



Pillar 3 Disclosures

For the half-year ending
30 June 2023



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1. Introduction

In this document Coventry Building Society ('the Society') has set out its Pillar 3 disclosures for the half year ending 30 June 2023 in accordance with the Disclosure Part of the Prudential Regulation Authority (PRA) Rulebook. This includes revised disclosure requirements applicable 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 and semi-annual 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 June 2023 and those metrics previously disclosed as at 31 March 2023, 31 December 2022, 30 September 2022, and 30 June 2022. Profits for the period 1 January 2023 to 30 June 2023 have been verified and included in all key metrics as at 30 June 2023 in line with the PRA rulebook.

		30 June 2023	31 March 2023	31 December 2022	30 September 2022	30 June 2022
		£m	£m	£m	£m	£m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital ¹	2,359	2,149	2,171	1,980	2,002
2	Tier 1 capital	2,774	2,564	2,586	2,395	2,417
3	Total capital	2,774	2,564	2,586	2,395	2,417
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount ²	7,758	7,805	7,913	6,680	6,682
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	30.4%	27.5%	27.4%	29.6%	30.0%
6	Tier 1 ratio (%)	35.8%	32.9%	32.7%	35.9%	36.2%
7	Total capital ratio (%)	35.8%	32.9%	32.7%	35.9%	36.2%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	1.5%	1.5%	1.5%	1.6%	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%	10.8%	10.8%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Institution specific countercyclical capital buffer (%)	1.0%	1.0%	1.0%	-	-
11	Combined buffer requirement (%)	3.5%	3.5%	3.5%	2.5%	2.5%
UK 11a	Overall capital requirements (%)	14.2%	14.2%	14.2%	13.3%	13.3%
12	CET1 available after meeting the total SREP own funds requirements (%)	19.7%	16.8%	16.7%	18.8%	19.2%
	Leverage ratio					
13	Leverage ratio total exposure measure ³	50,404	50,544	49,669	48,128	48,306
14	Leverage ratio	5.5%	5.1%	5.2%	5.0%	5.0%
	Liquidity coverage ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	9,090	8,233	7,609	7,512	7,150
UK 16a	Cash outflows - Total weighted value	3,890	3,805	3,677	3,708	3,811
UK 16b	Cash inflows - Total weighted value	217	207	222	215	216
16	Total net cash outflows (adjusted value)	3,673	3,598	3,455	3,493	3,595
17	Liquidity coverage ratio (%) ⁴	248.2%	229.0%	221.0%	216.1%	200.2%

Table 1 Template UK KM1 – Key metrics template

¹ Available own funds as at 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.

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 30.4% (31 March 2023: 27.5% and 31 December 2022: 27.4%) compared to an overall capital requirement of 14.2% (31 March 2023: 14.2% and 31 December 2022: 14.2%).

The Society's available own funds have increased as at 30 June 2023. This largely relates to the inclusion of profits for the half year, which have been verified by the Society's auditors.

The risk weighted exposure amount (RWEA) has decreased slightly (June 2023: £7,758m, March 2023: £7,805m and December 2022: £7,913m). RWEAs include an additional amount held for regulatory changes that are currently not reflected in the IRB models. The Society has submitted updated models to the PRA but has yet to receive approval for changes to its calculation of RWEAs. The reduction in RWEAs in the quarter is the result of business-as-usual changes to mortgage book composition and performance, together with a reduction in the additional RWEAs held for regulatory changes not reflected in the current models. This latter change has been made to align the adjustment with the new IRB models that were submitted to the PRA.

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 increased slightly to 5.5% (31 March 2023: 5.1% and December 2022: 5.2%) driven by the increase in capital resources in the period. The leverage ratio and corresponding leverage ratio total exposure measure excludes qualifying central bank claims in line with the UK leverage regime.

The Society's liquidity position is also strong as at 30 June 2023 with a 12-month average liquidity coverage ratio of 248.2% (31 March 2023: 229.0%, 31 December 2022: 221.0%). Note the liquidity position reported in the ARAs is not a 12-month average but is reported as at 30 June 2023. The liquidity coverage ratio has increased due to a considerable increase in liquid assets as net savings growth has outperformed net mortgage growth.

