COVENTRY
Building Society

Pillar 3 Disclosures

For the quarter ended 30 September 2024

Contents

1. Introduction

In this document Coventry Building Society (‘the Society’) has set out its Pillar 3 disclosures for the quarter ending 30 September 2024 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 key capital and liquidity metrics as at 30 September 2024 and those metrics previously disclosed as at 30 June 2024, 31 March 2024, 31 December 2023, and 30 September 2023. Profits for the period 1 July 2024 to 30 September 2024 have been excluded from all key metrics as these have not been verified.

		30 September 2024	30 June 2024	31 March 2024	31 December 2023	30 September 2023
		£m	£m	£m	£m	£m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET 1) capital[1]	2,530	2,532	2,457	2,478	2,341
2	Tier 1 capital	3,195	3,224	2,872	2,893	2,756
3	Total capital	3,235	3,224	2,872	2,893	2,756
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount[2]	8,917	8,759	8,597	8,501	8,035
	Capital ratios					
5	Common Equity Tier 1 ratio (%)	28.4 %	28.9 %	28.6 %	29.1 %	29.1 %
6	Tier 1 ratio (%)	35.8 %	36.8 %	33.4 %	34.0 %	34.3 %
7	Total capital ratio (%)	36.3 %	36.8 %	33.4 %	34.0 %	34.3 %
	Additional own funds requirements - SREP					
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 %	10.6 %	10.7 %	10.7 %
	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 %	2.0 %	2.0 %	2.0 %	2.0 %
11	Combined buffer requirements (%)	4.5 %	4.5 %	4.5 %	4.5 %	4.5 %
UK 11a	Overall capital requirements (%)	15.1 %	15.1 %	15.1 %	15.2 %	15.2 %
12	CET 1 available after meeting the total SREP own funds requirements (%)	17.7 %	18.3 %	17.9 %	18.5 %	18.4 %
	Leverage ratio					
13	Leverage ratio total exposure measure[3]	53,223	53,256	53,100	53,910	52,735
14	Leverage ratio (%)	6.0 %	6.1 %	5.4 %	5.4 %	5.2 %
	Liquidity coverage ratio					
15	Total high-quality liquid assets (HQLA) (weighted value - average)	9,865	9,933	10,050	10,015	9,604
UK 16a	Cash outflows - Total weighted value	4,126	4,032	3,952	4,008	4,012
UK 16b	Cash inflows - Total weighted value	371	346	306	291	253
16	Total net cash outflows (adjusted value)	3,755	3,686	3,646	3,717	3,759
17	Liquidity coverage ratio (%)[4]	264.7 %	270.6 %	276.7 %	270.6 %	256.6 %
	Net stable funding ratio					
18	Total available stable funding	56,802	56,470	55,731	55,119	54,249
19	Total required stable funding	37,787	37,702	37,674	37,757	37,500
20	NSFR ratio (%)[5]	150.3 %	149.8 %	147.9 %	146.0 %	144.7 %

Table 1 Template UK KM1 – Key metrics template

[1] Available own funds as at 30 September 2024, 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 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 three quarters.

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

The Society's capital position remains robust with a Common Equity Tier 1 (CET 1) ratio of 28.4% (30 June 2024: 28.9% and 31 March 2024: 28.6%) and a total capital requirement of 15.1% (30 June 2024: 15.1% and 31 March 2024: 15.1%).

The Society's available own funds remains stable as at 30 September 2024 with CET 1 capital value of £2,530m (30 June 2024: £2,532m and 31 March 2024: £2,457m). CET 1 remained broadly flat in the period despite the non inclusion of profits for the quarter.

In September 2024, the Society redeemed the remaining £27m of the 2019 AT 1 instruments. This enabled the existing £40m Permanent Interest Bearing Shares (PIBS) issuance, which was ranked pari passu with the 2019 AT 1 instruments and is no longer eligible as AT 1 capital, to be treated as Tier 2 and, hence, be included in total capital.

The risk weighted exposure amount (RWEA) has increased to £8,917m as at 30 September 2024 (30 June 2024: £8,759m and 31 March 2024: £8,597m). 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 remains stable at 6.0% (30 June 2024: 6.1% and 31 March 2024: 5.4%). 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 remains strong as at 30 September 2024 with a 12 month average Liquidity Coverage Ratio (LCR) of 264.7% (30 June 2024: 270.6%, 31 March 2024: 276.7%). The average LCR has reduced due to a decrease in high quality liquid assets and an increase in net cash outflows.

