



**YORKSHIRE
BUILDING
SOCIETY**

PILLAR 3 DISCLOSURES

QUARTER 3 – 2024

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INTRODUCTION

BACKGROUND

Yorkshire Building Society (“the Society”) is bound by regulatory requirements from the UK Capital Requirements Regulation (CRR), alongside associated binding technical standards, that were on shored after the UK left the European Union on 31 January 2020. The subsequent transition period ended on 31 December 2020. Following withdrawal from the EU, the UK implemented the remaining provisions from CRR II. These provisions resulted in amendments to disclosure requirements, as stipulated by the Disclosure (CRR) Part of the PRA rulebook after publication of PS22/21 ‘Implementation of Basel standards: Final rules’, which sought to increase the efficiency of institutions’ disclosures and reinforce market discipline and consistency.

BASIS AND FREQUENCY OF DISCLOSURE

The Society meets the definition of a ‘Large institution’ as defined in CRR Article 4 (148) and as such makes disclosures in line with the requirements of UK CRR Article 433a. This requires the Society to make disclosures on a quarterly basis, semi-annual basis, and annual basis. The purpose of this disclosure is to provide information as at 30 September 2024 for those disclosures required on a quarterly basis. The disclosures and basis of measurement are in accordance with the rules laid out in the Disclosures Part of the PRA Rulebook. The figures disclosed are on a consolidated basis reflecting Yorkshire Building Society Group. The disclosures may differ from similar information in other published financial statements which are prepared in accordance with International Financial Reporting Standards (‘IFRS’), or where the basis of rounding adjustments is not identical. Therefore, the information in these disclosures may not be directly comparable.

Key capital ratios demonstrate significant headroom against regulatory minimums. As part of the Society’s work to strengthen its governance, risk, and control capabilities, we have been undertaking focused work to improve the maturity of our control environment in respect of disclosures and regulatory reporting. This led to an increase in the CET1 ratio of c.1.1% in H1 2024 when compared to Q4 2023. Work is nearing completion on the remaining areas of capital reporting, including non-Mortgage RWAs, Leverage Exposure and Capital Resources in anticipation for Q4 2024. Early indications are that implementation of this work will result in a small increase in RWAs along with a reduction to the Society’s reported risk-weighted capital ratios, however, these changes are expected to be significantly smaller than the movements in H1 2024. The Q3 disclosure incorporates an updated approach to reporting the Society’s Leverage exposure, which has resulted in a decrease to the Society’s Leverage exposure and an increase to the reported Leverage ratio. Once the capital reporting work is complete, the Society intends to follow the same approach to improve the maturity of our liquidity reporting.

TEMPLATES NOT INCLUDED

The templates presented in this document are those which are required quarterly and those applicable to the Society based on thresholds set out in the guidance.

As the Society is not IRB accredited, template UKCR8 (RWEA flow statements of credit risk exposures under the IRB approach) is not presented.

LOCATION AND VERIFICATION

These disclosures have been verified internally, and reviewed and approved by the Audit Committee and are published on the Society’s website on 29 November 2024. These disclosures have not been, and are not required to be, subject to independent external audit, and do not constitute any part of the Society’s financial statements.

ATTESTATION BY BOARD MEMBER

I confirm that, to the best of my knowledge, the Society’s Pillar 3 disclosures for the quarter ended 30 September 2024 comply with the Disclosure CRR Part of the PRA Rulebook and have been prepared in accordance with the associated internal control frameworks.

Tom Ranger

Chief Financial Officer

ANNEX I : KEY METRICS AND OVERVIEW OF RISK WEIGHTED EXPOSURE AMOUNTS

UK OV1 – Overview of risk weighted exposure amounts

		a	b	c
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		30/09/2024	30/06/2024	30/09/2024
		£m	£m	£m
1	Credit risk (excluding CCR)	19,594.7	19,682.6	1,567.6
2	Of which the standardised approach	19,594.7	19,682.6	1,567.6
3	Of which the foundation IRB (FIRB) approach			
4	Of which slotting approach			
UK 4a	Of which equities under the simple riskweighted approach			
5	Of which the advanced IRB (AIRB) approach			
6	Counterparty credit risk - CCR	84.5	120.1	6.8
7	Of which the standardised approach	20.8	18.7	1.7
8	Of which internal model method (IMM)			
UK 8a	Of which exposures to a CCP	11.3	11.0	0.9
UK 8b	Of which credit valuation adjustment - CVA	30.5	56.0	2.4
9	Of which other CCR	21.9	34.4	1.8
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	65.6	51.0	5.2
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)	65.6	51.0	5.2
19	Of which SEC-SA approach			
UK 19a	Of which 1250%/ deduction			
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	Of which the standardised approach	-	-	-
22	Of which IMA	-	-	-
UK 22a	Large exposures	-	-	-
23	Operational risk	1,325.2	1,325.2	106.0
UK 23a	Of which basic indicator approach	-	-	-
UK 23b	Of which standardised approach	1,325.2	1,325.2	106.0
UK 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	0.0	0.0	0.0
29	Total	21,070.0	21,178.9	1,685.6

Where values are not required to be reported, owing to the size of YBS or other reasons, cells have been left blank

Where reporting is required but there is nothing to report, cells show zero.

