TESCO PERSONAL FINANCE GROUP PLC

INTERIM PILLAR 3 DISCLOSURES

H1 2022

Introduction

This document presents the Interim Pillar 3 disclosures for the regulated group (the Group) for the period ending 31 August 2022. The Group comprises Tesco Personal Finance Group plc and Tesco Personal Finance plc, but excludes the insurance underwriting subsidiary, Tesco Underwriting Ltd (TU), and the Special Purpose Entities (SPEs) supporting the Group's securitisation transactions.

Disclosure Policy

The Group has a formal, Board approved policy which details its approach to complying fully with the Pillar 3 disclosure requirements as laid out in the Disclosure (CRR) Part of the PRA Rulebook (CRR) Instrument 2021 and any updates as appropriate.

Frequency of Disclosure

The Group has assessed itself against the need to publish Pillar 3 disclosures and determined that full Pillar 3 disclosures should be published on an annual basis and that Key Metrics (UK KM1) are required to be published on a semi-annual basis. The assessment is due to the following reasons:

- The Group does not meet the criteria for being either a 'small and non-complex' institution or a 'large' institution and is therefore assessed as being an 'other institution'; and
- The Group does not meet the definition of being a non-listed institution because securities have been issued to a regulated market.

Verification and Medium

These Pillar 3 disclosures have been verified and approved through internal governance, including review by the Board Disclosure Committee and approval by the Board. The disclosures are not subject to independent audit.

Capital

Own Funds

The following table presents the Group's key metrics at a consolidated level as at 31 August 2022.

UK KM1: Key metrics (at consolidated group level)

		August 2022	February 2022
	Available own funds (amounts)(£m)		
1	Common Equity Tier 1 (CET 1) capital	1,599.1	1,668.4
2	Tier 1 capital	1,599.1	1,668.4
3	Total capital	1,792.2	1,861.2
	Risk-weighted exposure amounts (£m)		
4	Total risk-weighted exposure amounts	7,025.7	6,832.0
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	22.8%	24.4%
6	Tier 1 ratio (%)	22.8%	24.4%
7	Total capital ratio (%)	25.5%	27.2%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	1.6%	2.4%
UK 7b	Additional AT1 SREP requirements (%)	0.5%	0.8%
UK 7c	Additional T2 SREP requirements (%)	0.7%	1.1%
UK 7d	Total SREP own funds requirements (%)	10.8%	12.4%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
9	Institutions specific countercyclical buffer (%)	–%	–%
11	Combined buffer requirement	2.5%	2.5%
UK 11 a	Overall capital requirements (%)	13.3%	14.9%
12	CET1 available after meeting the total SREP own funds requirements (%)	14.7%	15.2%
	Leverage Ratio		
13	Leverage Ratio total exposure measure(£m)	9,669.7	9,454.4
14	Leverage Ratio (%)	16.5%	17.6%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	1,124.0	1,454.5
UK 16a	Cash outflows - Total weighted value (£m)	686.3	672.8
UK 16b	Cash inflows - Total weighted value (£m)	92.3	93.1
16	Total net cash outflows (adjusted value) (£m)	594.0	579.7
17	Liquidity coverage ratio (%)	189.2%	250.9%
	Net Stable Funding Ratio		
18	Total available stable funding (£m)	8,199.1	8,013.8
19	Total required stable funding (£m)	6,440.8	6,053.5
20	NSFR ratio (%)	127.3%	132.4%

Please note the requirement to publish interim Pillar 3 disclosures came into effect from 1st January 2022. As such, prior period comparatives are limited to February 2022.

Glossary of Terms

	Definition
C	
Capital conservation buffer	A capital buffer designed to ensure that banks are able to build up capital buffers outside of periods of stress which can then be drawn upon as losses are incurred.
Capital Requirements Regulation (CRR)	The Capital Requirements Regulation is an EU law, which was onshored to the UK post Brexit and amended by relevant Statutory Instruments. The CRR aims to decrease the likelihood that banks become insolvent, reflecting Basel III rules on capital measurement and capital standards.
Common Equity Tier 1 capital (CET1)	The highest form of regulatory capital under CRR, comprising common shares issued, related share premium, retained earnings and other reserves less regulatory adjustments.
Countercyclical capital buffer (CCyB)	A capital buffer, determined by the regulator, which aims to ensure that capital requirements take account of the macro-economic financial environment in which banks operate. This aims to provide the banking sector with additional capital to protect it from potential future losses. In times of adverse financial or economic circumstances, when losses tend to deplete capital and banks are likely to restrict the supply of credit, the CCyB can be released by the regulator to help avoid a credit crunch.
L	
Leverage Ratio	Tier 1 capital divided by the exposure measure.
P	
Pillar 3	The third pillar of the Basel II framework aims to encourage market discipline by setting out disclosure requirements for banks on their capital, risk exposures and risk assessment processes. These disclosures are aimed at improving the information made available to the market.
Prudential Regulatory Authority (PRA)	Responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.
PRA Rulebook	The PRA Rulebook contains provisions made by the PRA that apply to PRA-authorised firms. This includes the inclusion of additional rules required after revocation from the CRR by HMT.
R	
Risk Weighted Assets (RWAs)	Calculated by assigning a degree of risk expressed as a percentage (risk weight) to an exposure value in accordance with the applicable Standardised Approach rules.
S	
Special Purpose Entity	A corporation, trust, or other non-bank entity, established for a defined purpose, including for carrying on securitisation activities. Special Purpose Entities are designed to isolate its obligations from those of the originator and the holder of the beneficial interests in the securitisation.
T	
Tier 1 capital	A component of regulatory capital, comprising Common Equity Tier 1 capital and Additional Tier 1 capital. Additional Tier 1 capital includes qualifying capital instruments such as non-cumulative perpetual preference shares and Additional Tier 1 capital securities.
Tier 2 capital	A component of regulatory capital, comprising qualifying subordinated loan capital and related non-controlling interests.