COVENTRY
Building Society

Pillar 3 Disclosures

For the quarter ended 30 September 2023

Contents

1. Introduction

In this document Coventry Building Society ('the Society') has set out its Pillar 3 disclosures as at the quarter ending 30 September 2023 in accordance with the Disclosure Part of the Prudential Regulation Authority (PRA) Rulebook.

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 and overview of risk weighted exposure amounts

The following table details the Society's own funds, key capital metrics and liquidity coverage ratio as at 30 September 2023 and those metrics previously disclosed as at 30 June 2023, 31 March 2023, 31 December 2022, and 30 September 2022. In line with the PRA rulebook, profits for the period 1 July 2023 to 30 September 2023 have been excluded from all key metrics as these have not been verified.

		30 September 2023	30 June 2023	31 March 2023	31 December 2022	30 September 2022
		£m	£m	£m	£m	£m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital[1]	2,341	2,359	2,149	2,171	1,980
2	Tier 1 capital	2,756	2,774	2,564	2,586	2,395
3	Total capital	2,756	2,774	2,564	2,586	2,395
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount[2]	8,035	7,759	7,805	7,913	6,680
	Capital ratios					
5	Common Equity Tier 1 ratio (%)	29.1%	30.4%	27.5%	27.4%	29.6%
6	Tier 1 ratio (%)	34.3%	35.8%	32.9%	32.7%	35.9%
7	Total capital ratio (%)	34.3%	35.8%	32.9%	32.7%	35.9%
	Additional own funds requirements based on SREP					
UK 7a	Additional CET1 SREP requirements (%)	1.5%	1.5%	1.5%	1.5%	1.6%
UK 7b	Additional AT1 SREP requirements (%)	0.5%	0.5%	0.5%	0.5%	0.5%
UK 7c	Additional T2 SREP requirements (%)	0.7%	0.7%	0.7%	0.7%	0.7%
UK 7d	Total SREP own funds requirements (%)	10.7%	10.7%	10.7%	10.7%	10.8%
	Combined buffer requirement					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Institution specific countercyclical capital buffer (%)	2.0%	1.0%	1.0%	1.0%	-
11	Combined buffer requirement (%)	4.5%	3.5%	3.5%	3.5%	2.5%
UK 11a	Overall capital requirements (%)	15.2%	14.2%	14.2%	14.2%	13.3%
12	CET1 available after meeting the total SREP own funds requirements (%)	18.4%	19.7%	16.8%	16.7%	18.8%
	Leverage ratio					
13	Leverage ratio total exposure measure[3]	52,735	50,404	50,544	49,669	48,128
14	Leverage ratio	5.2%	5.5%	5.1%	5.2%	5.0%
	Liquidity coverage ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	9,604	9,090	8,233	7,609	7,512
UK 16a	Cash outflows - Total weighted value	4,012	3,890	3,805	3,677	3,708
UK 16b	Cash inflows - Total weighted value	253	217	207	222	215
16	Total net cash outflows (adjusted value)	3,759	3,673	3,598	3,455	3,493
17	Liquidity coverage ratio (%)[4]	256.6%	248.2%	229.0%	221.0%	216.1%
	Net stable funding ratio					
18	Total available stable funding	54,249	53,476	52,520	51,345	50,858
19	Total required stable funding	37,500	37,375	37,192	36,677	36,520
20	NSFR ratio (%)[5]	144.7%	143.1%	141.2%	140.0%	139.3%

Table 1 Template UK KM1 – Key metrics template

[1] Available own funds as at 30 September 2023, 31 March 2023, and 30 September 2022 do not include unverified profits. Profits were verified as at 30 June 2023 and 31 December 2022 and are therefore included in these periods.
[2] This amount includes the impacts of the Post Model Adjustments (PMAs).
[3] The UK leverage ratio includes a restriction on the amount of Additional Tier 1 capital and excludes claims on the central bank with a maturity of no longer than three months from the calculation of leverage exposures, in line with the UK Leverage Regime.
[4] The liquidity coverage ratio is calculated as a 12-month average.
[5] The net stable funding ratio is calculated as an average of the current and preceding quarters.

Note that the capital values presented here for risk-based calculations are on a transitional basis whereas the Society's interim Financial Statements are presented on an end-point basis. Leverage ratio calculations are shown both here and, in the Society's, interim Financial Statements on an end-point basis.

