



Pillar 3 Disclosures

For the quarter ended
31 March 2024



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1. Introduction

In this document Coventry Building Society ('the Society') has set out its Pillar 3 disclosures as at the quarter ending 31 March 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 own funds, key capital metrics and liquidity coverage ratio as at 31 March 2024 and those metrics previously disclosed as at 31 December 2023, 30 September 2023, 30 June 2023, and 31 March 2023. In line with the PRA rulebook, profits for the period 1 January 2024 to 31 March 2024 have been excluded from all key metrics as these have not been verified.

		31 March 2024	31 December 2023	30 September 2023	30 June 2023	31 March 2023
		£m	£m	£m	£m	£m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital ¹	2,457	2,478	2,341	2,359	2,149
2	Tier 1 capital	2,872	2,893	2,756	2,774	2,564
3	Total capital	2,872	2,893	2,756	2,774	2,564
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount ²	8,597	8,501	8,035	7,759	7,805
	Capital ratios					
5	Common Equity Tier 1 ratio (%)	28.6%	29.1%	29.1%	30.4%	27.5%
6	Tier 1 ratio (%)	33.4%	34.0%	34.3%	35.8%	32.9%
7	Total capital ratio (%)	33.4%	34.0%	34.3%	35.8%	32.9%
	Additional own funds requirements based on SREP					
UK 7a	Additional CET1 SREP requirements (%)	1.5%	1.5%	1.5%	1.5%	1.5%
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 (%)	10.6%	10.7%	10.7%	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%	1.0%	1.0%
11	Combined buffer requirement (%)	4.5%	4.5%	4.5%	3.5%	3.5%
UK 11a	Overall capital requirements (%)	15.1%	15.2%	15.2%	14.2%	14.2%
12	CET1 available after meeting the total SREP own funds requirements (%)	17.9%	18.5%	18.4%	19.7%	16.8%
	Leverage ratio					
13	Leverage ratio total exposure measure ³	53,100	53,910	52,735	50,404	50,544
14	Leverage ratio	5.4%	5.4%	5.2%	5.5%	5.1%
	Liquidity coverage ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	10,050	10,015	9,604	9,090	8,233
UK 16a	Cash outflows - Total weighted value	3,952	4,008	4,012	3,890	3,805
UK 16b	Cash inflows - Total weighted value	307	291	253	217	207
16	Total net cash outflows (adjusted value)	3,645	3,716	3,759	3,673	3,645
17	Liquidity coverage ratio (%) ⁴	276.7%	270.6%	256.6%	248.2%	229.0%
	Net stable funding ratio					
18	Total available stable funding	55,730	55,119	54,249	53,476	52,520
19	Total required stable funding	37,681	37,757	37,500	37,375	37,192
20	NSFR ratio (%) ⁵	147.9%	146.0%	144.7%	143.1%	141.2%

Table 1 Template UK KM1 – Key metrics template

¹ Available own funds as at 31 March 2024, 30 September 2023 and 31 March 2023 and do not include unverified profits. Profits were verified as at 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 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 (CET1) ratio of 28.6% (31 December 2023: 29.1%) compared to an overall capital requirement of 15.1% (31 December 2023: 15.2%).

The Society's available own funds have decreased slightly in the three months up to 31 March 2024 with Common Equity Tier 1 (CET1) capital value of £2,457m (31 December 2023: £2,478m). This is due to the exclusion of the profits for the quarter as they have not been verified by the Society's auditors and the deduction of the coupon on the Society's AT1 instrument, which was agreed in the quarter.

The risk weighted exposure amount (RWEA) has increased in the quarter to £8,597m (31 December 2023: £8,501m). Most of the change related to mortgages subject to the IRB approach and was largely due to the impact of net new business.

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 was 5.4% (31 December 2023: 5.4%), well above the regulatory minimum of 3.25% and the counter-cyclical leverage buffer of 0.70% combined.

The Society's liquidity position remains strong as at 31 March 2024 with a 12-month average liquidity coverage ratio of 276.7% (31 December 2023: 270.6%). The liquidity coverage ratio has risen slightly due to a minor reduction in total net outflows.

The net stable funding ratio (NSFR) at 31 March 2024, an average of the current and preceding three quarters, is 147.9% (31 December 2023: 146.0%). The increase in the NSFR is due to the additional stable funding provided by an increase in retail savings.