The average Net Stable Funding Ratio (NSFR) also remains strong at 150.3% (30 June 2024: 149.8%, 31 March 2024: 147.9%) and is well above the regulatory minimum requirement of 100%. The slight increase in the average NSFR is primarily driven by an increase in available stable funding.

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

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		30 September 2024	30 June 2024	30 September 2024
		£m	£m	£m
1	Credit risk (excluding CCR)	7,869	7,754	630
2	Of which the standardised approach	135	151	11
3	Of which the foundation IRB (FIRB) approach	79	81	6
5	Of which the advanced IRB (AIRB) approach	7,655	7,522	613
6	Counterparty credit risk - CCR	101	41	7
7	Of which the standardised approach	28	9	2
UK 8a	Of which exposure to a CCP	3	3	—
UK 8b	Of which credit valuation adjustment - CVA	54	25	4
9	Of which other CCR	16	4	1
16	Securitisation exposures in the non-trading book (after the cap)	1	18	—
18	Of which SEC-ERBA (including IAA)	1	18	—
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)*[6]	5	5	—
29	**Total**	**8,917**	**8,759**	**713**

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 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**	**7,522**
2	Asset size (+ / -)	209
3	Asset quality (+ / -)	1
8	Other (+ / -)	(77)
9	**Risk weighted exposure amount as at the end of the reporting period**	**7,655**

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. 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 LCR disclosed below 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)	**September 2024**	**June 2024**	**March 2024**	**December 2023**	**September 2024**	**June 2024**	**March 2024**	**December 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)					9,865	9,933	10,050	10,015
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:[7]	48,452	47,908	47,021	45,957	2,319	2,185	2,050	2,088
3	*Stable deposits*	18,100	17,975	17,988	18,066	905	899	899	903
4	*Less stable deposits*	10,053	9,568	9,078	9,372	1,414	1,286	1,151	1,185
5	Unsecured wholesale funding	102	162	157	173	85	142	134	139
7	*Non-operational deposits (all counterparties)*	96	119	116	131	79	99	92	97
8	*Unsecured debt*	6	43	42	42	6	43	42	42
9	Secured wholesale funding					20	20	21	1
10	Additional requirements	1,183	1,117	1,126	1,130	1,183	1,117	1,126	1,130
11	*Outflows from derivative exposures and other collateral requirements*	1,069	1,011	1,011	1,014	1,069	1,011	1,011	1,014
12	*Outflows from loss of funding on debt products*	114	106	115	116	114	106	115	116
14	Other contractual funding obligations	28	30	33	33	3	5	9	9
15	Other contingent funding obligations	2,519	2,685	2,870	2,942	516	563	612	641
16	TOTAL CASH OUTFLOWS					4,126	4,032	3,952	4,008
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	50	75	121	173	—	—	—	—
18	Inflows from fully performing exposures	352	335	289	273	295	278	232	215
19	Other cash inflows	76	69	74	77	76	68	74	76
20	TOTAL CASH INFLOWS	478	479	484	523	371	346	306	291
UK-20C	*Inflows subject to 75% cap*	478	479	484	523	371	346	306	291
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					9,865	9,933	10,050	10,015
22	TOTAL NET CASH OUTFLOWS					3,755	3,686	3,646	3,717
23	LIQUIDITY COVERAGE RATIO					264.7 %	270.6 %	276.7 %	270.6 %

Table 26 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.
AT1	Additional Tier 1 Capital	Additional Tier 1 (AT1) capital consists of paid-up capital instruments and their associated share premium account.
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.
IRB	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.
PIBS	Permanent Interest Bearing Shares	A type of hybrid security that exhibits features of both debt and equity. They are usually issued by building societies which cannot raise risk capital by issuing ordinary shares and offer investors a fixed or floating interest rate.
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.
PRA	Prudential Regulation Authority	The Bank of England prudentially regulates and supervises financial services firms through the Prudential Regulation Authority (PRA).
RWEA	Risk Weighted Exposure Amount	The amount of the exposure value multiplied by the risk weight associated with the exposure.
SEC-ERBA	Securitisation: External-ratings-based approach	Under the SEC-ERBA, the risk-weighted exposure amount for a securitisation position shall be calculated by multiplying the exposure value of the position as calculated in accordance with Article 248 of the CRR.
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.
T2	Tier 2 capital	Tier 2 is designated as the second or supplementary layer of an institution's capital and is composed of items such as revaluation reserves, hybrid instruments, and subordinated term debt.

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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