



# Pillar 3 Disclosures

For the quarter ended  
31 March 2022



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## 1. Introduction

In this document Coventry Building Society ('the Society') has set out its Pillar 3 disclosures as at the quarter ending 31 March 2022 in accordance with the Disclosure Part of the Prudential Regulation Authority (PRA) Rulebook. This includes revised disclosure requirements applicable from 1 January 2022 following the UK implementation of the remaining provisions of Capital Requirements Regulation II.

This report includes specific templates that are required to be disclosed on a quarterly basis for large and listed institutions.

The Society has not omitted any disclosures on the basis of materiality, proprietary or confidentiality (See Article 432 of the UK Capital Requirements Regulation (CRR)).

Rows in which there is no data to report or zero values, have been excluded from the templates disclosed.

The information presented in this Pillar 3 report is not required to be, and has not been, subject to an external audit.

## 2. Key metrics

The following table details the Society's own funds, key capital metrics and Pillar 1 liquidity coverage ratio as at 31 March 2022 and those metrics previously disclosed as at 31 December 2021. In line with the PRA rulebook, profits for the period 1 January 2022 to 31 March 2022 have been excluded from all key metrics as these have not been verified.

		31 March 2022	31 December 2021
		£m	£m
<b>Available own funds (amounts)</b>			
1	Common Equity Tier 1 (CET1) capital <sup>1</sup>	1,879	1,924
2	Tier 1 capital <sup>2</sup>	2,294	2,355
3	Total capital	2,294	2,361
<b>Risk-weighted exposure amounts</b>			
4	Total risk-weighted exposure amount <sup>3</sup>	6,753	5,306
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>			
5	Common Equity Tier 1 ratio (%)	27.8%	36.3%
6	Tier 1 ratio (%)	34.0%	44.4%
7	Total capital ratio (%)	34.0%	44.5%
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>			
UK 7a	Additional CET1 SREP requirements (%)	1.2%	1.5%
UK 7b	Additional AT1 SREP requirements (%)	0.4%	0.5%
UK 7c	Additional T2 SREP requirements (%)	0.5%	0.7%
UK 7d	Total SREP own funds requirements (%)	10.1%	10.7%
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>			
8	Capital conservation buffer (%)	2.5%	2.5%
11	Combined buffer requirement (%)	2.5%	2.5%
UK 11a	Overall capital requirements (%)	12.6%	13.2%
12	CET1 available after meeting the total SREP own funds requirements (%)	17.7%	25.6%
<b>Leverage ratio</b>			
13	Leverage ratio total exposure measure <sup>4</sup>	47,786	48,472
14	Leverage ratio	4.8%	4.8%
<b>Liquidity coverage ratio</b>			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	7,020	6,885
UK 16a	Cash outflows - Total weighted value	3,909	3,965
UK 16b	Cash inflows - Total weighted value	219	200
16	Total net cash outflows (adjusted value)	3,690	3,765
17	Liquidity coverage ratio (%) <sup>5</sup>	191.4%	182.6%

Table 1 Template UK KM1 – Key metrics template

<sup>1</sup> CET 1 does not include unverified profits generated in 2022.

<sup>2</sup> Tier 1 does not include unverified profits generated in 2022.

<sup>3</sup> This amount includes the impacts of the Post Model Adjustments (PMAs) described in the Key metrics section.

<sup>4</sup> The Leverage ratio exposure measure does not include exposures to the Bank of England in line with the UK Leverage Regime. The December 2021 comparatives are shown as if under the UK Leverage Regime.

<sup>5</sup> The liquidity coverage ratio is calculated as a 12 month average.

The Society's capital position remains robust with a Common Equity Tier 1 (CET1) ratio of 27.8% (31 December 2021: 36.3%) compared to an overall capital requirement of 12.6%.

The reduction in the CET1 ratio to 27.8% was fully expected and reflects the change in industry wide regulation<sup>6</sup> required from 1 January 2022, as disclosed in our 2021 Annual Report & Accounts.

