



PILLAR 3 DISCLOSURES

For September 2024

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1. Introduction

1.1 Background and overview

This document sets out the consolidated Pillar 3 disclosures for OSB GROUP PLC (OSBG) and its subsidiaries (the Group) as at 30 September 2024. 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 current 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 should be read in conjunction with the Trading Update as at 30 September 2024. Both can be found in a single medium location on the Group's website: 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.

1.2 Summary of key metrics

The Group's capital position, which fully reflects the £50m share repurchase announced in August, remained strong with a CET1 ratio of 15.7% as at 30 September 2024 (30 June 2024: 16.2%) and a total capital ratio of 18.9% as at 30 September 2024 (30 June 2024: 19.5%). The Group is expected to continue to operate above our 14% CET1 target as we work through the Basel 3.1 rules, which will be implemented on 1 January 2026.

The Group had a leverage ratio excluding claims on central banks of 7.3% as at 30 September 2024 (30 June 2024: 7.6%).

The Group had a 12-month average Liquidity Coverage Ratio (LCR) of 185.7% as at 30 September 2024 (30 June 2024: 194.3%), 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 2024 (30 June 2024: 133.5%) 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

The table below provides a summary of the Group's prudential key metrics.

£m		a	b	c	d	e
		30 Sep 24	30 Jun 24	31 Mar 24	31 Dec 23	30 Sep 23
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	1,899.7	1,954.3	1,838.7	1,905.7	1,775.4
2	Tier 1 capital	2,049.7	2,104.3	1,988.7	2,055.7	1,925.4
3	Total capital	2,299.7	2,354.3	2,238.7	2,305.7	2,175.4
Risk weighted exposure amounts						
4	Total risk-weighted exposure amount	12,137.6	12,071.0	11,935.4	11,845.6	11,579.5
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	15.7	16.2	15.4	16.1	15.3
6	Tier 1 ratio (%)	16.9	17.4	16.7	17.4	16.6
7	Total capital ratio (%)	18.9	19.5	18.8	19.5	18.8
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	0.8	0.8	0.8	0.8	0.8
UK 7b	Additional AT1 SREP requirements (%)	0.3	0.3	0.3	0.3	0.3
UK 7c	Additional T2 SREP requirements (%)	0.4	0.4	0.4	0.4	0.4
UK 7d	Total SREP own funds requirements (%)	9.4	9.4	9.4	9.4	9.4
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
9	Institution specific countercyclical capital buffer (%)	2.0	2.0	2.0	2.0	2.0
11	Combined buffer requirement (%)	4.5	4.5	4.5	4.5	4.5
UK 11a	Overall capital requirements (%)	13.9	13.9	13.9	13.9	13.9
12	CET1 available after meeting the total SREP own funds requirements (%) ¹	9.5	10.1	9.3	10.0	9.3
Leverage ratio						
13	Total exposure measure excluding claims on central banks	27,969.5	27,704.0	27,406.1	27,438.8	26,993.5
14	Leverage ratio excluding claims on central banks (%)	7.3	7.6	7.3	7.5	7.1
Liquidity Coverage Ratio²						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	3,273.4	3,270.2	3,154.7	3,078.0	3,033.2
16a	Cash outflows - Total weighted value	2,105.8	2,006.3	1,895.5	1,847.2	1,842.0
16b	Cash inflows - Total weighted value	332.2	318.5	313.5	281.6	261.8
16	Total net cash outflows (adjusted value)	1,773.6	1,687.8	1,582.0	1,565.6	1,580.2
17	Liquidity coverage ratio (%)	185.7	194.3	200.0	197.1	192.7
Net Stable Funding Ratio						
18	Total available stable funding ³	26,956.7	26,762.6	26,510.1	26,087.0	25,823.6
19	Total required stable funding ³	20,185.3	20,044.1	19,882.6	19,638.6	19,346.6
20	NSFR ratio (%)	133.5	133.5	133.3	132.8	133.5

¹ Represents, as a percentage, the level of CET1 capital left available to meet buffer requirements noting the minimum amount of CET1 capital required to meet total Pillar 1 plus Pillar 2A capital requirements, also referred to as total SREP own funds requirements. The minimum CET1 requirement is equivalent to 4.5 per cent (Pillar 1) plus the additional CET1 SREP requirement (56.25 per cent of Pillar 2A). The Group's Pillar 2A capital requirement is around 1.4 per cent of risk-weighted assets, of which around 0.8 per cent is to be met with CET1 capital.