The table below details RWEAs and the respective own funds requirements as at 30 June 2023, and the RWEAs previously disclosed as at 31 March 2023. Own funds requirements are calculated as 8% of the RWEAs.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		30 June 2023	31 March 2023	30 June 2023
		£m	£m	£m
1	Credit risk (excluding CCR)	6,911	6,960	552
2	Of which the standardised approach	193	190	15
3	Of which the foundation IRB (FIRB) approach	66	73	5
5	Of which the advanced IRB (AIRB) approach	6,652	6,697	532
6	Counterparty credit risk - CCR	67	67	5
7	Of which the standardised approach	17	16	1
UK 8a	Of which exposures to a CCP	4	3	-
UK 8b	Of which credit valuation adjustment – CVA	39	41	3
9	Of which other CCR	7	7	1
16	Securitisation exposures in the non-trading book (after the cap)	14	12	1
18	Of which SEC-ERBA (including IAA)	14	12	1
23	Operational risk	767	767	61
UK 23b	Of which standardised approach	767	767	61
24	<i>Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) ⁵</i>	12	14	1
29	Total	7,759	7,806	619

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

⁵ Row 24 is for information only and the value is excluded from the total in row 29.

3. Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The Society has the same accounting and regulatory scope of consolidation so only the balance sheet as in published financial statements has been disclosed.

		Balance sheet as in published financial statements	Balance sheet as in published financial statements
		30 June 2023	30 June 2022
		£m	£m
Assets - Breakdown by asset class according to the balance sheet in the published financial statements			
1	Loans and advances to customers	48,850	46,643
2	Liquidity	11,736	8,543
3	Other	1,071	404
4	Total assets	61,657	55,590
Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements			
1	Retail savings	45,461	40,292
2	Wholesale funding	12,380	12,422
3	Subordinated liabilities and subscribed capital	57	57
4	Other	577	186
5	Total liabilities	58,475	52,957
Shareholders' Equity			
1	General reserve	2,438	2,122
2	Other equity instruments	415	415
3	Other	329	96
4	Total shareholders' equity	3,182	2,633

Table 3 Template UK CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

4. Credit Risk

4.1. Counterparty Credit Risk

The template below provides details of the calculation of RWEAs for Counterparty Credit Risk by approach used.

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		£m	£m	£m		£m	£m	£m	£m
1	SA-CCR (for derivatives)	14	45	0	1.4	108	82	82	17
4	Financial collateral comprehensive method (for SFTs)					2,171	34	34	7
6	Total					2,279	116	116	24

Table 4 Template UK CCR1 – Analysis of CCR exposure by approach

The table below provides counterparty credit risk exposures by regulatory exposure class and risk weights based on standardised valuation approach.

	Exposure classes	Risk weight											Total exposure value
		a	b	c	d	e	f	g	h	i	j	k	
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
6	Institutions	0	0	111	0	113	3	0	0	0	0	0	227
11	Total exposure value	0	0	111	0	113	3	0	0	0	0	0	227

Table 5 Template UK CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

The Society has some exposures to Central Counterparty Clearing Houses (CCPs). All the exposures are with Qualifying Central Counterparty Clearing Houses (QCCPs). The value and risk weighted value of those exposures are shown below.

		Exposure value	RWEA
		£m	£m
1	Exposures to QCCPs (total)		4
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	111	4
3	(i) OTC derivatives	111	4
7	Segregated initial margin	493	

Table 6 Template UK CCR8 – Exposures to CCPs

The template below provides details of types of collateral received and posted within the derivative and securities financing transactions (SFTs) exposure calculation.

	Collateral type	Collateral used in derivatives transactions				Collateral used in securities financing transactions (SFTs)	
		Fair value of collateral received (£m)		Fair value of collateral posted (£m)		Fair value of collateral received (£m)	Fair value of collateral posted (£m)
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash	0	2,086	370	7	4,455	1
2	Debt	0	0	123	0	257	0
5	Total	0	2,086	493	7	4,712	1

Table 7 Template UK CCR5 – Composition of collateral for CCR exposures

Credit Valuation Adjustments (CVAs) reflect the adjustment of default risk-free prices of derivatives and securities financing transactions (SFTs) due to a potential default of the counterparty. The Society uses the Standardised method to calculate CVA risk weighted exposure amounts.

