COVENTRY
Building Society

Pillar 3 Disclosures

For the half year ended 30 June 2024

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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 2024 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 key capital and liquidity metrics as at 30 June 2024 and those metrics previously disclosed as at 31 March 2024, 31 December 2023, 30 September 2023, and 30 June 2023. Profits for the period 1 January 2024 to 30 June 2024 have been verified and included in all key metrics in line with the PRA rulebook.

		30 June 2024	31 March 2024	31 December 2023	30 September 2023	30 June 2023
		£m	£m	£m	£m	£m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET 1) capital[1]	2,532	2,457	2,478	2,341	2,359
2	Tier 1 capital	3,224	2,872	2,893	2,756	2,774
3	Total capital	3,224	2,872	2,893	2,756	2,774
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount[2]	8,759	8,597	8,501	8,035	7,758
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	28.9 %	28.6 %	29.1 %	29.1 %	30.4 %
6	Tier 1 ratio (%)	36.8 %	33.4 %	34.0 %	34.3 %	35.8 %
7	Total capital ratio (%)	36.8 %	33.4 %	34.0 %	34.3 %	35.8 %
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET 1 SREP requirements (%)	1.5 %	1.5 %	1.5 %	1.5 %	1.5 %
UK 7b	Additional AT 1 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 (%)	10.6 %	10.6 %	10.7 %	10.7 %	10.7 %
	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 (%)	2.0 %	2.0 %	2.0 %	2.0 %	1.0 %
11	Combined buffer requirements (%)	4.5 %	4.5 %	4.5 %	4.5 %	3.5 %
UK 11a	Overall capital requirements (%)	15.1 %	15.1 %	15.2 %	15.2 %	14.2 %
12	CET 1 available after meeting the total SREP own funds requirements (%)	18.3 %	17.9 %	18.5 %	18.4 %	19.7 %
	Leverage ratio					
13	Leverage ratio total exposure measure[3]	53,256	53,100	53,910	52,735	50,404
14	Leverage ratio (%)[4]	6.1 %	5.4 %	5.4 %	5.2 %	5.5 %
	Liquidity coverage ratio					
15	Total high-quality liquid assets (HQLA) (weighted value - average)	9,933	10,050	10,015	9,604	9,090
UK 16a	Cash outflows - Total weighted value	4,032	3,952	4,008	4,012	3,890
UK 16b	Cash inflows - Total weighted value	346	306	291	253	217
16	Total net cash outflows (adjusted value)	3,686	3,646	3,717	3,759	3,673
17	Liquidity coverage ratio (%)[5]	270.6 %	276.7 %	270.6 %	256.6 %	248.2 %
	Net stable funding ratio					
18	Total available stable funding	56,470	55,731	55,119	54,249	53,476
19	Total required stable funding	37,702	37,674	37,757	37,500	37,375
20	NSFR ratio (%)[6]	149.8 %	147.9 %	146.0 %	144.7 %	143.1 %

Table 1 Template UK KM1 - Key metrics template

[1] Available own funds as at 31 March 2024 and 30 September 2023, do not include unverified profits. Profits were verified as at 30 June 2024 and 31 December 2023 and 30 June 2023 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 leverage ratio of 5.6% reported in the Interim Financial Report is on a basis that restricts Additional Tier 1 capital to one quarter of the Tier 1 capital required to meet the 3.25% minimum. This restriction is not applied to the 6.1% used for regulatory reporting.
[5] The liquidity coverage ratio is calculated as a 12 month average.
[6] The net stable funding ratio is calculated as an average of the current and preceding three quarters.

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

The Society's capital position remains robust with a Common Equity Tier 1 (CET 1) ratio of 28.9% (31 March 2024: 28.6% and 31 December 2023: 29.1%) compared to an overall capital requirement of 15.1% (31 March 2024: 15.1% and 31 December 2023: 15.2%).

The Society's available own funds have increased as at 30 June 2024 with Common Equity Tier 1 (CET 1) capital value of £2,532m (31 March 2024: £2,457m and 31 December 2023: £2,478m) The increase in CET 1 largely relates to the inclusion of profits for the half year, which have been verified by the Society's auditors.

