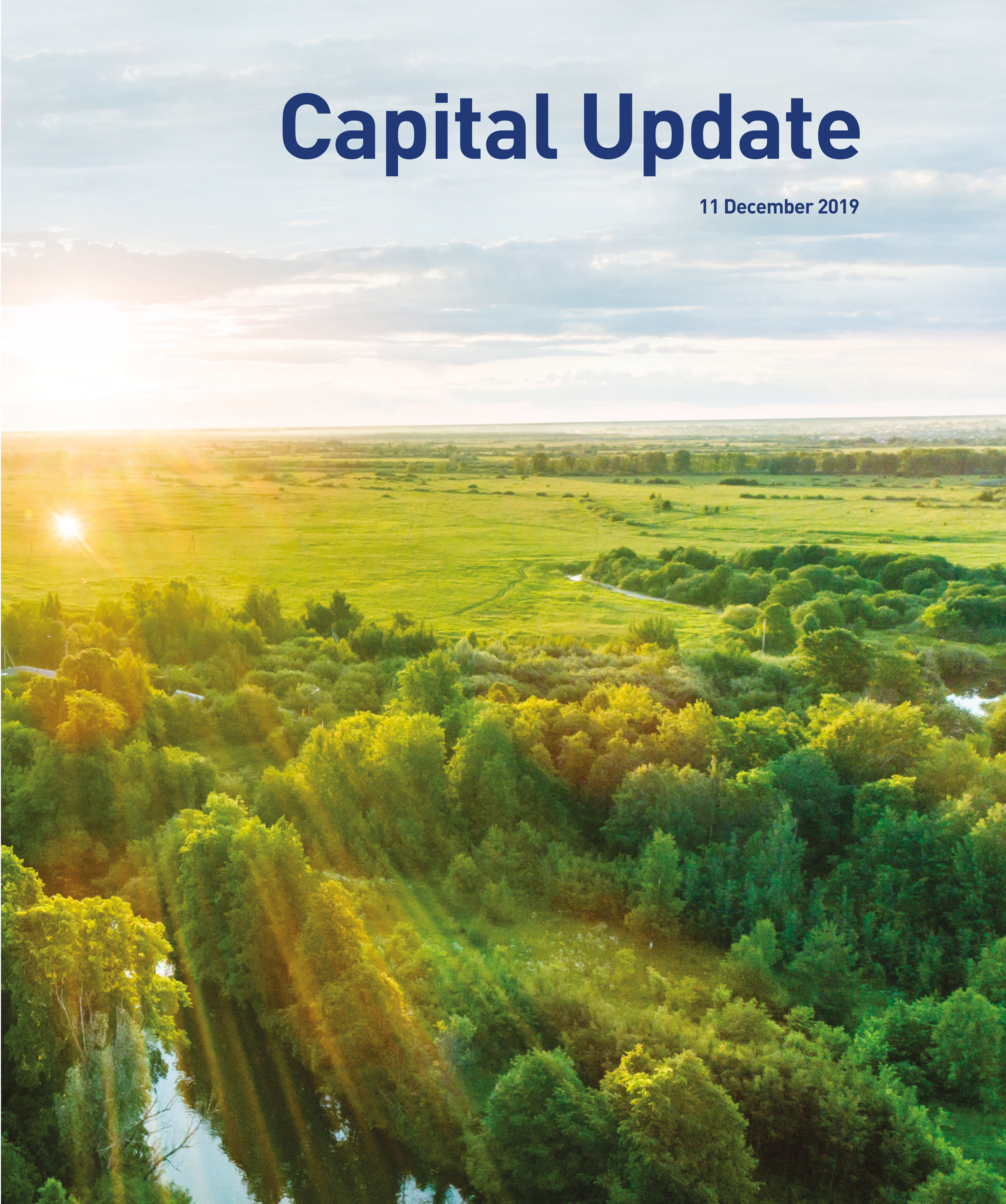
Capital Update

11 December 2019



COVENTRY
Building Society

Capital Update

11 December 2019

Coventry Building Society (the “Society”) announces a correction to its calculation of risk weighted assets. This lowers its Common Equity Tier 1 (“CET1”) ratio reported at 30th June 2019 by 1.6% to 32.6% from 34.2%[1].

The Society uses Internal Ratings Based (“IRB”) models to calculate its Risk Weighted Assets (“RWAs”) and is seeking to update these models to ensure compliance with upcoming Basel III reforms[2]. During the process of transitioning models, the Society has identified an omission in connection with its historic calculation of its RWAs. Specifically, the necessary 6% scalar was not applied to the core IRB model outputs. The core IRB models themselves are not impacted. Application of the 6% scalar would have increased total RWAs by 4.6%, resulting in the 1.6% reduction in the CET1 ratio, as at 30th June 2019. The previous guidance provided by the Society on the transitional and end-state impact on its CET1 ratio of standardised floors within Basel IV remains unchanged.

The Society maintains a simple and low risk business model and expects that its CET1 ratio will continue to be one of the highest reported in the UK, reflecting a considerable capital surplus above regulatory requirements. These updates do not affect the leverage ratio, which the Society expects to be its binding capital measure in future.

