

SUPPLEMENTAL PILLAR 3 DISCLOSURES 2013



Contact
Tanya Jackson
Corporate Affairs Manager
Tel: 01274 472005
Mobile: 07881 501098
Fax: 01274 735571
Email: tjackson@ybs.co.uk

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1 Overview

The Basel III regulations have been written in to European law in the form of a Regulation and Directive commonly known as CRD IV, which comes in to force on 1st January 2014. These rules make substantial changes to the definition of capital resources and include additional capital requirements (for example, for counterparty credit risk). The Group's PIBS (Permanent Interest Bearing Shares) will cease to be eligible capital for regulatory purposes and will be phased out over a 10 year period, in line with the proposed regulations. A leverage ratio measure is also introduced under the proposals.

This additional disclosure document is intended to assist readers in understanding how the upcoming regulations will affect the Group's capital position.

The disclosure is in the form of two tables; Table 1 shows the impact of the new rules on the Group's most recent financial year end (31st December 2012) position and the most recent interim results (30th June 2013) position. In each table, the capital position is shown under the current Basel II rules, a transitional basis (applying the CRD IV rules as they will stand in 2014) and a final rules basis (applying the final CRD IV rules without transitional elements, as the rules will stand in 2022).

The tables below show that the Group will remain in a strong capital position after the application of the CRD IV rules.

2 Capital Impact of CRD IV

Table 1

As at 31 st December 2012 £m	Current rules	Transitional	Final Rules
<u>Common Equity Tier 1 (CET1)</u>			
General reserve	1,685.8	1,685.8	1,685.8
Regulatory adjustments:			
Available for sale reserve	0.0	0.0	6.4
Pension fund adjustment	(16.6)	(3.3)	(16.6)
CET1 deductions:			
Intangible fixed assets	(34.3)	(6.7)	(33.3)
Securitisation positions	(11.6)	(23.2)	(23.2)
Material holdings	(1.7)	0.0	0.0
DTAs that rely on future profitability	0.0	(2.8)	(13.8)
AT1 deductions allocated to CET1	0.0	(20.8)	0.0
Total Common Equity Tier 1 capital	1,621.6	1,629.0	1,605.3
<u>Additional Tier 1 (AT1)</u>			
Permanent interest bearing shares	7.3	5.8	0.0
AT1 deductions:			
Intangible fixed assets	0.0	(26.6)	0.0
Excess deductions applied to CET1	0.0	20.8	0.0
Total Tier 1 capital	1,628.9	1,629.0	1,605.3
<u>Tier 2 (T2)</u>			
Subordinated liabilities	117.2	117.2	117.2
Collective allowances for impairment	6.3	6.3	6.3
T2 deductions:			
Securitisation positions	(11.6)	0.0	0.0
Material holdings	(1.7)	0.0	0.0
Qualifying holdings	(4.1)	0.0	0.0
Total Tier 2 capital	110.2	123.5	123.5
Total capital	1,739.1	1,752.5	1,728.8
Current RWAs	11,905.7	11,905.7	11,905.7
Additional CRD IV RWAs	0.0	406.0	365.1
Total RWAs under CRD IV	11,905.7	12,311.7	12,270.8
CET1 Ratio	13.6%	13.2%	13.1%
Leverage Ratio	4.7%	4.7%	4.7%
(End point with AT1 instruments included)	-	-	4.7%

Table 2

As at 30 th June 2013	Current rules	Transitional	Final Rules
£m			
<u>Common Equity Tier 1 (CET1)</u>			
General reserve	1,733.9	1,733.9	1,733.9
Regulatory adjustments:			
Available for sale reserve	0.0	0.0	16.3
Pension fund adjustment	(19.9)	(4.0)	(19.9)
CET1 deductions:			
Intangible fixed assets	(39.4)	(7.9)	(39.4)
Securitisation positions	(14.3)	(28.5)	(28.5)
Material holdings	(1.7)	0.0	0.0
DTAs that rely on future profitability	0.0	(2.2)	(11.1)
AT1 deductions allocated to CET1	0.0	(25.9)	0.0
Total Common Equity Tier 1 capital	1,658.6	1,665.4	1,651.3
<u>Additional Tier 1 (AT1)</u>			
Permanent interest bearing shares	7.0	5.6	0.0
AT1 deductions:			
Intangible fixed assets	0.0	(31.5)	0.0
Excess deductions applied to CET1	0.0	25.9	0.0
Total Tier 1 capital	1,665.6	1,665.4	1,651.3
<u>Tier 2 (T2)</u>			
Subordinated liabilities	116.5	116.5	116.5
Collective allowances for impairment	5.7	5.7	5.7
T2 deductions:			
Securitisation positions	(14.3)	0.0	0.0
Material holdings	(1.7)	0.0	0.0
Qualifying holdings	(4.0)	0.0	0.0
Total Tier 2 capital	102.2	122.2	122.2
Total capital	1,767.8	1,787.6	1,773.5
Current RWAs	12,096.0	12,096.0	12,096.0
Additional CRD IV RWAs	0.0	317.2	305.7
Total RWAs under CRD IV	12,096.0	12,413.2	12,401.7
CET1 Ratio	13.7%	13.4%	13.3%
Leverage Ratio	4.8%	4.8%	4.8%
(End point with AT1 instruments included)	-	-	4.8%