		Exposure value	RWEA
		£m	£m
4	Transactions subject to the Standardised method	82	38
5	Total transactions subject to own funds requirements for CVA risk	82	38

Table 8 UK CCR2 – Transactions subject to own funds requirements for CVA risk

4.2. Countercyclical buffers

The countercyclical buffer is an additional requirement introduced by CRD IV, calculated by applying a weighted average of country countercyclical buffer rates based on the geographical distribution of relevant exposures to the overall capital requirements of the Society. The following templates disclose information relevant for the calculation of the countercyclical buffer as at 30 June 2023 in accordance with Regulation (EU) 2015/1555 on a consolidated basis.

In accordance with Regulation (EU) 1152/2014, as foreign credit exposures represent less than 2% of the Society's aggregate risk weighted exposures, all exposures have been allocated to the UK. Exposures are as defined in Regulation (EU) 2015/1555 and in particular exclude exposures to sovereigns and supranationals.

		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate	
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models		Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book				Total
Breakdown by country:		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%	
010	UK	712	49,969	0	0	132	50,813	552	1	0	553	6,909	100%	1%
020	Total	712	49,969	0	0	132	50,813	552	1	0	553	6,909	100%	

Table 9 Template UK CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

As all the Society's lending is in the UK, which at the reporting date had a 1% buffer rate, the Society has no institution specific countercyclical capital buffer requirement. Please note that in July 2023, the UK buffer rate increased to 2%.

1	Total risk exposure amount (£m)	7,758
2	Institution specific countercyclical capital buffer rate	1.0%
3	Institution specific countercyclical capital buffer requirement (£m)	78

Table 10 Template UK CCyB2 - Amount of institution-specific countercyclical capital buffer

4.3. Credit Quality

The template below provides details of the credit quality of the Society's exposures including whether an exposure is forborne, defaulted or impaired.

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne		On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
Of which defaulted	Of which impaired		£m	£m					£m
010	Loans and advances	46	47	41	41	0	(1)	92	46
070	Households	46	47	41	41	0	(1)	92	46
100	Total	46	47	41	41	0	(1)	92	46

Table 11 Template UK CQ1: Credit quality of forborne exposures

The Society has a small number of loans to non-financial corporations and these are broken down by industry below.

		Gross carrying amount			Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing	Of which defaulted				
£m	£m				£m	£m	£m
030	Manufacturing	0.2	0.2	0.2	0.2	(0.1)	0.0
090	Accommodation and food service activities	0.5	0.3	0.3	0.5	0.0	0.0
180	Arts, entertainment and recreation	0.1	0.0	0.0	0.1	0.0	0.0
190	Other services	0.4	0.3	0.3	0.4	(0.1)	0.0
200	Total	1.2	0.8	0.8	1.2	(0.2)	0.0

Table 12 Template UK CQ5: Credit quality of loans and advances to non-financial corporations by industry

4.4. Performing and non-performing exposures and related provisions

The template below provides details of the credit quality of the Society's exposures including the related provisions.

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		£m	Of which stage 1	Of which stage 2	£m	Of which stage 2	Of which stage 3	£m	Of which stage 1	Of which stage 2	£m	Of which stage 2	Of which stage 3			
			£m	£m		£m	£m		£m	£m		£m	£m		£m	£m
005	Cash balances at central banks and other demand deposits	9,267	9,267	0	0	0	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	49,305	42,926	6,379	231	6	225	(37)	(4)	(33)	(9)	0	(9)	0	48,566	223
040	<i>Credit institutions</i>	641	641	0	0	0	0	0	0	0	0	0	0	0	0	0
060	<i>Non-financial corporations</i>	0	0	0	1	1	0	0	0	0	0	0	0	0	0	1
070	<i>Of which SMEs</i>	0	0	0	1	1	0	0	0	0	0	0	0	0	0	1
080	<i>Households</i>	48,664	42,285	6,379	230	5	225	(37)	(4)	(33)	(9)	0	(9)	0	48,566	222
090	Debt securities	1,815	1,815	0	0	0	0	0	0	0	0	0	0	0	0	0
110	<i>General governments</i>	1,117	1,117	0	0	0	0	0	0	0	0	0	0	0	0	0
120	<i>Credit institutions</i>	565	565	0	0	0	0	0	0	0	0	0	0	0	0	0
130	<i>Other financial corporations</i>	133	133	0	0	0	0	0	0	0	0	0	0	0	0	0
150	Off-balance-sheet exposures	2,803	2,800	3	0	0	0	1	1	0	0	0	0		20	0
210	<i>Households</i>	2,803	2,800	3	0	0	0	1	1	0	0	0	0		20	0
220	Total	63,190	56,808	6,382	231	6	225	(36)	(3)	(33)	(9)	0	(9)	0	48,586	223

Table 13 Template UK CR1: Performing and non-performing exposures and related provisions

The maturity profile of the Society's exposures is set out in the template below.