UK KM1 – Key metrics template

		a	b	c	d	e
		30/09/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023
		£m	£m	£m	£m	£m
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	3,766.9	3,770.8	3,648.8	3,638.7	3,460.2
2	Tier 1 capital	3,766.9	3,770.8	3,648.8	3,638.7	3,460.2
3	Total capital	3,987.0	4,008.1	3,900.9	3,906.7	3,729.6
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	21,070.0	21,178.9	22,368.8	21,756.0	21,004.6
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	17.9%	17.8%	16.3%	16.7%	16.5%
6	Tier 1 ratio (%)	17.9%	17.8%	16.3%	16.7%	16.5%
7	Total capital ratio (%)	18.9%	18.9%	17.4%	18.0%	17.8%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
UK 7b	Additional AT1 SREP requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
UK 7c	Additional T2 SREP requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
UK 7d	Total SREP own funds requirements (%)	8.0%	8.0%	8.0%	8.0%	8.0%
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%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%	0.0%	0.0%	0.0%
9	Institution specific countercyclical capital buffer (%)	2.0%	2.0%	2.0%	2.0%	2.0%
UK 9a	Systemic risk buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Global Systemically Important Institution buffer (%)					
UK 10a	Other Systemically Important Institution buffer	0.0%	0.0%	0.0%	0.0%	0.0%
11	Combined buffer requirement (%)	4.5%	4.5%	4.5%	4.5%	4.5%
UK 11a	Overall capital requirements (%)	12.5%	12.5%	12.5%	12.5%	12.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	10.9%	10.9%	9.4%	10.0%	9.7%
Leverage ratio						
13	Total exposure measure excluding claims on central banks	58,682.4	60,069.0	58,724.7	58,400.9	55,960.2
14	Leverage ratio excluding claims on central banks (%)	6.4%	6.3%	6.2%	6.2%	6.2%
Additional leverage ratio disclosure requirements						
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)					
14b	Leverage ratio including claims on central banks (%)					
14c	Average leverage ratio excluding claims on central banks (%)					
14d	Average leverage ratio including claims on central banks (%)					
14e	Countercyclical leverage ratio buffer (%)					

UK KM1 – Key metrics template (continued)

		a	b	c	d	e
		30/09/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023
		£m	£m	£m	£m	£m
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	10,880.0	10,989.7	11,322.2	11,903.9	11,828.8
UK 16a	Cash outflows - Total weighted value	6,967.9	7,010.0	6,966.0	7,035.3	6,987.1
UK 16b	Cash inflows - Total weighted value	516.3	476.8	381.3	356.2	353.4
16	Total net cash outflows (adjusted value)	6,451.6	6,533.2	6,584.7	6,679.2	6,633.7
17	Liquidity coverage ratio (%)	168.7%	168.1%	171.7%	178.3%	178.2%
Net Stable Funding Ratio						
18	Total available stable funding	56,201.6	55,525.0	54,863.5	54,601.8	53,964.9
19	Total required stable funding	37,814.5	37,723.8	37,324.3	36,946.2	36,778.3
20	NSFR ratio (%)	148.6%	147.2%	147.0%	147.8%	146.7%

Where values are not required to be reported, owing to the size of YBS or other reasons, cells have been left blank.

Where reporting is required but there is nothing to report, cells show zero.

Liquidity values have been calculated as a simple average of the 12-month end observations preceding the end of each quarter.

Net stable funding values have been calculated based on a four-quarter rolling average of quarter end positions.

IFRS 9 – Article 468 – Impact of IFRS 9 transitional arrangements and temporary treatment in accordance with CRR Article 468

The Society is permitted to apply transitional arrangements, which allows relief to capital ratios to reduce the impact of the implementation of IFRS 9, in accordance with CRR2 Article 473(a), which also extended the initial transition period (under EU 2017/2395) to December 2024.

The Society has applied minor IFRS 9 transitional adjustments to its CET1 capital resources and the capital measures in this table are presented in accordance with the UK KM1 disclosure requirements.

		a	b	c	d	e
		30/09/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023
		£m	£m	£m	£m	£m
Available capital (amounts)						
1	Common Equity Tier 1 (CET1) capital	3,766.9	3,770.8	3,648.8	3,638.7	3,460.2
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,766.8	3,770.8	3,648.8	3,638.7	3,460.2
3	Tier 1 capital	3,766.9	3,770.8	3,648.8	3,638.7	3,460.2
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,766.8	3,770.8	3,648.8	3,638.7	3,460.2
5	Total capital	3,987.0	4,008.1	3,900.9	3,906.7	3,729.6
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,986.9	4,008.1	3,900.9	3,906.7	3,729.6
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	21,070.0	21,178.9	22,368.8	21,756.0	21,004.6
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21,070.0	21,178.9	22,368.8	21,756.0	21,004.6
Capital ratios						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	17.9%	17.8%	16.3%	16.7%	16.5%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.9%	17.8%	16.3%	16.7%	16.5%
11	Tier 1 (as a percentage of risk exposure amount)	17.9%	17.8%	16.3%	16.7%	16.5%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.9%	17.8%	16.3%	16.7%	16.5%
13	Total capital (as a percentage of risk exposure amount)	18.9%	18.9%	17.4%	18.0%	17.8%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.9%	18.9%	17.4%	18.0%	17.8%
Leverage ratio						
15	Leverage ratio total exposure measure	58,682.4	60,069.0	58,724.7	58,400.9	55,960.2
16	Leverage ratio	6.4%	6.3%	6.2%	6.2%	6.2%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.4%	6.3%	6.2%	6.2%	6.2%

