



Pillar 3 Disclosures

for the half year ended
30 September 2023

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Introduction

This document presents the consolidated Pillar 3 disclosures of the West Bromwich Building Society Group (hereafter 'the Group' or 'the Society') for the half year ended 30 September 2023. It provides an update on the Society's capital and liquidity positions as reported in the full annual Pillar 3 Disclosures for the year ended 31 March 2023 which are published on the Society's website.

Policy

The Board has adopted a formal policy, underpinned by internal processes, systems and controls, to comply with Pillar 3 disclosure requirements.

Basis and frequency of disclosure

This document has been prepared in accordance with the Capital Requirements Directive (CRD V), UK Capital Requirements Regulation (CRR) and the Disclosure (CRR) Part of the PRA Rulebook. It is therefore limited to disclosures of key metrics which the Society is required to publish semi-annually. Comparative information is presented as at 31 March 2023, 30 September 2022 and 31 March 2022.

The disclosures have been published in conjunction with the Society's Condensed Consolidated Half-Yearly Financial Information for the six months ended 30 September 2023.

Non-material, proprietary or confidential information

The Disclosure (CRR) Part of the PRA Rulebook allows institutions to omit one or more of the required disclosures if information provided by such disclosures is not regarded as material or if it would be regarded as proprietary or confidential.

There is a requirement to calculate and maintain regulatory capital ratios on both a Group and an Individual Consolidated ('Solo') basis. However, for West Bromwich Building Society, there are no material differences between the Group and Solo consolidation figures. Therefore, the disclosures in this document are presented on a Group basis only.

No disclosures have been omitted on the basis of being regarded as proprietary or confidential.

Location and verification

These disclosures have been reviewed by the Audit Committee and approved by the Society's Board prior to publication on the West Bromwich Building Society website (www.westbrom.co.uk). 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; however, some of the information within these disclosures also appears in the Society's Condensed Consolidated Half-Yearly Financial Information for the six months ended 30 September 2023.

Key metrics

Summary of key metrics

Table UK KM1 below presents key prudential metrics in relation to capital, leverage, liquidity and funding which, where applicable, have remained in excess of internal and regulatory requirements during the six months ended 30 September 2023.

Key metrics are reported under the UK CRR including the application of IFRS 9 transitional arrangements (where applicable) and excluding the impact of unaudited interim profits.

The Common Equity Tier 1 (CET1) ratio has decreased to 18.0% (31 March 2023: 18.7%), the key drivers being the amortisation of IFRS 9 transitional relief, buy back of subordinated liabilities, interim CCDS distributions and mortgage book growth. These factors also led to a reduction in the non-risk based UK leverage ratio to 7.5% (31 March 2023: 7.9%). The Society is able to meet all of its total capital and combined buffer requirements with the highest quality CET1 capital. Within its capital base, the Society also holds £7.8m (31 March 2023: £7.8m) of Permanent Interest Bearing Shares (PIBS) which are unsecured, deferred shares ranking behind the claims of all depositors, payables and investing members of the Society with the exception of Core Capital Deferred Shares. The PIBS ceased to be eligible as regulatory capital in April 2021 and are therefore excluded from the UK KM1 template.

The Liquidity Coverage Ratio (LCR) is a measure which aims to ensure that an entity maintains an adequate level of liquidity to meet its needs for a 30 day period under severe stress conditions, thereby promoting resilience in the short-term. The Society's average LCR over the 12 months to 30 September 2023 was 219.6% (12 months to 31 March 2023: 264.7%). The Net Stable Funding Ratio (NSFR) is a long-term stable funding metric which considers the stability of funding sources relative to the assets they are required to fund. The Society's NSFR, calculated as the average over the preceding four quarters was 145.7% (31 March 2023: 149.4%).

UK KM1 – Key metrics template

Figures in £m unless otherwise specified				
	a	b	c	d
Available own funds (amounts)	30 Sep 2023	31 Mar 2023	30 Sep 2022	31 Mar 2022
1 Common Equity Tier 1 (CET1) capital ¹	380.7	393.3	371.6	390.4
2 Tier 1 capital ¹	380.7	393.3	371.6	390.4
3 Total capital ¹	382.7	415.1	393.4	412.2
Risk-weighted exposure amounts				
4 Total risk-weighted exposure amount	2,115.2	2,108.5	2,105.7	2,299.7
Capital ratios (as a percentage of risk-weighted exposure amount)				
5 Common Equity Tier 1 ratio (%)	18.0	18.7	17.6	17.0
6 Tier 1 ratio (%)	18.0	18.7	17.6	17.0
7 Total capital ratio (%)	18.1	19.7	18.7	17.9
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)				
UK 7a Additional CET1 SREP requirements (%) ²	0.8	0.8	0.8	0.7
UK 7b Additional AT1 SREP requirements (%) ³	0.3	0.3	0.3	0.2
UK 7c Additional T2 SREP requirements (%) ³	0.3	0.3	0.3	0.3
UK 7d Total SREP own funds requirements (%)	9.4	9.4	9.4	9.3
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8 Capital conservation buffer (%)	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 (%)	-	-	-	-
9 Institution specific countercyclical capital buffer (%)	2.0	1.0	0.0	0.0
UK 9a Systemic risk buffer (%)	-	-	-	-
10 Global Systemically Important Institution buffer (%)	-	-	-	-
UK 10a Other Systemically Important Institution buffer	-	-	-	-
11 Combined buffer requirement (%)	4.5	3.5	2.5	2.5
UK 11a Overall capital requirements (%)	13.9	12.9	11.9	11.8
12 CET1 available after meeting the total SREP own funds requirements (%)	8.7	10.3	9.3	8.6