The Society's capital position remains robust with a Common Equity Tier 1 (CET1) ratio of 29.1% (30 June 2023: 30. 4%) compared to an overall capital requirement of 15.2% (30 June 2023: 14.2%).

The Society's available own funds have decreased slightly in the three months up to 30 September 2023 with Common Equity Tier 1 (CET1) capital value of £2,341m (30 June 2023: £2,359m). This is due to the exclusion of the profits for the quarter as they have not been verified by the Society's auditors and the deduction of the coupon on the Society's AT1 instrument, which was agreed in the quarter.

The risk weighted exposure amount (RWEA) has increased in the quarter to £8,035m (30 June 2023: £7,759m). Most of the change related to mortgages subject to the IRB approach and was largely due to the impact of net new business and house price falls in the period.

The Society is not currently bound by regulatory leverage ratios but expects leverage will be its binding constraint in the future. The Society's leverage ratio decreased to 5.2% (30 June 2023: 5.5%). The reduction was due to Tier 1 capital having reduced slightly due to unverified profits being excluded whilst the leverage exposure measure increased due to an increase in mortgage balances and the management of collateral related to Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME).

The Society's liquidity position remains strong as at 30 September 2023 with a 12-month average liquidity coverage ratio of 256.6% (30 June 2023: 248.2%). The liquidity coverage ratio has risen due to an absolute increase in the volume of HQLA.

The table below details risk weighted exposure amounts (RWEAs) and the respective own funds requirements as at 30 September 2023, and the RWEAs previously disclosed as at 30 June 2023. Own funds requirements are calculated as 8% of the RWEAs.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		30 September 2023	30 June 2023	30 September 2023
		£m	£m	£m
1	Credit risk (excluding CCR)	7,193	6,911	575
2	Of which the standardised approach	174	193	14
3	Of which the foundation IRB (FIRB) approach	83	66	7
5	Of which the advanced IRB (AIRB) approach	6,936	6,651	554
6	Counterparty credit risk - CCR	59	67	5
7	Of which the standardised approach	15	17	1
UK 8a	Of which exposures to a CCP	3	4	-
UK 8b	Of which credit valuation adjustment – CVA	34	39	3
9	Of which other CCR	7	7	1
16	Securitisation exposures in the non-trading book (after the cap)	16	14	1
18	Of which SEC-ERBA (including IAA)	16	14	1
23	Operational risk	767	767	61
UK 23b	Of which standardised approach	767	767	61
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) [6]	12	12	1
29	**Total**	**8,035**	**7,759**	**642**

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

[6] Row 24 is for information only and the value is excluded from the total in row 29.

3. 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. Following guidance from the PRA this flow statement includes the post model adjustment applied to both our loss given default and probability of default models.

		Risk weighted exposure amount
		£m
1	**Risk weighted exposure amount as at the end of the previous reporting period**	6,651
2	Asset size (+/-)	185
3	Asset quality (+/-)	169
8	Other (+/-)	(69)
9	**Risk weighted exposure amount as at the end of the reporting period**	6,936

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

Movements in asset size and asset quality are calculated using the Society's current IRB models. The impact of net new business in the quarter is shown in the asset size row. Decreases in the UK House Prices Index (HPI) have resulted in an increase in the RWEAs, which is shown in the asset quality row.

4. Quantitative information of liquidity coverage ratio

The liquidity coverage ratio (LCR) is designed to ensure that institutions hold a sufficient reserve of high-quality liquid assets (HQLA) to allow them to survive a period of significant liquidity stress lasting 30 calendar days. The template below provides details of the calculation of Coventry Building Society's LCR.

