Pillar 3 Interim Disclosures

Key metrics

30 June 2024

1. Introduction

1.1 Background

The Pillar 3 disclosure requirements in this document applies to Newcastle Building Society (the Society) and its subsidiary undertakings (together the Group). The disclosures in this document meet the Society's obligation under the United Kingdom's Capital Requirements Regulation (CRR) and the disclosure requirements presented in the Prudential Regulation Authority's (PRA) Rulebook.

1.2 Basis and frequency of disclosures

The Society's Pillar 3 key metrics as at 30 June 2024 are disclosed in this document as prescribed by Articles 432 and 433 of the CRR. As per the CRR, the Society is required to publish Pillar 3 disclosures twice a year.

Article 432(2) of the PRA rulebook on non-material, proprietary or confidential information permits institutions to omit one or more items where those items include information that is regarded as proprietary or confidential. No disclosures or references have been omitted on this basis with non-applicable reporting left blank.

Pillar 3 disclosures are issued on a semi-annual basis in conjunction with the publication of the Society's Half-Yearly Report or the Annual Report and Accounts and in accordance with regulatory guidelines. These disclosures are presented using the prescribed disclosure templates in the PRA Rulebook. Row and Column references are based on those prescribed in the templates and no changes have been made to the fixed templates. The Pillar 3 report is based on the Society's Half Yearly Report for the period ended 30 June 2024, unless otherwise stated.

1.3 Scope of application

For prudential and Pillar 3 reporting purposes, the Group presents its consolidated position. There are no current or foreseen legal impediments to the prompt transfer of capital resources or the repayment of liabilities within the Group.

The principal office of the Society is 1 Cobalt Park Way, Wallsend, NE28 9EJ.

As at 30 June 2024, the Society's consolidation group for accounting purposes comprises the Society itself and the following subsidiaries and special purpose vehicles: Newcastle Building Society; Newcastle Financial Advisers Limited; Newcastle Strategic Solutions Limited; Newcastle Mortgage Loans (Jersey) Limited; MBS (Mortgages) Limited; and Tyne Funding No. 1 Plc.

All of the above subsidiary undertakings are incorporated in England and Wales and operate in the United Kingdom, except for Newcastle Mortgage Loans (Jersey) Limited, which is incorporated and operates in Jersey. Tyne Funding No. 1 Plc is a special purpose vehicle (SPV) established in connection with the Society's securitisation programme. Although the Society has no direct or indirect ownership interest in this company, it is consolidated into the Group, since there is no significant risk transfer associated with the securitisation.

1.4 Location and verification

These disclosures and the Half-Yearly Report are published on (www.newcastle.co.uk) for the Society.

They have been reviewed and approved by the Board. The disclosures are not subject to external audit.

2. Key Metrics

The following table shows the Society's Key metrics as at 30 June 2024 based on transitional Capital Requirements Directive (CRD) V rules basis.

		Transitional	End point	Transitional	End point	Transitional	End point	Transitional	End point	Transitional	End point
		a	a	b	b	c	c	d	d	e	e
		T	T	T-1	T-1	T-2	T-2	T-3	T-3	T-4	T-4
	Available own funds (amounts)										
1	Common Equity Tier 1 (CET1) capital (£m)	274.4	274.4			273.8	272.0			252.05	250.5
2	Tier 1 capital (£m)	274.4	274.4			273.8	272.0			252.0	250.5
3	Total capital (£m)	322.6	321.7			308.7	306.8			272.0	270.5
	Risk-weighted exposure amounts										
4	Total risk-weighted exposure amount (£m)	2,270.8	2,270.8			2,186.3	2,186.3			2,033.7	2,033.7
	Capital ratios (as a percentage of risk-weighted exposure amount)										
5	Common Equity Tier 1 ratio (%)	12.1%	12.1%			12.5%	12.4%			12.4%	12.3%
6	Tier 1 ratio (%)	12.1%	12.1%			12.5%	12.4%			12.4%	12.3%
7	Total capital ratio (%)	14.2%	14.2%			14.1%	14.0%			13.4%	13.3%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)										
UK 7a	Additional CET1 SREP requirements (%)	0.3%	0.3%			0.3%	0.3%			0.3%	0.3%
UK 7b	Additional AT1 SREP requirements (%)	0.1%	0.1%			0.1%	0.1%			0.1%	0.1%
UK 7c	Additional T2 SREP requirements (%)	0.1%	0.1%			0.1%	0.1%			0.2%	0.2%
UK 7d	Total SREP own funds requirements (%)	8.5%	8.5%			8.5%	8.5%			8.6%	8.6%
	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%	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%	2.0%			2.0%	2.0%			1.0%	1.0%
UK 9a	Systemic risk buffer (%)	-	-			-	-			-	-
10	Global Systemically Important Institution buffer (%)	-	-			-	-			-	-
UK 10a	Other Systemically Important Institution buffer (%)	-	-			-	-			-	-