		Net exposure value					Total
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
		£m	£m	£m	£m	£m	
1	Loans and advances	48	92	1,370	47,981	0	49,491
2	Debt securities	0	973	676	166	0	1,815
3	Total	48	1,065	2,046	48,147	0	51,306

Table 14 Template UK CR1-A: Maturity of exposures

4.5. Standardised approach

The template below shows the exposures that the Society applies the standardised approach to, by exposure class.

Exposure classes		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWEAs and RWEAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEAs	RWEAs density
		£m	£m	£m	£m	£m	%
1	Central governments or central banks	10,316	0	10,316	0	0	0.0
4	Multilateral development banks	109	0	109	0	0	0.0
6	Institutions	79	0	79	0	16	20.0
8	Retail	11	0	11	0	7	65.6
9	Secured by mortgages on immovable property	193	0	193	0	68	35.3
10	Exposures in default	14	0	14	0	14	101.0
12	Covered bonds	456	0	456	0	49	10.7
15	Equity	6	0	6	0	6	100.0
16	Other items	34	0	34	0	34	100.0
17	Total	11,218	0	11,218	0	194	1.7

Table 15 Template UK CR4 – standardised approach – Credit risk exposure and CRM effects

The template below provides details of the applicable risk weights applied to each exposure-by-exposure class under the standardised approach.

	Exposure classes	Risk weight														Total	Of which unrated	
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%			Others
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m			£m
1	Central governments or central banks	10,316	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10,316	0
4	Multilateral development banks	109	0	0	0	0	0	0	0	0	0	0	0	0	0	0	109	0
6	Institutions	0	0	0	0	79	0	0	0	0	0	0	0	0	0	0	79	0
8	Retail exposures	0	0	0	0	0	0	0	0	11	0	0	0	0	0	0	11	11
9	Exposures secured by mortgages on immovable property	0	0	0	0	0	193	0	0	0	1	0	0	0	0	0	194	194
10	Exposures in default	0	0	0	0	0	0	0	0	0	13	0	0	0	0	0	13	13
12	Covered bonds	0	0	0	423	33	0	0	0	0	0	0	0	0	0	0	456	0
15	Equity exposures	0	0	0	0	0	0	0	0	0	6	0	0	0	0	0	6	6
16	Other items	0	0	0	0	0	0	0	0	0	34	0	0	0	0	0	34	34
17	Total	10,425	0	0	423	112	193	0	0	11	54	0	0	0	0	0	11,218	258

Table 16 Template UK CR5 – standardised approach

4.6. Credit risk mitigation techniques

The Society secures its mortgage loans by collateral but applies no other credit risk mitigation techniques.

	Unsecured carrying amount	Secured carrying amount			
			Of which secured by collateral	Of which secured by financial guarantees	
					Of which secured by credit derivatives
	£m	£m	£m	£m	£m
Loans and advances	10,015	48,789	48,789	0	0
Debt securities	1,815	0	0	0	
Total	11,830	48,789	48,789	0	0
<i>Of which non-performing exposures</i>	9	223	223	0	0
<i>Of which defaulted</i>	0	214			