In June 2024, the Society completed a new £665 million issuance of Additional Tier 1 (AT1) capital. This instrument has a first call date in 2029. At the same time, a tender for the existing 2019 AT1 instruments was made, resulting in the repurchase of £388 million of the £415 million existing AT1 capital balance. Therefore, the total AT1 Other Equity balance at 30 June 2024 is £692 million (31 December 2023: £415 million).

The risk weighted exposure amount (RWEA) has increased to £8,759m as at 30 June 2024 (31 March 2024: £8,597m and 31 December 2023: £8,501m). RWEAs include an additional amount held for regulatory changes that are not reflected in in the current IRB models. The additional amount was calculated on the basis of updated models that the Society has submitted to the PRA but for which it has yet to receive approval. The increase in RWEAs in the quarter is the result of business-as-usual changes to mortgage book composition and performance.

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 to 6.1% (31 March 2024: 5.4% and 31 December 2023: 5.4%) driven by the increase in retained profits. The leverage ratio and corresponding leverage ratio total exposure measure excludes qualifying central bank claims in line with the UK leverage regime. The leverage ratio of 5.6% reported in the Interim Financial Report is on a basis that restricts Additional Tier 1 capital to one quarter of the Tier 1 capital required to meet the 3.25% minimum. This restriction is not applied to the 6.1% used for regulatory reporting.

The Society's liquidity position is also strong as at 30 June 2024 with a 12 month average liquidity coverage ratio of 270.6% (31 March 2024: 276.7%, 31 December 2023: 270.6%). Note the liquidity position reported in the Interim Financial Report is not a 12 month average but is the position as at 30 June 2024. The average liquidity coverage ratio has reduced due to a decrease in high quality liquid assets.

The average Net stable funding ratio (NSFR) remains strong at 149.8% (31 March 2024: 147.9%, 31 December 2023: 146.0%) and is well above the regulatory minimum requirement of 100%.

The table below details RWEAs and the respective own funds requirements as at 30 June 2024, and the RWEAs previously disclosed as at 31 March 2024. Own funds requirements are calculated as 8% of the RWEAs.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		30 June 2024	**31 March 2024**	**30 June 2024**
		£m	£m	**£m**
1	Credit risk (excluding CCR)	7,754	7,580	621
2	Of which the standardised approach	151	165	12
3	Of which the foundation IRB (FIRB) approach	81	84	7
5	Of which the advanced IRB (AIRB) approach	7,522	7,331	602
6	Counterparty credit risk - CCR	41	50	3
7	Of which the standardised approach	9	11	1
UK 8a	Of which exposure to a CCP	3	3	—
UK 8b	Of which credit valuation adjustment - CVA	25	30	2
9	Of which other CCR	4	6	—
16	Securitisation exposures in the non-trading book (after the cap)	18	21	1
18	Of which SEC-ERBA (including IAA)	18	21	1
23	Operational risk	946	946	76
UK 23b	Of which standardised approach	946	946	76
24	*Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)*[7]	5	4	—
29	**Total**	**8,759**	**8,597**	**701**

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

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

3. Disclosure of own funds

3.1. 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 2024	30 June 2023
		£m	£m
	Assets - *Breakdown by asset class according to the Balance Sheet in the published financial statements*		
1	Loans and advances to customers	51,397	48,848
2	Liquidity	10,579	11,736
3	Other	952	1,073
4	**Total assets**	**62,928**	**61,657**
	Liabilities - *Breakdown by liabilities class according to the Balance Sheet in the published financial statements*		
1	Retails savings	48,824	45,461
2	Wholesale funding	10,004	12,381
3	Subordinated liabilities and subscribed capital	57	57
4	Other	460	576
5	Total liabilities	**59,345**	**58,475**
	Shareholders' Equity		
1	General reserve	2,662	2,438
2	Other equity instruments	692	415
3	Other	229	329
4	**Total shareholders' equity**	**3,583**	**3,182**