² The liquidity balances are calculated as the simple averages of month end observations over the 12 months preceding the end of each quarter, therefore cannot be derived from the values given above it.

³ The net stable funding balances are calculated as the simple averages of quarter end observations over the 4 quarterly averages preceding the end of each quarter.

2.2

UK KM2 – Key metrics template – MREL

		a
		30-Sep-24
£m		
1	Total Capital resources	2,299.7
2	Eligible senior unsecured instruments issued	700.0
3	Total MREL resources	2,999.7
4	Total Risk-Weighted Assets (RWAs)	12,137.6
5	Total MREL resources as a percentage of total risk-weighted assets (%)	24.7
6	UK leverage exposure measure	27,969.5
7	Total MREL resources as a percentage of UK leverage exposure measure (%)	10.7

2.3 IFRS 9 – Transitional arrangements

The table below details capital, risk weighted assets, capital, and leverage ratios with and without the International Financial Reporting Standard COVID-19 transitional arrangement. The implementation of IFRS 9 does not have a significant impact on the Group's capital position as shown below:

		a	b	c	d	e
		30 Sep 24	30 Jun 24	31 Mar 24	31 Dec 23	30 Sep 23
£m						
Available capital (amounts)						
1	Common Equity Tier 1 capital (CET1)	1,899.7	1,954.3	1,838.7	1,905.7	1,775.4
2	Common Equity Tier 1 capital (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangement had not been applied	1,890.4	1,945.0	1,826.9	1,881.9	1,748.1
3	Tier 1 capital	2,049.7	2,104.3	1,988.7	2,055.7	1,925.4
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangement had not been applied	2,040.4	2,095.0	1,976.9	2,031.9	1,898.1
5	Total capital	2,299.7	2,354.3	2,238.7	2,305.7	2,175.4
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangement had not been applied	2,290.4	2,345.0	2,226.9	2,281.9	2,148.1
Risk weighted assets (amounts)						
7	Total risk-weighted Assets	12,137.6	12,071.0	11,935.4	11,845.6	11,579.5
8	Total risk-weighted Assets as if IFRS 9 or analogous ECLs transitional arrangement had not been applied	12,128.3	12,061.7	11,923.6	11,821.7	11,552.2
Capital Ratios (as a percentage of risk-weighted exposure amount)						
9	Common Equity Tier 1 (%)	15.7	16.2	15.4	16.1	15.3
10	Common Equity Tier 1 as if IFRS 9 or analogous ECLs transitional arrangement had not been applied (%)	15.6	16.1	15.3	15.9	15.1
11	Tier 1 (%)	16.9	17.4	16.7	17.4	16.6
12	Tier 1 as if IFRS 9 or analogous ECLs transitional arrangement had not been applied (%)	16.8	17.4	16.6	17.2	16.4
13	Total capital (%)	18.9	19.5	18.8	19.5	18.8
14	Total capital as if IFRS 9 or analogous ECLs transitional arrangement had not been applied (%)	18.9	19.4	18.7	19.3	18.6
Leverage Ratios						
15	Leverage ratio total exposure measure excluding claims on central banks	27,969.5	27,704.0	27,406.1	27,438.8	26,993.5
16	Leverage ratio excluding claims on central banks (%)	7.3	7.6	7.3	7.5	7.1
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangement had not been applied (%)	7.3	7.6	7.2	7.4	7.0

2.4 UK OV1 – Overview of risk weighted exposure amounts

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

		a	b	c
		Risk weighted exposure amount		Own funds requirement
£m		30 Sep 24	30 June 24	30 Sep 24
1	Credit risk (excluding CCR)	10,923.4	10,821.2	873.9
2	of which the standardised approach	10,923.4	10,821.2	873.9
6	Counterparty credit risk – CCR	108.7	162.1	8.7
7	of which standardised approach	52.0	73.1	4.2
UK 8a	of which exposures to a CCP	6.4	7.7	0.5