Table 17 Template UK CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

4.7. IRB approach

A-IRB	PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
		£m	£m	£m	£m	%		%	Years	£m	%	£m	£m
Exposure class Retail – non-SMEs - Secured by immovable property collateral													
	0.00 to <0.15	25,399	1,656	60	27,055	0.1	180,769	10.5	0	1,745	6.5	10	(4)
	0.00 to <0.10	5,452	900	33	6,352	0.1	45,283	9.1	0	306	4.8	2	0
	0.10 to <0.15	19,947	756	27	20,703	0.1	135,486	11.0	0	1,439	7.0	8	(4)
	0.15 to <0.25	90	4	0	94	0.2	1,241	5.9	0	6	6.1	0	0
	0.25 to <0.50	17,181	904	32	18,085	0.4	109,377	16.6	0	2,576	14.2	15	(16)
	0.50 to <0.75	42	0	0	42	0.7	448	6.3	0	4	10.0	0	0
	0.75 to <2.50	2,328	173	6	2,501	1.4	15,101	20.2	0	942	37.6	8	(5)
	0.75 to <1.75	2,291	172	6	2,463	1.4	14,717	20.4	0	934	37.9	8	(5)
	1.75 to <2.5	37	1	0	38	2.0	384	8.3	0	8	21.1	0	0
	2.50 to <10.00	1,065	62	2	1,127	4.5	7,071	20.2	0	780	69.2	11	(4)
	2.5 to <5	783	55	2	838	3.7	5,169	20.4	0	536	64.0	7	(3)
	5 to <10	282	7	0	289	6.9	1,902	19.6	0	244	84.4	4	(1)
	10.00 to <100.00	350	3	0	353	39.7	2,630	13.3	0	262	74.0	17	(2)
	10 to <20	140	2	0	142	15.2	968	16.9	0	139	98.2	4	(1)
	20 to <30	1	0	0	1	25.3	15	6.1	0	1	41.8	0	0
	30. to <100	209	1	0	210	56.2	1,647	11.0	0	122	58.1	13	(1)
	100.00 (Default)	201	0	0	201	100.0	1,598	7.2	0	336	167.1	4	(7)
	Subtotal (exposure class)	46,656	2,802	0	49,458	1.1	318,235	13.4	0	6,651	13.4	65	(38)
	Total (all exposures classes)	46,656	2,802	100	49,458		318,235		0	6,651	13.4	65	(38)

Table 18 Template UK CR6 – IRB approach – Credit risk exposures by exposure class and PD range

The template above analyses the credit risk exposures to which the Internal Ratings Based (IRB) approach is applied by exposure class and PD range.

		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
		£m	£m
5	Exposures under AIRB	6,651	6,651
9	Retail	6,651	6,651
9.2	<i>of which Retail – non-SMEs - Secured by immovable property collateral</i>	6,651	6,651
10	TOTAL (including FIRB exposures and AIRB exposures)	6,651	6,651

Table 19 Template UK CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

As noted above the Society secures its mortgage loans by collateral but applies no other credit risk mitigation techniques.

A-IRB		Total exposures	Credit risk Mitigation techniques										Credit risk Mitigation methods in the calculation of RWEAs		
			Funded credit Protection (FCP)							Unfunded credit Protection (UFCP)			RWEA post all CRM assigned to the obligor exposure class	RWEA with substitution effects	
			Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals	Part of exposures covered by Immovable property Collaterals	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection	Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees			Part of exposures covered by Credit Derivatives
4	Retail	49,895	0.0	243.3	243.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,651	6,651
4.2	<i>Of which Retail – Immovable property non-SMEs</i>	49,895	0.0	243.3	243.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,651	6,651
5	Total	49,895	0.0	243.3	243.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,651	6,651

Table 20 Template UK CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques

The table below summarises the movements of RWEAs for credit risk exposures under the 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	6,697
2	Asset size (+/-)	136
3	Asset quality (+/-)	(13)
8	Other (+/-)	(169)
9	Risk weighted exposure amount as at the end of the reporting period	6,651

Table 21 Template UK CR8 – RWEA flow statements of credit risk exposures under the IRB approach

4.8. Securitisation exposures

The Society has securitisation exposures both as an originator of residential mortgages and an investor in traditional STS securitisation vehicles.

