



**YORKSHIRE
BUILDING
SOCIETY**

PILLAR 3 DISCLOSURES

QUARTER ENDING 31 MARCH 2022

Pillar 3 Disclosures – Quarter Ending 31 March 2022

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Introduction

This report represents the quarterly Pillar 3 disclosures of Yorkshire Building Society ('the Society') for the reporting period to 31 March 2022. This report is required to be completed by the Society in accordance with the 'Disclosure' part of the PRA Rulebook. These requirements are applicable from 1 January 2022 following the UK implementation of Capital Requirements Regulation II.

Information included in this report is consistent with that reported to the regulators of the Society. Comparative figures as at 31 December 2021 are consistent with the previous iteration of the Society's Pillar 3 Disclosures. Where prior comparison is not available, it has been noted within the tables below. Where the Society has no data to report, rows have been excluded from the regulatory templates below.

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

KM1 - Key Metrics

		31 Mar 22	31 Dec 21
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital (£m)	2,970.7	2,970.2
2	Tier 1 capital (£m)	2,970.7	2,970.2
3	Total capital (£m)	3,284.2	3,294.9
Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount (£m)	18,282.8	17,631.0
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	16.2	16.8
6	Tier 1 ratio (%)	16.2	16.8
7	Total capital ratio (%)	18.0	18.7
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	-	-
UK 7b	Additional AT1 SREP requirements (%)	-	-
UK 7c	Additional T2 SREP requirements (%)	-	-
UK 7d	Total SREP own funds requirements (%)	8.0	8.0
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 (%)	-	-
UK 9a	Systemic risk buffer (%)	-	-
11	Combined buffer requirement (%)	2.5	2.5
UK 11a	Overall capital requirements (%)	10.5	10.5
12	CET1 available after meeting the total SREP own funds requirements (%)	10.0	10.7
Leverage ratio			
13	Total exposure measure excluding claims on central banks (£m)	51,305.0	50,257.9
14	Leverage ratio excluding claims on central banks (%)	5.8	5.9
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	7,491.1	6,992.8
UK 16a	Cash outflows - Total weighted value (£m)	4,432.7	4,128.9
UK 16b	Cash inflows - Total weighted value (£m)	217.6	213.0
16	Total net cash outflows (adjusted value) (£m)	4,215.1	3,915.9
17	Liquidity coverage ratio (%)	177.7	178.6

OV1 - Overview of risk weighted exposure amounts

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31 Mar 2022 £m	31 Dec 2021 £m	31 Mar 2022 £m
1	Credit risk (excluding CCR)	17,357.4	16,760.6	1,388.6
2	Of which the standardised approach	17,357.4	16,760.6	1,388.6
6	Counterparty credit risk - CCR	241.8	240.7	19.3
7	Of which the standardised approach ¹	85.4	-	6.8
UK 8a	Of which exposures to a CCP ¹	9.3	-	0.7
UK 8b	Of which credit valuation adjustment - CVA	146.2	144.6	11.7
9	Of which other CCR ¹	0.9	96.1	0.1
16	Securitisation exposures in the non-trading book (after the cap)	14.7	8.8	1.2
19	Of which SEC-SA approach	14.7	8.8	1.2
UK 22a	Large exposures	-	-	-
23	Operational risk	669.0	655.0	53.5
UK 23b	Of which standardised approach	669.0	655.0	53.5
29	Total	18,282.8	17,665.2	1,462.6

¹ Prior period comparison is not available for rows 7 or UK8a as first calculated from 31 Mar 2022, therefore amount included within row 9 for 31 Dec 2021.

LIQ1 - Quantitative information of Liquidity Coverage Ratio (LCR)

