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