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

4. Disclosure of 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)	13	19		1.4	49	45	45	9
4	Financial collateral comprehensive method (for SFTs)					466	25	25	5
6	**Total**					**515**	**70**	**70**	**14**

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											
		a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
6	Institutions	–	–	67	–	70	–	–	–	–	–	–	137
11	**Total exposure value**	**–**	**–**	**67**	**–**	**70**	**–**	**–**	**–**	**–**	**–**	**–**	**137**

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)**		3
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	67	3
3	(i) OTC derivatives	67	3
7	Segregated initial margin	393	

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 used in derivatives transactions				Collateral used in securities financing transactions (SFTs)	
	Collateral type	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	–	1,131	368	7	348	3
2	Debt	–	–	25	—	94	—
5	**Total**	**–**	**1,131**	**393**	**7**	**442**	**3**

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	45	24
5	**Total transactions subject to own funds requirements for CVA risk**	45	24

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 2024 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	Total exposure value	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			Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total			
	Exposure by country:	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
10	UK	556	52,893	–	–	179	53,628	619	—	1	620	7,751	100.0	2.0
20	**Total**	**556**	**52,893**	**–**	**–**	**179**	**53,628**	**619**	**—**	**1**	**620**	**7,751**	**100.0**	

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 2% buffer rate, the Society has no institution specific countercyclical capital buffer requirement.

1	Total risk exposure amount (£m)	8,759
2	Institution specific countercyclical capital buffer rate (%)	2.0
3	Institution specific countercyclical capital buffer requirement (£m)	175

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	£m	£m	£m	£m	£m
10	Loans and advances	36	56	53	53	–	(1)	92	56
070	*Households*	36	56	53	53	–	(1)	92	56
100	**Total**	**36**	**56**	**53**	**53**	**–**	**(1)**	**92**	**56**

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				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
		£m	£m	£m	£m	£m	£m
030	Manufacturing	0.2	0.2	0.2	0.2	(0.1)	–
090	Accommodation and food service activities	0.5	0.5	0.5	0.5	–	–
190	Other services	0.1	–	–	0.1	(0.1)	–
200	**Total**	**0.8**	**0.7**	**0.7**	**0.8**	(0.2)	–

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
			Of which Stage 1	Of which Stage 2		Of which Stage 2	Of which Stage 3		Of which Stage 1	Of which Stage 2		Of which Stage 2	Of which Stage 3			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	8,735	8,735	–	–	–	–	–	–	–	–	–	–		–	–
010	Loans and advances	51,573	46,543	5,030	326	5	322	(17)	(2)	(15)	(10)	–	(10)	–	50,999	316
040	*Credit institutions*	473	473	–	–	–	–	–	–	–	–	–	–	–	–	–
060	*Non-financial corporations*	–	–	–	1	1	–	–	–	–	–	–	–	–	–	1
070	*Of which SMEs*	–	–	–	1	1	–	–	–	–	–	–	–	–	–	1
080	*Households*	51,100	46,070	5,030	325	4	322	(17)	(2)	(15)	(10)	–	(10)	–	50,999	315
090	Debt securities	1,356	1,356	–	–	–	–	–	–	–	–	–	–	–	–	–
110	*General governments*	761	761	–	–	–	–	–	–	–	–	–	–	–	–	–
120	*Credit institutions*	416	416	–	–	–	–	–	–	–	–	–	–	–	–	–
130	*Other financial corporations*	179	179	–	–	–	–	–	–	–	–	–	–	–	–	–
150	Off-balance sheet exposures	1,715	1,712	3	–	–	–	–	–	–	–	–	–		15	–
210	*Households*	1,715	1,712	3	–	–	–	–	–	–	–	–	–		15	–
220	**Total**	**63,379**	**58,346**	**5,033**	**326**	**5**	**322**	**(17)**	**(2)**	**(15)**	**(10)**	**–**	**(10)**	**–**	**51,014**	**316**