Leverage ratio					
13	Total exposure measure excluding claims on central banks	5,103.8	5,000.5	5,097.9	5,378.2
14	Leverage ratio excluding claims on central banks (%)	7.5	7.9	7.3	7.3
Additional leverage ratio disclosure requirements⁴					
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 (%)				
Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	768.4	844.3	872.0	729.7
UK 16a	Cash outflows - Total weighted value	381.9	352.4	322.7	339.3
UK 16b	Cash inflows - Total weighted value	31.2	26.4	23.4	21.0
16	Total net cash outflows (adjusted value)	350.7	326.0	299.3	318.3
17	Liquidity coverage ratio (%)	219.6	264.7	292.6	230.8
Net Stable Funding Ratio⁵					
18	Total available stable funding	5,198.2	5,350.7		
19	Total required stable funding	3,567.8	3,583.8		
20	NSFR ratio (%)	145.7	149.4		

Notes

- 1 The capital figures are reported on a regulatory basis. CET1, Tier 1 and total capital figures therefore exclude unverified profits for the six months ended 30 September 2023. The Society's PIBS are no longer recognised as Tier 1 capital.
- 2 At least 56.25% of the additional own funds requirements under SREP must be met with CET1 capital. The figures in row UK 7a show this minimum level.
- 3 The proportions of additional own funds requirements to be met by AT1 and T2 capital are not prescribed but must not exceed 43.75% and 25% respectively or 43.75% in combination. The figure in row UK 7c of the table shows the maximum level of additional own funds requirements that could be met by T2 capital. The figure in UK 7b shows the maximum residual element of additional own funds requirements that could be met by AT1 if 25% were to be met with T2.
- 4 The additional leverage ratio disclosure requirements do not apply to the Society as it does not meet the relevant reporting thresholds.
- 5 Disclosures for the Net Stable Funding Ratio, as set out by the PRA in PS22/21 Implementation of Basel standards: Final rules, became reportable in 2023; hence no comparative information is provided for 2022.

IFRS 9-FL Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

The Society has elected to adopt the IFRS 9 transitional arrangements laid out in Article 473a of the CRR (as amended during 2020/21) which allow a proportion of relevant expected credit loss provisions to be added back to CET1 capital. The relief is being phased out over the period to 31 March 2025. At 30 September 2023, the transitional arrangements amounted to £nil (31 March 2023: £8.3m). Table IFRS 9-FL below shows the Society's key capital ratios with and without the application of IFRS 9 transitional relief. The UK leverage ratio excludes central bank claims from the exposure measure.

	30 Sep 2023	31 Mar 2023	30 Sep 2022	31 Mar 2022
Available capital (£m)				
1 Common Equity Tier 1 (CET1)	380.7	393.3	371.6	390.4
2 CET1 capital as if IFRS 9 transitional arrangements had not been applied	380.7	385.0	363.3	368.5
3 Tier 1	380.7	393.3	371.6	390.4
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	380.7	385.0	363.3	368.5
5 Total regulatory capital	382.7	415.1	393.4	412.2
6 Total capital as if IFRS 9 transitional arrangements had not been applied	382.7	406.8	385.1	390.3
Total risk-weighted assets (RWAs) (£m)				
7 Total RWAs	2,115.2	2,108.5	2,105.7	2,299.7
8 Total RWAs as if IFRS 9 transitional arrangements had not been applied	2,115.2	2,100.2	2,097.4	2,277.8
Capital ratios (%)				
9 Common Equity Tier 1 ratio	18.0	18.7	17.6	17.0
10 Common Equity Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.0	18.3	17.3	16.2
11 Tier 1 ratio	18.0	18.7	17.6	17.0
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.0	18.3	17.3	16.2
13 Total regulatory capital ratio	18.1	19.7	18.7	17.9
14 Total regulatory capital ratio as if IFRS 9 transitional arrangements had not been applied	18.1	19.4	18.4	17.1
UK leverage ratio				
15a Total leverage ratio exposure measure (£m)	5,103.8	5,000.5	5,097.9	5,378.2
15b Total leverage ratio exposure measure as if IFRS 9 transitional arrangements had not been applied (£m)	5,103.8	4,992.2	5,089.6	5,356.3
16 UK leverage ratio (%)	7.5	7.9	7.3	7.3
17 Leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	7.5	7.7	7.1	6.9

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