ANNEX XIII : LIQUIDITY REQUIREMENTS

UK LIQ1 – Quantitative information of LCR

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on	30/09/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2024	30/06/2024	31/03/2024	31/12/2023
UK 1b	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)					10,880.0	10,989.7	11,322.2	11,903.9
Cash - outflows									
2	Retail deposits and deposits from small business customers, of which:	49,152.3	48,026.1	47,019.8	45,968.6	3,582.2	3,430.0	3,337.6	3,245.7
3	Stable deposits	19,995.0	19,760.9	19,662.0	19,740.5	999.8	988.0	983.1	987.0
4	Less stable deposits	24,345.4	23,092.2	22,221.3	21,266.4	2,569.0	2,426.5	2,337.7	2,240.7
5	Unsecured wholesale funding	490.9	482.3	447.0	514.8	460.0	454.7	416.9	475.2
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	366.8	357.9	358.0	380.1	335.8	330.3	327.9	340.5
8	Unsecured debt	124.2	124.4	89.0	134.7	124.2	124.4	89.0	134.7
9	Secured wholesale funding					1.0	2.1	3.3	4.6
10	Additional requirements	2,267.7	2,425.6	2,492.5	2,623.0	2,150.9	2,300.2	2,366.5	2,496.1
11	Outflows related to derivative exposures and other collateral requirements	2,137.9	2,286.3	2,352.5	2,481.9	2,137.9	2,286.3	2,352.5	2,481.9
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	129.9	139.3	140.0	141.1	13.0	13.9	14.0	14.1
14	Other contractual funding obligations	37.6	34.9	42.7	49.6	0.6	0.6	11.0	19.3
15	Other contingent funding obligations	2,487.9	2,646.3	2,672.6	2,556.1	773.2	822.5	830.6	794.4
16	TOTAL CASH OUTFLOWS					6,967.9	7,010.0	6,966.0	7,035.3
Cash - inflows									
17	Secured lending (e.g. reverse repos)	207.1	164.3	156.7	163.5	-	-	-	-
18	Inflows from fully performing exposures	450.1	464.4	453.9	451.9	228.3	219.5	208.3	199.8
19	Other cash inflows	288.0	257.3	173.0	156.4	288.0	257.3	173.0	156.4
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	945.2	886.0	783.6	771.8	516.3	476.8	381.3	356.2
UK-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
UK-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
UK-20c	Inflows subject to 75% cap	945.2	886.0	783.6	771.8	516.3	476.8	381.3	356.2
Total adjusted value									
UK-21	Liquidity buffer					10,880.0	10,989.7	11,322.2	11,903.9
22	Total net cash outflows					6,451.6	6,533.2	6,584.7	6,679.2
23	Liquidity coverage ratio					168.7%	168.1%	171.7%	178.3%

UK LIQB – Qualitative information on LCR, which complements UK LIQ1**in accordance with Article 451a(2) CRR****(a) Explanations on the main drivers of LCR results**

The Society's TFSME funding was fully repaid in September 2024, which has contributed to the reduction in HQLA over time. Growth in the Society's savings book has contributed to an increase in outflow requirement for retail deposits. This is offset by a reduction in outflow requirement for the impact of an adverse rate scenario on the Society's derivative contracts as the 2-year Historical Look Back window no longer captures the September 2022 mini-Budget period.

(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 30 September 2024 was 168.7%, this represents a 0.6% increase on the average of the 12 month end points leading up to 30 June 2024. Lower HQLA levels have primarily been driven by TFSME repayments.

(c) Explanations on the actual concentration of funding sources

The Society remains committed to maintaining a diverse funding base to underpin its liquidity position, with risk appetite limits in place around the diversity (by funding type, source, and currency) and maturity profile of its wholesale funding base. Furthermore, there are limits in place to ensure that an appropriate minimum proportion of the Society's lending activity is funded through retail deposits.

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

The Society maintains a diverse profile of high-quality liquid assets (HQLA), with diversification, SMF eligibility and minimum reserve amounts, and regulatory requirements on the composition of the liquidity buffer all core considerations of the Society's investment strategy. The bulk of the Society's HQLA is classified as Level 1 and Level 2A.

(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 on 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.

(g) Other items in the LCR calculation that are not captured in the LCR disclosure template

At present, all relevant items for the Society are populated within the disclosure template.

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.