		Total unweighted value (average) £m				Total weighted value (average) £m			
UK 1a	Quarter ending on (DD Month YYY)	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22
UK 1b	Number of data points	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					9,604	9,090	8,233	7,609
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which[7]:	44,513	43,098	41,760	40,760	2,100	2,128	2,228	2,286
3	*Stable deposits*	18,131	18,551	18,449	18,699	907	928	922	935
4	*Less stable deposits*	9,558	9,700	10,466	10,866	1,193	1,200	1,306	1,351
5	Unsecured wholesale funding	215	205	205	228	172	157	152	166
7	*Non-operational deposits (all counterparties)*	140	133	133	154	96	85	80	92
8	*Unsecured debt*	75	72	72	74	76	72	72	74
9	*Secured wholesale funding*					3	18	36	61
10	Additional requirements	1,043	870	673	464	1,043	870	673	464
11	*Outflows related to derivative exposures and other collateral requirements*	1,014	841	657	451	1,014	841	657	451
12	*Outflows related to loss of funding on debt products*	29	29	16	13	29	29	16	13
14	Other contractual funding obligations	33	31	32	34	10	8	10	11
15	Other contingent funding obligations	3,058	3,120	3,036	2,913	684	709	706	689
16	TOTAL CASH OUTFLOWS					4,012	3,890	3,805	3,677
SH – INFLOWS									
17	Secured lending (e.g. reverse repos)	192	194	130	58	-	-	-	-
18	Inflows from fully performing exposures	270	261	258	274	211	202	198	216
19	Other cash inflows	42	16	9	6	42	15	9	6
20	TOTAL CASH INFLOWS	504	471	397	338	253	217	207	222
UK-20c	*Inflows subject to 75% cap*	504	471	397	338	253	217	207	222
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					9,604	9,090	8,233	7,609
22	TOTAL NET CASH OUTFLOWS					3,759	3,673	3,598	3,455
23	LIQUIDITY COVERAGE RATIO					256.6%	248.2%	229.0%	221.0%

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

[7] Note that row 2 does not equal the sum of rows 3 and 4 as deposits exempted from the calculation of outflows and deposits where the payout has been agreed within the following 30 days do not form part of the breakdown in the pillar 3 LIQ1 reporting template above.

5. 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.

6. 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

Abbreviation	Full Name	Description
AIRB	Advanced Internal Ratings Based	An approach to determining the capital requirement for a given exposure that allows institutions that have received supervisory approval to rely on their own internal estimates of risk components.
CCP	Central Counterparty Clearing House	Institutions that take on counterparty credit risk between parties to a transaction and provide clearing and settlement services for trades in foreign exchange, securities, options, and derivative contracts.
CCR	Counterparty Credit Risk	The risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.
CET1	Common Equity Tier 1	Common Equity Tier 1 capital (CET1) is the highest quality of regulatory capital, as it absorbs losses immediately when they occur.
CRR	Capital Requirements Regulation	The Capital Requirements Regulations 2013 (Statutory Instrument 2013/3115).
CVA	Credit Valuation Adjustment	Credit Valuation Adjustment reflects the adjustment of default risk-free prices of derivatives and securities financing transactions (SFTs) due to a potential default of the counterparty.
ERBA	External Ratings Based Approach	An approach to calculate capital requirements for securitisation exposures that are externally rated or for which an inferred rating is available.
FIRB	Foundation Internal Ratings Based	An approach to determining the capital requirement for a given exposure that allows institutions that have received supervisory approval to rely on their own internal estimates of risk of default of the obligor but estimates of additional risk. factors are derived through the application of standardised supervisory rules.
HQLA	High Quality Liquid Assets	Assets are considered to be HQLA if they can be easily converted into cash at little or no loss of value within a reasonably short space of time.
IAA	Internal Assessment Approach	An approach to calculate capital requirements for securitisation exposures in which an institution may use its internal assessments of the credit quality of its securitisation exposures.
PMA	Post Model Adjustment	Adjustments applied when the Society considers that a modelled output is not sufficiently accurate or complete due to there being potential for additional risks that have not been identified or that cannot be adequately modelled.
RWEA	Risk Weighted Exposure Amount	The amount of the exposure value multiplied by the risk weight associated with the exposure.
SFT	Securities financing transaction	Securities financing transactions allow institutions to use assets, such as the shares or bonds they own, to secure funding for their activities.
SREP	Supervisory Review and Evaluation Process	The supervisory review and evaluation process that the FCA conducts on the risks faced by firms and if firms are well equipped to manage them properly.
TFSME	Term Funding Scheme with additional incentives for small and medium-sized enterprises	Term Funding Scheme is a form of government lending to offer four-year funding at or very close to Bank Rate. Additional funding will be available for banks that increase lending, especially to small and medium-sized enterprises (SMEs).

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