The Society has increased risk weighted assets through a post model adjustment that reflects an update in loss given default and the cyclical nature of the probability of default model. The increase in risk weighted assets due to the post model adjustment (£1,807m) was partially offset by a reduction in average risk weight on the mortgage portfolio as a result of increases in the UK House Prices Index (HPI) improving asset quality further. The underlying asset quality for the Society remains strong.

The Society's available own funds had minor reductions during the first quarter, due to the end of transitional arrangements (subordinated debt and permanent interest bearing shares no longer being eligible capital instruments) and the impact of our updated expected credit losses (ECL) model.

The Society's Leverage ratio also remains strong at 4.8% (31 December 2021: 4.8%). The Leverage ratio and corresponding Leverage ratio total exposure measure excludes qualifying central bank claims in line with the UK Leverage Regime which became applicable from 1 January 2022. The 31 December 2021 comparatives have been calculated as if under the UK Leverage Regime.

The Society's liquidity position is also strong as at 31 March 2022 with a liquidity coverage ratio of 191.4% (31 December 2021: 182.6%). The average liquidity coverage ratio has increased predominantly due to an increase over the period in the Bank of England Reserve account.

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<sup>6</sup> PS13/17 'Residential mortgage risk weights', PS11/20 'Probability of default and loss given default estimation', PS16/21 'Internal Ratings Based UK mortgage risk weights' and PS23/21 'The identification of the nature, severity, and duration of an economic downturn for the purposes of IRB models'. Supervisory Statement SS11/13 (with subsequent updates) also came into effect on 1 January 2022.

### 3. Overview of risk weighted exposure amounts

The table below details risk weighted exposure amounts (RWEAs) and the respective own funds requirements as at 31 March 2022, and the RWEAs previously disclosed as at 31 December 2021. Own funds requirements are calculated as 8% of the RWEAs.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31 March 2022	31 December 2021	31 March 2022
1	Credit risk (excluding CCR) <sup>7</sup>	6,060	4,560	485
2	Of which the standardised approach	201	295	16
3	Of which the foundation IRB (FIRB) approach	78	0	6
5	Of which the advanced IRB (AIRB) approach <sup>8</sup>	3,974	4,265	318
6	Counterparty credit risk - CCR	54	107	4
7	Of which the standardised approach	8	20	1
UK 8a	Of which exposures to a CCP	3	4	0
UK 8b	Of which credit valuation adjustment - CVA	28	67	2
9	Of which other CCR	15	16	1
16	Securitisation exposures in the non-trading book (after the cap)	3	3	0
18	Of which SEC-ERBA (including IAA)	3	3	0
23	Operational risk	636	636	51
UK 23b	Of which standardised approach	636	636	51
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) <sup>9</sup>	6	9	0
<b>29</b>	<b>Total</b>	<b>6,753</b>	<b>5,306</b>	<b>540</b>

Table 2 Template UK OV1 – Overview of risk weighted exposure amounts

### 4. RWEA flow statements of credit risk exposures under the IRB approach

The table below summarises the movements of RWEAs for credit risk exposures under the Internal Ratings Based (IRB) approach. This flow statement is specific to our approved IRB models and therefore excludes the post model adjustment applied to both our loss given default and probability of default models (£1,807m).

		Risk weighted exposure amount
<b>1</b>	<b>Risk weighted exposure amount as at the end of the previous reporting period</b>	4,265
2	Asset size (+/-)	91
3	Asset quality (+/-)	(337)
4	Model updates (+/-)	0.0
5	Methodology and policy (+/-)	0.0
6	Acquisitions and disposals (+/-)	0.0
7	Foreign exchange movements (+/-)	0.0
8	Other (+/-)	(45)
<b>9</b>	<b>Risk weighted exposure amount as at the end of the reporting period</b>	<b>3,974</b>

Table 3 Template UK CR8 – RWEA flow statements of credit risk exposures under the IRB approach

Increases in the UK House Prices Index (HPI) have had an impact on asset quality, resulting in a decrease in the RWEAs.

<sup>7</sup> Included in the Credit Risk (excluding CCR) value are the PMAs (£1,807m) but these do not appear in any of the 'of which' rows.