11	Combined buffer requirement (%)	4.5%	4.5%			4.5%	4.5%			3.5%	3.5%
UK 11a	Overall capital requirements (%)	13.0%	13.0%			13.0%	13.0%			10.6%	10.6%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.7%	5.7%			5.6%	5.5%			4.8%	4.7%
	Leverage ratio										
13	Total exposure measure excluding claims on central banks (£m)	5,972.7	5,972.7			5,745.0	5,745.0			5,226.2	5,226.2
14	Leverage ratio excluding claims on central banks (%)	4.59%	4.58%			4.77%	4.73%			4.82%	4.79%
	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 (%)										
	Liquidity Coverage Ratio										
15	Total high-quality liquid assets (HQLA) (Weighted value - average) (£m)	1,151.9	1,151.9			1,079.0	1,079.0			984.0	984.0
UK 16a	Cash outflows - Total weighted value (£m)	592.2	592.2			519.4	519.4			545.1	545.1
UK 16b	Cash inflows - Total weighted value (£m)	49.7	49.7			43.2	43.2			31.3	31.3
16	Total net cash outflows (adjusted value) (£m)	542.4	542.4			476.2	476.2			513.8	513.8
17	Liquidity coverage ratio (%)	212%	212%			227%	227%			191%	191%
	Net Stable Funding Ratio										
18	Total available stable funding (£m)	5,744.4	5,744.4			5,650.0	5,650.0			5,350.1	5,350.1
19	Total required stable funding (£m)	3,686.6	3,686.6			3,665.6	3,665.6			3,537.2	3,537.2
20	NSFR ratio (%)	156%	156%			154%	154%			151%	151%

[1] The Society calculates risk weighted assets using the standardised approach.

[2] Additional leverage ratio disclosure is only reportable by financial institutions with deposits equal to or greater than £50bn. These rows have been left blank as they are not applicable to the Society.

The CRR was amended in December 2017 to introduce transitional arrangements that reduce the capital impact of increased IFRS 9 provisions throughout a 5 year transitional period (2018 – 2022). During 2020, the transitional arrangement was amended to provide further relief on expected credit losses booked in 2020 and 2021 as a result of the economic impact of Covid-19. The Group continues to adopt these provisions as required by the CRR amendments.

Glossary of Terms

Basel III – The third of the Basel Accords, issued by the Basel Committee on Banking Supervision, which are a set of long term changes designed to strengthen regulatory standards for capital and liquidity. The standards were phased in from 1 January 2014. Basel III became law in the EU Capital Requirements Directive, and was implemented in the UK via the PRA / FCA Handbooks. Any relevant EU legislation was onshored into UK law when the UK left the EU.

Capital Conservation Buffer is designed to ensure that a degree of excess capital is built up and retained, rather than used to support additional growth or further activities, during periods of non-stress which can be drawn down on if losses are incurred in the future. The Capital Conservation Buffer is 2.5% of Risk Weighted Assets.

Common Equity Tier 1 Capital (CET 1) – Defined by the PRA as general reserves or qualifying capital instruments. The source of CET 1 for the Group are retained earnings and the fair value through other comprehensive income reserve, adjusted for off balance sheet risk, deferred tax, intangible assets and expected credit losses.

Countercyclical Capital Buffer – An amount of capital, calculated against a firm's risk weighted assets that must be held in addition to the firm's Total Capital requirements (TCR) and the Capital conservation buffer. UK regulators are able to vary the required rate over time to allow the ongoing provision of essential services, such as the supply of credit, to the real economy during times of stress. The Countercyclical Buffer is 2% of Risk Weighted Assets in the UK.

CRR – Capital Resources Requirement, this is the minimum amount of capital resources that a financial institution must hold as set out in Basel III Pillar 1 rules.

Material – The CRR considers information in disclosures shall be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

Pillar 3 – This is the part of the Basel III framework which sets out the disclosure requirements for firms to publish details of their risks, capital and risk management. This report is the outcome of the Pillar 3 process.

PRA buffer – All institutions in the UK are subject to Capital Conservation Buffer requirements and Countercyclical Buffer requirements. Where these are not sufficient to capture a financial institution's risk appropriately, the PRA can require the institution to hold an additional PRA buffer under Pillar 2B of the capital framework.

Risk Weighted Assets (RWA) – The value of assets, after adjustment, under Basel III rules to reflect the degree of risk they represent. The Group measures RWA using the standardised approach.

Tier 1 Capital – Tier 1 capital is divided into Common Equity Tier 1 and Additional Tier 1 capital. Common Equity Tier 1 capital is defined above. Additional Tier 1 capital includes certain qualifying instruments. The Group does not currently hold any such instruments.

Tier 2 Capital – Comprises the Group's collective impairment allowance and Permanent Interest Bearing Shares (PIBS) under Basel III rules.