		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on	31 Mar 22	31 Dec 21	30 Sep 21	30 Jun 21	31 Mar 22	31 Dec 21	30 Sep 21	30 Jun 21
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS (£m)									
1	Total high-quality liquid assets (HQLA)					7,491.1	6,992.8	6,391.8	5,968.0
CASH - OUTFLOWS (£m)									
2	Retail deposits and deposits from small business customers, of which:	35,728.0	35,133.4	34,485.2	33,380.2	2,438.6	2,376.5	2,316.1	2,213.3
3	<i>Stable deposits</i>	18,724.5	18,473.1	18,138.4	17,643.7	936.2	923.7	906.9	882.2
4	<i>Less stable deposits</i>	17,003.5	16,660.2	16,346.7	15,736.5	1,502.3	1,452.9	1,409.1	1,331.1
5	Unsecured wholesale funding	160.8	111.3	86.6	88.0	146.0	100.1	76.8	78.1
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
7	<i>Non-operational deposits (all counterparties)</i>	76.0	39.7	17.6	17.3	61.2	28.5	7.8	7.5
8	<i>Unsecured debt</i>	84.8	71.5	69.0	70.6	84.8	71.5	69.0	70.6
9	<i>Secured wholesale funding</i>					1.2	0.4	-	-
10	Additional requirements	1,050.6	924.3	876.9	858.8	735.3	565.8	499.5	461.0
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	700.3	526.0	457.5	416.8	700.3	526.0	457.5	416.8
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	350.3	398.3	419.3	441.9	35.0	39.8	41.9	44.2
14	Other contractual funding obligations	27.2	27.9	27.1	28.0	0.5	1.3	1.6	3.2
15	Other contingent funding obligations	2,924.2	2,854.7	2,798.4	2,531.7	1,111.2	1,084.8	1,063.4	967.6
16	TOTAL CASH OUTFLOWS					4,432.7	4,128.9	3,957.3	3,723.3
CASH - INFLOWS (£m)									
17	Secured lending (e.g. reverse repos)	247.2	177.9	210.2	169.6	-	-	-	-
18	Inflows from fully performing exposures	309.7	310.9	318.5	326.7	154.7	152.1	150.3	149.0
19	Other cash inflows	62.9	60.9	61.8	59.4	62.9	60.9	61.8	59.4
UK-19a	(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)					-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	619.7	549.7	590.5	555.6	217.6	213.0	212.0	208.4
UK-20a	<i>Fully exempt inflows</i>	-	-	-	-	-	-	-	-
UK-20b	<i>Inflows subject to 90% cap</i>	-	-	-	-	-	-	-	-
UK-20c	<i>Inflows subject to 75% cap</i>	619.7	549.7	590.5	555.6	217.6	213.0	212.0	208.4
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER (£m)					7,491.1	6,992.8	6,391.8	5,968.0
22	TOTAL NET CASH OUTFLOWS (£m)					4,215.1	3,915.9	3,745.2	3,514.9
23	LIQUIDITY COVERAGE RATIO (%)					177.7	178.6	171.6	169.2

LIQB - Qualitative information on LCR

Row number	Qualitative information
(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 upward trend in the Society's average LCR across quarters is driven by an increased HQLA balance following the Society's drawings on the TFSME scheme made in H2 2021
(b) Explanations on the changes in the LCR over time	The Society's 12 month average LCR (calculated using 12 previous month end points) as at 31st March 2022 was 177.7%, this represents a 0.9% decrease on the average of the 12 month end points leading up to 31 December 2021. Despite the slight decrease in average ratio, the average surplus to a 100% ratio remains relatively unchanged with increased stocks of HQLA driven from TFSME drawings offset by roughly equal increases in average net outflows from the impact of adverse market scenarios on derivative transactions, calculated through an historic look-back approach.
(c) Explanations on the actual concentration of funding sources	The Society remains committed to maintaining a diverse funding base to underpin it's liquidity position, with risk appetite limits in place around both the diversity (by funding type and currency) and maturity profile of it's wholesale funding base. In addition to this the Society has further limits in place to ensure that an appropriate minimum proportion of the Society's activity is funded through retail deposits at all times, with the maturity profile and product concentration of these deposits also monitored within the Society's risk appetite statement.
(d) High-level description of the composition of the institution's liquidity buffer.	The Society maintains a diverse profile of high liquid assets, with geographical diversification, minimum reserve amounts and SMF eligibility; all core considerations of the Society's investments strategy.
(e) Derivative exposures and potential collateral calls	The Society's derivative requirements can be mainly summarised as those arising from a material (3 notch) deterioration in the Society's own credit rating, as well as outflows relating to the impact of adverse rate scenarios upon the Society's collateralised derivative contracts. As part of the latter, the Society calculates an excess collateral requirement against plausible upcoming calls based off the most recent value of its collateralised derivative positions.
(f) Currency mismatch in the LCR	The Society's core operations are transacted in GBP, with any funding accessed in other currencies hedged back to GBP at execution.