Capital Ratios

The table below updates the disclosure in the 2019 Interim Financial Report and 2018 Annual Report & Accounts of the Society’s summary capital resources and CRD IV ratios on an end-point basis (i.e. assuming all CRD IV requirements were in force in full with no transitional provisions permitted) for the 6% scalar.

	End-point 30-Jun-19 £m	Restated[3] End-point 30-Jun-19 £m	End-point 31-Dec-18 £m	Restated[3] End-point 31-Dec-18 £m
Capital resources:				
Common Equity Tier 1 (CET 1) capital	1,643.6	**1,643.6**	1,614.8	**1,614.8**
Total Tier 1 capital	2,058.6	**2,058.6**	2,011.7	**2,011.7**
Total capital	2,058.6	**2,058.6**	2,011.7	**2,011.7**
Risk weighted assets	4,811.8	**5,034.3**	4,548.5	**4,760.7**
CRD IV ratios:	**%**	**%**	**%**	**%**
Common Equity Tier 1 (CET 1) ratio	34.2	**32.6**	35.5	**33.9**
CRR Leverage ratio	4.1	**4.1**	4.2	**4.2**
UK Leverage ratio	4.5	**4.5**	4.6	**4.6**
Total Tier 1 capital ratio	42.8	**40.9**	44.2	**42.3**
Total capital ratio	42.8	**40.9**	44.2	**42.3**

[1] As at 30th June 2019
[2] Also commonly referred to as Basel IV
[3] Includes the impact of the 6% scalar applied to risk weighted assets calculated using IRB models

Allocation of exposures to risk grades by the IRB rating system

The following tables show the Society's retail exposures under IRB as reported in the 2018 Pillar 3 Disclosures alongside restated amounts including the 6% scalar. A 30th June 2019 table is provided for comparison.

Allocation of exposures (including undrawn) to IRB risk band as at 30 June 2019

PD bands up to and including:	**Exposure at default estimate**	**Average loss given default**	**Restated[4] Average risk weight**	**Restated[4] RWAs**	Exposure at default estimate	Average loss given default	Average risk weight	RWAs
	30-Jun-19	**30-Jun-19**	**30-Jun-19**	**30-Jun-19**	30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-19
	£m	**%**	**%**	**£m**	£m	%	%	£m
0.1	**30,396.6**	**14.8**	**5.3**	**1,625.5**	30,396.6	14.8	5.0	1,533.6
0.2	**8,562.1**	**19.9**	**11.8**	**1,007.4**	8,562.1	19.9	11.1	950.3
0.3	**2,211.8**	**21.2**	**18.3**	**405.5**	2,211.8	21.2	17.3	382.5
0.5	**1,375.3**	**22.0**	**24.8**	**340.9**	1,375.3	22.0	23.4	321.6
1.00	**649.2**	**22.8**	**39.6**	**257.0**	649.2	22.8	37.4	242.5
3.00	**185.4**	**23.6**	**58.9**	**109.1**	185.4	23.6	55.5	102.9
9.99	**97.9**	**15.6**	**62.9**	**61.5**	97.9	15.6	59.3	58.0
99.99	**136.0**	**17.4**	**90.8**	**123.4**	136.0	17.4	85.6	116.4
In Default	**31.4**	**17.1**	**141.4**	**44.4**	31.4	17.1	141.4	44.4
Total	**43,645.7**			**3,974.7**	43,645.7			3,752.2

Allocation of exposures (including undrawn) to IRB risk band as at 31 December 2018

PD bands up to and including:	**Exposure at default estimate**	**Average loss given default**	**Restated[4] Average risk weight**	**Restated[4] RWAs**	Exposure at default estimate	Average loss given default	Average risk weight	RWAs
	31-Dec-18	**31-Dec-18**	**31-Dec-18**	**31-Dec-18**	31-Dec-18	31-Dec-18	31-Dec-18	31-Dec-18
	£m	**%**	**%**	**£m**	£m	%	%	£m
0.1	**30,148.9**	**14.6**	**5.3**	**1,607.2**	30,148.9	14.6	5.0	1,516.2
0.2	**7,628.1**	**19.5**	**11.8**	**901.0**	7,628.1	19.5	11.1	850.0
0.3	**2,082.8**	**21.1**	**18.1**	**375.9**	2,082.8	21.1	17.0	354.6
0.5	**1,345.3**	**21.7**	**24.3**	**326.8**	1,345.3	21.7	22.9	308.3
1.00	**616.2**	**22.7**	**39.5**	**243.3**	616.2	22.7	37.2	229.5
3.00	**195.9**	**24.0**	**59.8**	**117.0**	195.9	24.0	56.4	110.4
9.99	**84.8**	**16.2**	**64.8**	**55.0**	84.8	16.2	61.2	51.9
99.99	**136.5**	**16.9**	**89.2**	**121.8**	136.5	16.9	84.2	114.9
In Default	**35.9**	**18.0**	**157.5**	**56.6**	35.9	18.0	157.5	56.6
Total	**42,274.4**			**3,804.6**	42,274.4			3,592.4

[4] Includes the impact of the 6% scalar applied to risk weighted assets calculated using IRB models

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