	Institution acts as originator							Institution acts as sponsor				Institution acts as investor				
	Traditional				Synthetic			Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
	STS		Non-STS		of which SRT	of which SRT	of which SRT		STS	Non-STS			STS	Non-STS		
	of which SRT	of which SRT	of which SRT	of which SRT				of which SRT			of which SRT	of which SRT			of which SRT	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total exposures	1,825	0	0	0	0	0	1,825	0	0	0	0	126	6	0	132	
Retail (total)	1,825	0	0	0	0	0	1,825	0	0	0	0	126	6	0	132	
residential mortgage	1,825	0	0	0	0	0	1,825	0	0	0	0	126	6	0	132	

Table 22 Template UK-SEC1 - Securitisation exposures in the non-trading book

Exposures securitised by the institution - Institution acts as originator or as sponsor				
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
		Of which exposures in default		
		£m	£m	£m
1	Total exposures	1,825	2	0
2	Retail (total)	1,825	2	0
3	residential mortgage	1,825	2	0

Table 23 Template UK-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

5. Interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the institution's capital and earnings arising from adverse movements in interest rates that affect the institution's banking book positions. The template below shows the impacts of a number of shock scenarios to the Economic Value of Equity and the Net Interest Income measures of interest rate risk in the banking book.

		Δ EVE		Δ NII		Tier 1 capital	
Period		June 2023	December 2022	June 2023	December 2022	June 2023	December 2022
		£m	£m	£m	£m	£m	£m
010	Parallel shock up	(55)	(46)	27	71		
020	Parallel shock down	56	32	(45)	(59)		
030	Steeper shock	39	33				
040	Flattener shock	(83)	(41)				
050	Short rates shock up	(60)	(48)				
060	Short rates shock down	32	54				
070	Maximum	(83)	54	(45)	71		
080	Tier 1 capital					2,774	2,586

Table 24 Template UK IRRBB1 - Quantitative information on IRRBB

6. Leverage

The leverage ratio is a non-risk weighted financial measurement that assesses the ability of a company to meet its financial obligations.

		Leverage ratio exposures
		30 June 2023
		£m
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	58,448
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(74)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	58,374
Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	44
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	155
13	Total derivatives exposures	199
Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	262
16	Counterparty credit risk exposure for SFT assets	26
18	Total securities financing transaction exposures	288
Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	2,804
20	(Adjustments for conversion to credit equivalent amounts)	(2,236)
22	Off-balance sheet exposures	568
Capital and total exposure measure		
23	Tier 1 capital (leverage)	2,772
24	Total exposure measure including claims on central banks	59,427
UK-24a	(-) Claims on central banks excluded	(9,023)
UK-24b	Total exposure measure excluding claims on central banks	50,404
Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	5.5%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.5%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	5.5%
UK-25c	Leverage ratio including claims on central banks (%)	4.7%

Table 25 Template UK LR2 - LRCom: Leverage ratio common disclosure

7. Liquidity

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 the Society's LCR.

		Total unweighted value (average) £m				Total weighted value (average) £m			
UK 1a	Quarter ending on (DD Month YYY)	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-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)					9,090	8,233	7,609	7,512
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	43,098	41,760	40,760	40,354	2,128	2,228	2,286	2,415
3	<i>Stable deposits</i>	18,551	18,449	18,699	18,581	928	922	935	929
4	<i>Less stable deposits</i>	9,700	10,466	10,866	11,814	1,200	1,305	1,351	1,486
5	Unsecured wholesale funding	205	205	228	311	157	152	166	239
7	<i>Non-operational deposits (all counterparties)</i>	133	133	154	271	85	80	92	199
8	<i>Unsecured debt</i>	72	73	74	40	72	73	74	40
9	<i>Secured wholesale funding</i>					18	36	61	59
10	Additional requirements	870	673	464	296	870	673	464	296
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	840	657	451	251	840	657	451	251
12	<i>Outflows related to loss of funding on debt products</i>	29	16	13	45	29	16	13	45
14	Other contractual funding obligations	31	32	34	30	8	10	11	8
15	Other contingent funding obligations	3,120	3,036	2,913	2,827	711	705	688	690
16	TOTAL CASH OUTFLOWS					3,890	3,805	3,677	3,708
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)	194	130	58	39	0	0	0	0
18	Inflows from fully performing exposures	261	258	274	267	202	198	216	209
19	Other cash inflows	16	9	6	6	15	9	6	6
20	TOTAL CASH INFLOWS	471	397	338	312	217	207	222	215
UK-20c	<i>Inflows subject to 75% cap</i>	471	397	338	312	217	207	222	215
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					9,090	8,233	7,609	7,512
22	TOTAL NET CASH OUTFLOWS					3,673	3,598	3,455	3,493
23	LIQUIDITY COVERAGE RATIO					248.2%	229.0%	221.0%	216.1%

Table 26 Template UK LIQ1 - Quantitative information of liquidity coverage ratio

The template below provides details of the calculation of the Society's Net Stable Funding Ratio (NSFR).