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					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
		£m	£m	£m	£m	£m	£m
1	Loans and advances	48	94	1,517	50,213	–	51,872
2	Debt securities	–	548	639	169	–	1,356
3	**Total**	**48**	**642**	**2,156**	**50,382**	**–**	**53,228**

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	9,448	–	9,448	–	5	0.1
4	Multilateral development banks	69	–	69	–	–	0.0
6	Institutions	87	–	87	–	17	20.0
8	Retail	9	–	9	–	7	75.0
9	Secured by mortgages on immovable property	179	–	179	–	65	36.3
10	Exposures in default	15	–	15	–	15	100.0
12	Covered bonds	346	–	346	–	35	10.0
15	Equity	7	–	7	–	7	100.0
16	Other items	–	–	–	–	–	0.0
17	**Total**	**10,160**	**–**	**10,160**	**–**	**151**	**1.5**

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	£m	£m
1	Central governments or central banks	9,446	–	–	–	–	–	–	–	–	–	–	2	–	–	–	9,448	–
4	Multilateral development banks	69	–	–	–	–	–	–	–	–	–	–	–	–	–	–	69	–
6	Institutions	–	–	–	–	87	–	–	–	–	–	–	–	–	–	–	87	–
8	Retail exposures	–	–	–	–	–	–	–	–	9	–	–	–	–	–	–	9	9
9	Exposures secured by mortgages on immovable property	–	–	–	–	–	174	–	–	–	5	–	–	–	–	–	179	179
10	Exposures in default	–	–	–	–	–	–	–	–	–	15	–	–	–	–	–	15	15
12	Covered bonds	–	–	–	346	–	–	–	–	–	–	–	–	–	–	–	346	–
15	Equity exposures	–	–	–	–	–	–	–	–	–	7	–	–	–	–	–	7	7
16	Other items	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
17	**Total**	**9,515**	**–**	**–**	**346**	**87**	**174**	**–**	**–**	**9**	**27**	**–**	**2**	**–**	**–**	**–**	**10,160**	**210**

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	9,291	51,314	51,314	–	–
Debt securities	1,357	–	–	–	
Total	**10,648**	**51,314**	**51,314**	**–**	**–**
Of which non-performing exposures	10	315	315	–	–
Of which defaulted	–	308			

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	26,759	749	44	27,508	0.1	177,361	10.6	–	1,747	6.4	9	(1)
	0.00 to <0.10	5,515	323	19	5,838	0.1	41,815	7.9	–	259	4.4	1	–
	0.10 to <0.15	21,244	426	25	21,670	0.1	135,546	11.3	–	1,488	6.9	8	(1)
	0.15 to 0.25	74	4	–	77	0.2	1,001	6.2	–	5	6.0	–	–
	0.25 to <0.50	18,960	672	40	19,632	0.3	113,672	17.1	–	2,823	14.4	16	(5)
	0.50 to <0.75	34	–	–	34	0.7	388	6.9	–	4	10.5	–	–
	0.75 to <2.50	2,584	190	11	2,774	1.4	16,025	20.8	–	1,065	38.4	9	(2)
	0.75 to <1.75	2,555	189	11	2,744	1.4	15,727	20.9	–	1,060	38.6	9	(2)
	1.75 to <2.50	29	–	–	29	2.0	298	7.5	–	5	17.0	–	–
	2.50 to <10.00	1,374	95	6	1,469	4.6	8,663	20.8	–	1,048	71.4	14	(2)
	3.50 to <5.00	999	82	5	1,081	3.7	6,330	21.1	–	715	66.1	9	(1)
	5.00 to < 10.00	375	13	1	388	7.0	2,333	19.9	–	333	85.9	6	(1)
	10.00 to <100.00	462	6	–	468	39.0	3,172	14.7	–	380	81.0	24	(1)
	10.00 to <20.00	181	4	–	184	14.9	1,155	17.9	–	190	103.3	5	–
	20.00 to <30.00	1	–	–	1	25.3	19	6.6	–	1	44.4	–	–
	30.00 to <100.00	280	2	–	283	54.8	1,998	12.5	–	189	66.8	19	(1)
	100.00 (Default)	301	–	–	301	100.0	2,011	8.1	–	450	149.3	6	(9)
Subtotal (exposure class)		50,548	1,716	101	52,264	132.2	322,293	13.9	–	7,522	14.4	78	(20)
Total (all exposure classes)		**50,548**	**1,716**	**101**	**52,264**		**322,293**		**–**	**7,522**	**14.4**	**78**	**(20)**