The table below details risk weighted exposure amounts (RWEAs) and the respective own funds requirements as at 31 March 2024, and the RWEAs previously disclosed as at 31 December 2023. Own funds requirements are calculated as 8% of the RWEAs.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31 March 2024	31 December 2023	31 March 2024
		£m	£m	£m
1	Credit risk (excluding CCR)	7,580	7,462	606
2	Of which the standardised approach	165	174	13
3	Of which the foundation IRB (FIRB) approach	84	81	7
5	Of which the advanced IRB (AIRB) approach	7,331	7,207	586
6	Counterparty credit risk - CCR	50	78	4
7	Of which the standardised approach	11	15	1
UK 8a	Of which exposures to a CCP	3	4	-
UK 8b	Of which credit valuation adjustment – CVA	30	31	3
9	Of which other CCR	6	28	0
16	Securitisation exposures in the non-trading book (after the cap)	21	15	2
18	Of which SEC-ERBA (including IAA)	21	15	2
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	4	4	-
29	Total	8,597	8,501	688

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

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

3. RWEA flow statements of credit risk exposures under the IRB approach

The table below summarises the movements of RWEAs for credit risk exposures under the Internal Ratings Based (IRB) approach. Following guidance from the PRA this flow statement includes the post model adjustment applied to both our loss given default and probability of default models.

		Risk weighted exposure amount
		£m
1	Risk weighted exposure amount as at the end of the previous reporting period	7,207
2	Asset size (+/-)	187
3	Asset quality (+/-)	(15)
8	Other (+/-)	(48)
9	Risk weighted exposure amount as at the end of the reporting period	7,331

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

Movements in asset size and asset quality are calculated using the Society’s current IRB models. The impact of net new business in the quarter is shown in the asset size row.

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.

		Total unweighted value (average) £m				Total weighted value (average) £m			
UK 1a	Quarter ending on (DD Month YYYY)	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23	30-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23
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)					10,050	10,015	9,604	9,090
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which ⁷ :	47,021	45,957	44,513	43,098	2,050	2,088	2,100	2,128
3	<i>Stable deposits</i>	17,988	18,066	18,131	18,551	899	903	907	928
4	<i>Less stable deposits</i>	9,078	9,372	9,558	9,700	1,151	1,185	1,193	1,200
5	Unsecured wholesale funding	158	173	215	205	134	139	172	157
7	<i>Non-operational deposits (all counterparties)</i>	116	131	140	133	92	97	96	85
8	<i>Unsecured debt</i>	42	42	75	72	42	42	76	72
9	<i>Secured wholesale funding</i>					21	1	3	18
10	Additional requirements	1,126	1,130	1,043	870	1,126	1,130	1,043	870
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	1,011	1,014	1,014	841	1,011	1,014	1,014	841
12	<i>Outflows related to loss of funding on debt products</i>	115	116	29	29	115	116	29	29
14	Other contractual funding obligations	33	33	33	31	9	10	10	8
15	Other contingent funding obligations	2,870	2,942	3,058	3,120	612	640	684	709
16	TOTAL CASH OUTFLOWS					3,952	4,008	4,012	3,890
SH – INFLOWS									
17	Secured lending (e.g., reverse repos)	121	173	192	194	-	-	-	-
18	Inflows from fully performing exposures	289	273	270	261	232	215	211	202
19	Other cash inflows	75	76	42	16	75	76	42	15
20	TOTAL CASH INFLOWS	485	523	504	471	307	292	253	217
UK-20c	<i>Inflows subject to 75% cap</i>	485	523	504	471	307	292	253	217
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					10,050	10,015	9,604	9,090
22	TOTAL NET CASH OUTFLOWS					3,645	3,716	3,759	3,673
23	LIQUIDITY COVERAGE RATIO					276.7%	270.6%	256.6%	248.2%

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

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

5. Attestation

The Chief Finance Officer (CFO) attests that the Society has made the disclosures required under Part 8 of the UK CRR in accordance with the Pillar 3 Disclosures Policy and internal processes, systems and controls.

6. Key elements of the Pillar 3 disclosures policy

The Society's Pillar 3 disclosures policy includes the following key elements:

1. an approval process for disclosures involving Senior Management; and
2. an approval process for omitted disclosures involving Senior Management.

Appendix 1. Glossary

Abbreviation	Full Name	Description
AIRB	Advanced Internal Ratings Based	An approach to determining the capital requirement for a given exposure that allows institutions that have received supervisory approval to rely on their own internal estimates of risk components.
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.
PMA	Post Model Adjustment	Adjustments applied when the Society considers that a modelled output is not sufficiently accurate or complete due to there being potential for additional risks that have not been identified or that cannot be adequately modelled.
RWEA	Risk Weighted Exposure Amount	The amount of the exposure value multiplied by the risk weight associated with the exposure.
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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