UK 8b	of which credit valuation adjustment - CVA	50.3	81.3	4.0
9	Of which other CCR	0.0	-	0.0
16	Securitisation exposures in the non-trading book	81.6	63.8	6.5
18	Of which SEC-ERBA (including IAA)	1.1	1.2	0.1
19	of which SEC-SA approach	77.0	58.7	6.2
UK 19a	Of which 1250%/ deduction	3.5	3.9	0.3
23	Operational risk	1,023.9	1,023.9	81.9
UK 23b	of which standardised approach	1,023.9	1,023.9	81.9
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (for information)	4.4	-	0.4
29	Total	12,137.6	12,071.0	971.0

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, changes in the Liquidity Buffer, 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.

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

In the third quarter of 2024, the Group 12-month average LCR decreased quarter on quarter. This is primarily driven by an increase in the 12-month average LCR net cash outflows as a result of retail deposit growth over the last 12 months. The cash benefit of the increase in retail deposits, along with other funding raised over the same period, was largely offset with repayments of TFSME funding and net lending growth, resulting in minimal change to the 12-month average HQLA.

(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 Monetisation.

3.2

UK LIQ1 – Quantitative information of LCR

£m		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
UK1a	Quarter ending on (DD Month YYYY)	30 Sep 24	30 Jun 24	31 Mar 24	31 Dec 23	30 Sep 24	30 Jun 24	31 Mar 24	31 Dec 23
UK1b	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)					3,273.4	3,270.2	3,154.7	3,078.0
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	21,500.8	20,803.8	19,943.2	19,264.8	1,185.6	1,082.1	968.8	895.3
3	<i>Stable deposits</i>	5,735.7	5,406.5	5,133.5	4,924.8	286.8	270.3	256.7	246.2
4	<i>Less stable deposits</i>	6,611.8	5,890.5	5,209.6	4,760.5	851.6	766.7	669.7	606.7
5	Unsecured wholesale funding	672.3	590.4	544.8	571.7	271.8	237.3	217.7	228.5
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
7	<i>Non-operational deposits (all counterparties)</i>	667.2	588.3	544.8	571.7	266.7	235.2	217.7	228.5
8	<i>Unsecured debt</i>	5.1	2.1	-	-	5.1	2.1	-	-
9	Secured wholesale funding					14.3	17.0	20.1	21.1
10	Additional requirements	369.8	369.5	367.5	365.1	369.8	369.5	367.5	365.1
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	369.8	369.5	367.5	365.1	369.8	369.5	367.5	365.1
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	-	-	-	-	-	-	-	-
14	Other contractual funding obligations	23.1	22.5	23.2	25.7	1.7	1.7	1.7	1.7
15	Other contingent funding obligations	825.9	884.3	911.2	924.0	262.7	298.7	319.7	335.5
16	TOTAL CASH OUTFLOWS					2,105.8	2,006.3	1,895.5	1,847.2
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	3.5	7.8	-	-	-	-
18	Inflows from fully performing exposures	289.9	271.3	244.2	218.6	261.1	248.2	228.3	205.7
19	Other cash inflows	71.1	70.3	85.2	75.9	71.1	70.3	85.2	75.9
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	TOTAL CASH INFLOWS	361.1	341.6	332.9	302.3	332.2	318.5	313.5	281.6
UK20a	<i>Fully exempt inflows</i>	-	-	-	-	-	-	-	-
UK20b	<i>Inflows subject to 90% cap</i>	-	-	-	-	-	-	-	-
UK20c	<i>Inflows subject to 75% cap</i>	361.1	341.6	332.9	302.3	332.2	318.5	313.5	281.6
TOTAL ADJUSTED VALUE									
UK21	Liquidity buffer					3,273.4	3,270.2	3,154.7	3,078.0
22	Total net cash outflows					1,773.6	1,687.8	1,582.0	1,565.6
23	Liquidity coverage ratio (%)					185.7	194.3	200.0	197.1

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