		30 June 2023				
		Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to < 1yr	≥ 1yr	
		£m	£m	£m	£m	£m
Available stable funding (ASF) Items						
1	Capital items and instruments	2,537	0	0	0	2,537
2	<i>Own funds</i>	2,537	0	0	0	2,537
4	Retail deposits		38,933	1,966	2,541	40,846
5	<i>Stable deposits</i>		27,943	1,966	2,541	30,955
6	<i>Less stable deposits</i>		10,990	0	0	9,891
7	Wholesale funding:		2,020	1,791	9,058	10,022
9	<i>Other wholesale funding</i>		2,020	1,791	9,058	10,022
11	Other liabilities:	1	183	20	61	72
12	<i>NSFR derivative liabilities</i>	1				
13	<i>All other liabilities and capital instruments not included in the above categories</i>		183	20	61	72
14	Total available stable funding (ASF)					53,476
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					393
UK-15a	Assets encumbered for more than 12m in cover pool		31	24	1,326	1,174
16	Deposits held at other financial institutions for operational purposes		10	0	0	5
17	Performing loans and securities:		742	465	45,218	34,385
18	<i>Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut</i>		144	0	0	0
19	<i>Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions</i>		37	0	0	4
22	<i>Performing residential mortgages, of which:</i>		561	465	45,213	34,376
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		515	428	42,472	32,005
24	<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		0	0	6	5
26	Other assets:		20	0	1,319	1,261
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		0	0	92	403
29	<i>NSFR derivative assets</i>		13			13
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		7			0
31	<i>All other assets not included in the above categories</i>		0	0	845	1,014
32	Off-balance sheet items		3,148	0	0	157
33	Total RSF					37,375
34	Net Stable Funding Ratio (%)					143.1%

Table 27 Template UK LIQ2 - Net Stable Funding Ratio

8. 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.

9. 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.
CCF	Credit Conversion Factor	The Credit Conversion Factor converts an off-balance sheet exposure to its credit exposure equivalent.
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.
CCyB	Counter Cyclical Buffer	The countercyclical capital buffer (CCyB) is setting aside capital resources to counter procyclicality in the financial system. An increase in cyclical systemic risk requires institutions to accumulate capital to create buffers that strengthen the resilience of the banking sector during periods of stress when losses materialise.
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.
CRM	Credit Risk Mitigation	Credit risk mitigation is the attempt by lenders, through the application of various safeguards or processes, to minimize the risk of losing all of their original investment due to borrowers defaulting on their interest and principal payments.
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
EVE	Economic Value of Equity	The economic value of equity is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. Unlike earnings at risk and value at risk (VAR), an institution uses the economic value of equity to manage its assets and liabilities. It is a long-term economic measure used to assess the degree of interest rate risk exposure—as opposed to net-interest income (NII), which reflects short-term interest rate risk.
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.
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
NII	Net Interest Income	Net interest income is a financial performance measure that reflects the difference between the income from an institution's interest-bearing assets and the expenses associated with paying on its interest-bearing liabilities. It reflects short-term interest rate risk.
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.
QCCP	Qualifying Central Counterparty	A qualifying central counterparty (QCCP) is an entity that is licensed to operate as a CCP and is permitted by the regulator to operate as such with respect to the products offered.
RWEA	Risk Weighted Exposure Amount	The amount of the exposure value multiplied by the risk weight associated with the exposure.
SA-CCR	Standardised Approach to Counterparty Credit Risk	The Standardised Approach for Counterparty Credit Risk is a method applied to over-the-counter (OTC) derivatives, exchange-traded derivatives and long settlement transactions to calculate their capital requirement.
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.
SRT	Significant risk transfer	Term that indicates securitisation has been used as an effective credit risk transfer tool
STS	Simple, transparent, and standardised	Securitisations can be designated as simple, transparent, and standardised (STS) where they meet certain criteria.
TCR	Total Capital Requirement	The amount and quality of capital a firm must maintain to comply with the Capital Requirements Regulation (575/2013) (CRR) (Pillar 1) and the Pillar 2A capital requirement.

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

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