Glossary

Additional Tier 1 (AT1) capital	Capital that meets certain criteria set out in CRD IV. In particular, the criteria require that upon the occurrence of a trigger event, the AT1 capital instrument converts to a form of Common Equity Tier 1 capital or the principal is written down on a permanent basis; or grandfathered instruments such as Permanent Interest Bearing Shares (PIBS)
Capital conservation buffer	An additional layer of usable capital that can be drawn down when losses are incurred in a stress.
Central Counterparties (CCP)	A CCP is a clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, where a single bilateral contract between the buyer and seller is replaced with two contracts, one between the buyer and CCP and one between the seller and CCP.
Common Equity Tier 1 (CET1) capital	The highest quality regulatory capital resources, comprising retained earnings less regulatory adjustments, as defined under CRD IV. Equivalent to Core Tier 1 defined under previous CRD legislation.
Common Equity Tier 1 capital ratio	The ratio of Common Equity Tier 1 Capital to Risk Weighted Assets.
Countercyclical buffer	A capital buffer which aims to ensure that banking sector capital requirements take account of the macro-financial environment in which banks operate.
Counterparty Credit Risk (CCR)	Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.
CRD IV	The Capital Requirements Directive IV is an EU-wide legislative package that includes prudential rules for banks, building societies and investment firms. CRD IV has been adopted with slight modification by the UK following its exit from the EU.
CRR	The Capital Requirements Regulation that applied the Basel III framework in the EU and has been incorporated into UK regulation following the UK's exit from the EU.
Credit risk	The risk of financial loss arising from a failure of a customer or counterparty to settle their financial and contractual obligations as they fall due.
Credit risk mitigation	Techniques to reduce the potential loss in the event that a customer (borrower or counterparty) becomes unable to meet its obligations. This may include the taking of financial or physical security, the assignment of receivables or the use of credit derivatives, guarantees, credit insurance, set off or netting.
Credit Valuation Adjustment (CVA)	Adjustments applied to the fair values of derivatives to reflect the creditworthiness of the counterparty.
High Quality Liquidity Assets (HQLA)	Assets which can be easily and immediately converted into cash at little or no loss of value.
Liquidity Coverage Ratio (LCR)	A liquidity metric which aims to ensure that a firm maintains an adequate level of liquidity to meet its needs for a 30 calendar day time horizon under a severe stress scenario.
Operational risk	The risk of direct and indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.
Prudential Regulation Authority (PRA)	The UK prudential regulator, which is a part of the Bank of England and alongside the FCA, has responsibility for the oversight of building societies, banks and insurers. The PRA's objective is to promote the safety and soundness of regulated firms.

Securitisation	A transaction or scheme where assets are sold to a Special Purpose Vehicle (SPV) in return for immediate cash payment. That vehicle raises the immediate cash payment by issuing debt securities in the form of tradable notes or commercial paper to wholesale investors who receive an income from the underlying assets. Some risk is retained on the balance sheet while the remaining risk is transferred to investors. Securitisations may be purchased or retained.
Sterling Monetary Framework (SMF)	The Bank of England's operations in the sterling money markets to maintaining monetary and financial stability.
SREP	Supervisory Review and Evaluation Process, the PRA assessment of a firm's own capital assessment (ICA) under Basel III Pillar 2.
The Standardised Approach (credit risk)	The standardised approach to credit risk, calculated by applying varying RWA percentages to credit exposures, depending on the underlying risk.
The Standardised Approach (operational risk)	The standardised approach to operational risk, calculated using three-year historical net income multiplied by a factor of between 12-18%, depending on the underlying business being considered.
Systemic risk buffer	Additional capital requirement which aims to address systemic risks that are not covered by the Capital Requirements Regulation.
Term Funding Scheme with additional incentives for SMEs (TFSME)	A scheme launched by the Bank of England designed to boost lending to households and businesses by providing term funding to banks and building societies participating in the scheme at rates close to Bank Rate.
Tier 1 (T1) capital	The sum total of Common Equity Tier 1 and Additional Tier 1 capital.
Tier 1 capital ratio	The ratio of Tier 1 capital to Risk Weighted Assets.
Tier 2 (T2) capital	A measure of regulatory capital that includes subordinated liabilities and provisions for collective impairment, less regulatory adjustments.
Total capital ratio	The ratio of total capital (Tier 1 and Tier 2) to Risk Weighted Assets.
Total Capital Requirement (TCR)	The total of Pillar 1 requirements and Pillar 2A requirements.