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	7,522	7,522
9	Retail	7,522	7,522
9.2	*of which Retail - non SMEs - Secured by immovable property collateral*	7,522	7,522
10	**Total (including FIRB exposure and AIRB exposures)**	**7,522**	**7,522**

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 exposure covered by Financial collaterals	Part of exposures covered by Other eligible collaterals	Part of exposures covered by Immovable property collateral	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		
		£m	%	%	%	%	%	%	%	%	%	%	%	£m	£m
4	Retail	52,797	–	233.5	233.5	–	–	–	–	–	–	–	–	–	7,522
4.2	*Of which Retail - immovable property non-SMEs*	52,797	–	233.5	233.5	–	–	–	–	–	–	–	–	–	7,522
5	**Total**	**52,797**	**–**	**233.5**	**233.5**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,522**

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	7,331
2	Asset size (+ / -)	289
3	Asset quality (+ / -)	(65)
8	Other (+ / -)	(33)
9	**Risk weighted exposure amount as at the end of the reporting period**	**7,522**

Table 21 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.

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		STS	Non-STS			STS	Non-STS		
		of which SRT		of which SRT											
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total exposure	2,605	–	–	–	–	–	2,605	–	–	–	–	179	–	–	179
Retail (total)	2,605	–	–	–	–	–	2,605	–	–	–	–	179	–	–	179
Residential Mortgage	2,605	–	–	–	–	–	2,605	–	–	–	–	179	–	–	179

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	2,605	5	–
2	Retail (total)	2,605	5	–
3	Residential mortgage	2,605	5	–

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

5. Disclosure on 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 (EVE) and the Net Interest Income (NII) measures of interest rate risk in the banking book.

		△EVE		△NII		Tier 1 capital	
	Period	**June 2024**	**December 2023**	**June 2024**	**December 2023**	**June 2024**	**December 2023**
		£m	**£m**	**£m**	**£m**	**£m**	**£m**
010	Parallel shock up	(57)	(54)	107	74		
020	Parallel shock down	36	25	(109)	(88)		
030	Steepener shock	28	29				
040	Flattener shock	(35)	(35)				
050	Short rates shock up	(51)	(49)				
060	Short rates shock down	48	45				
070	**Maximum**	(57)	(54)	(109)	(88)		
080	**Tier 1 capital**					3,224	2,893

Table 24 Template UK IRRBB1 - Quantitative information on IRRBB

6. Disclosure of the leverage ratio

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 2024
		£m
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	61,395
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(1)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(111)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	61,283
Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	19
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	130
13	**Total derivatives exposures**	149
Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	95
16	Counterparty credit risk exposure for SFT assets	23
18	**Total securities financing transaction exposures**	118
Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	1,716
20	(Adjustments for conversion to credit equivalent amounts)	(1,367)
22	**Off-balance sheet exposures**	349
Capital and total exposure measure		
23	**Tier 1 capital (leverage)**	3,223
24	Total exposure measure including claims on central banks	61,900
UK-24a	(-) Claims on central banks excluded	(8,643)
UK-24b	**Total exposure measure excluding claims on central banks**	53,257
Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	6.1%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	6.1%
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 (%)	6.1%
UK-25c	Leverage ratio including claims on central banks (%)	5.2%

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

7. Disclosure of liquidity requirements

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 liquidity coverage ratio is calculated as a 12 month average.