<sup>8</sup> See Table 3 Template UK CR8 – RWEA flow statements of credit risk exposures under the IRB approach for further details.

<sup>9</sup> Row 24 is for information only and the value is excluded from the total in row 29.

## 5. Quantitative information of liquidity coverage ratio

		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on (DD Month YYYY)	31-Mar-2022	31-Dec-2021	30-Sep-2021	30-Jun-2021	31-Mar-2022	31-Dec-2021	30-Sep-2021	30-Jun-2021
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA)					7,020	6,885	6,680	6,360
<b>CASH - OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which <sup>10</sup> :	39,746	39,377	38,719	37,614	2,487	2,445	2,336	2,173
3	<i>Stable deposits</i>	17,783	16,987	16,334	15,898	889	849	817	795
4	<i>Less stable deposits</i>	12,533	12,399	11,827	10,677	1,598	1,595	1,520	1,378
5	Unsecured wholesale funding	523	610	606	472	423	503	503	387
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	0	0	0	0	0	0	0	0
7	<i>Non-operational deposits (all counterparties)</i>	505	593	539	406	405	485	436	321
8	<i>Unsecured debt</i>	18	17	67	66	18	18	67	66
9	<i>Secured wholesale funding</i>					25	0	0	0
10	Additional requirements	261	270	241	243	261	270	241	243
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	213	224	231	232	213	224	231	232
12	<i>Outflows related to loss of funding on debt products</i>	48	46	10	11	48	46	10	11
13	<i>Credit and liquidity facilities</i>	0	0	0	0	0	0	0	0
14	Other contractual funding obligations	50	47	44	48	30	28	28	31
15	Other contingent funding obligations	2,685	2,829	2,825	2,693	683	720	711	668
16	<b>TOTAL CASH OUTFLOWS</b>					3,909	3,966	3,819	3,502
<b>CASH - INFLOWS</b>									
17	Secured lending (e.g. reverse repos)	6	0	2	2	0	0	0	0
18	Inflows from fully performing exposures	270	250	253	251	212	191	195	193
19	Other cash inflows	7	9	6	5	7	9	6	6
20	<b>TOTAL CASH INFLOWS</b>	283	259	261	258	219	200	201	199
UK-20c	<i>Inflows subject to 75% cap</i>	283	259	261	258	219	200	201	199
<b>TOTAL ADJUSTED VALUE</b>									
UK-21	LIQUIDITY BUFFER					7,020	6,885	6,680	6,360
22	<b>TOTAL NET CASH OUTFLOWS</b>					3,690	3,766	3,618	3,303
23	<b>LIQUIDITY COVERAGE RATIO</b>					191.4%	182.6%	185.3%	193.9%

Table 4 Template UK LIQ1 - Quantitative information of liquidity coverage ratio

<sup>10</sup> Deposits exempt from the calculation of the liquidity coverage ratio do not appear in the 'of which' rows but do appear in the total value of 'Retail deposits and deposits from small business customers'.

## **6. Attestation**

The Chief Finance Officer (CFO) attests that the Society has made the disclosures required under Part 8 of the UK CRR in accordance with the Pillar 3 Disclosures Policy and internal processes, systems and controls.

## **7. Key elements of the Pillar 3 disclosures policy**

The Society's Pillar 3 disclosures policy includes the following key elements:

1. an approval process for disclosures involving Senior Management; and
2. an approval process for omitted disclosures involving Senior Management.



## Appendix 1. Glossary

AIRB	Advanced Internal Ratings Based
CCP	Central Counterparty Clearing House
CCR	Counterparty Credit Risk
CET1	Common Equity Tier 1
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
ERBA	External Ratings Based Approach
FIRB	Foundation Internal Ratings Based
IAA	Internal Assessment Approach
PMA	Post Model Adjustment
RWEA	Risk Weighted Exposure Amount

Coventry Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority ([www.fca.org.uk](http://www.fca.org.uk)) and the Prudential Regulation Authority (firm reference number 150892).

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