		Total unweighted value (average) £m				Total weighted value (average) £m			
UK 1a	Quarter ending on (DD Month YYY)	June 2024	March 2024	December 2023	September 2023	June 2024	March 2024	December 2023	September 2023
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)					9,933	10,050	10,015	9,604
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	47,908	47,021	45,957	44,513	2,185	2,050	2,088	2,100
3	*Stable deposits*	17,975	17,988	18,066	18,131	899	899	903	907
4	*Less stable deposits*	9,568	9,078	9,372	9,558	1,286	1,151	1,185	1,193
5	Unsecured wholesale funding	162	157	173	215	142	134	139	172
7	*Non-operational deposits (all counterparties)*	119	115	131	140	99	92	97	96
8	*Unsecured debt*	43	42	42	75	43	42	42	76
9	Secured wholesale funding					20	21	1	3
10	Additional requirements	1,117	1,126	1,130	1,043	1,117	1,126	1,130	1,043
11	*Outflows related to derivative exposures and other collateral requirements*	1,011	1,011	1,014	1,014	1,011	1,011	1,014	1,014
12	*Outflows related to loss of funding on debt products*	106	115	116	29	106	115	116	29
14	Other contractual funding obligations	30	33	33	33	5	9	9	10
15	Other contingent funding obligations	2,685	2,870	2,942	3,058	563	612	641	684
16	TOTAL CASH OUTFLOWS					4,032	3,952	4,008	4,012
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	75	121	173	192	—	—	—	—
18	Inflows from fully performing exposures	335	289	273	270	278	232	215	211
19	Other cash inflows	69	74	77	42	68	74	76	42
20	TOTAL CASH INFLOWS	479	484	523	504	346	306	291	253
UK-20C	*Inflows subject to 75% cap*	479	484	523	504	346	306	291	253
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					9,933	10,050	10,015	9,604
22	TOTAL NET CASH OUTFLOWS					3,686	3,646	3,717	3,759
23	LIQUIDITY COVERAGE RATIO					270.6 %	276.7 %	270.6 %	256.6 %

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). The NSFR is calculated as an average of the the current and preceding three quarters.

		30 June 2024				
		Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1 year	≥1 year	
		£m	£m	£m	£m	£m
Available stable funding (ASF) items						
1	Capital items and instruments	2,894	7	–	–	2,894
2	*Own funds*	2,894	7	–	–	2,894
4	Retail deposits		42,686	2,944	2,369	45,254
5	*Stable deposits*		33,407	2,944	2,369	36,903
6	*Less stable deposits*		9,279	–	–	8,351
7	Wholesale funding		1,276	1,425	7,471	8,199
9	*Other wholesale funding*	–	1,276	1,425	7,471	8,199
11	Other liabilities	–	207	9	118	123
12	*NSFR derivative liabilities*	–				
13	*All other liabilities and capital instruments not included in the above categories*		207	9	118	123
14	**Total available stable funding (ASF)**					**56,470**
Required stable funding (RSF) items						
15	Total high-quality liquid assets (HQLA)					621
UK-15a	Assets encumbered for more than 12m on cover pool		119	96	7,189	6,294
16	Deposits held at other financial institutions for operational purposes		–	–	–	–
17	Performing loans and securities		749	381	41,712	29,187
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		258	–	–	–
19	*Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions*		35	–	–	4
22	*Performing residential mortgages, of which:*		457	381	41,712	29,183
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		398	333	37,698	25,718
26	Other assets		14	–	1,531	1,471
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		–	–	443	377
29	*NSFR derivative assets*		6			6
30	*NSFR derivative liabilities before deduction of variation margin posted*		7			–
31	*All other assets not included in the above categories*		–	–	1,088	1,088
32	Off-balance sheet items		2,593	–	–	129
33	**Total required stable funding (RSF)**					**37,702**
34	**Net Stable Funding Ratio (%)**					**149.8 %**

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.
CET 1	Common Equity Tier 1	Common Equity Tier 1 capital (CET 1) 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.
EEPE	Effective Expected Positive Exposure	Effective Expected Positive Exposure (EEPE) is the weighted average over time of the effective expected exposure over the first year, or, if all the contracts in the netting set mature before one year, over the time period of the longest-maturity contract in the netting set where the weights are the proportion that an individual expected exposure represents of the entire time interval.
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.

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