COVENTRY Building Society

Pillar 3 Disclosures

For the quarter ended 30 June 2022

Contents

1. Introduction

In this document Coventry Building Society ('the Society') has set out its Pillar 3 disclosures as at the quarter ending 30 June 2022 in accordance with the Disclosure Part of the Prudential Regulation Authority (PRA) Rulebook. This includes revised disclosure requirements applicable from 1 January 2022 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 2022 and those metrics previously disclosed as at 31 March 2022 and 31 December 2021. Profits for the period 1 January 2022 to 30 June 2022 have been verified and included in all key metrics as at 30 June 2022 in line with the PRA rulebook. The Society's total capital requirement (TCR) was updated by the PRA in May 2022 removing the static Pillar 2A add-on and replacing it with a Pillar 2A that scales with the total risk weighted exposure amount.

		30 June 2022	31 March 2022	31 December 2021
		£m	£m	£m
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital[1]	2,002	1,879	1,924
2	Tier 1 capital	2,417	2,294	2,355
3	Total capital	2,417	2,294	2,361
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount[2]	6,682	6,753	5,306
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	30.0%	27.8%	36.3%
6	Tier 1 ratio (%)	36.2%	34.0%	44.4%
7	Total capital ratio (%)	36.2%	34.0%	44.5%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	1.6%	1.2%	1.5%
UK 7b	Additional AT1 SREP requirements (%)	0.5%	0.4%	0.5%
UK 7c	Additional T2 SREP requirements (%)	0.7%	0.5%	0.7%
UK 7d	Total SREP own funds requirements (%)	10.8%	10.1%	10.7%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%
11	Combined buffer requirement (%)	2.5%	2.5%	2.5%
UK 11a	Overall capital requirements (%)	13.3%	12.6%	13.2%
12	CET1 available after meeting the total SREP own funds requirements (%)	19.2%	17.7%	25.6%
	Leverage ratio			
13	Leverage ratio total exposure measure[3]	48,307	47,786	48,472
14	Leverage ratio	5.0%	4.8%	4.8%
	Liquidity coverage ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	7,150	7,020	6,885
UK 16a	Cash outflows - Total weighted value	3,811	3,909	3,965
UK 16b	Cash inflows - Total weighted value	215	219	200
16	Total net cash outflows (adjusted value)	3,596	3,690	3,765
17	Liquidity coverage ratio (%)[4]	200.2%	191.4%	182.6%

Table 1 Template UK KM1 – Key metrics template

[1] CET 1 as at 31 March 2022 does not include unverified profits generated in 2022.
[2] This amount includes the impacts of the Post Model Adjustments (PMAs) described in the Key metrics section.
[3] The Leverage ratio exposure measure does not include exposures to the Bank of England in line with the UK Leverage Regime. The December 2021 comparatives are shown as if under the UK Leverage Regime.
[4] The liquidity coverage ratio is calculated as a 12 month average.

Note that the capital values presented here are on a transitional basis whereas the Society's Interim Financial Statements are presented on an end-point basis (i.e. assuming all transitional arrangements have finished, including IFRS9 transitional relief).

The Society's capital position remains robust with a Common Equity Tier 1 (CET1) ratio of 30.0% (31 March 2022: 27.8% and 31 December 2021: 36.3%) compared to an overall capital requirement of 13.3% (31 March 2022: 12.6% and 31 December 2021: 13.2%).

The Society's available own funds increased as at June 2022 following the verification of the profits generated in the first half of the year. This offset the minor reductions during the first quarter, due to the end of transitional arrangements (subordinated debt and permanent interest bearing shares no longer being eligible capital instruments) and the impact of our updated expected credit losses (ECL) model.

Risk weighted exposure amount (June 2022: £6,682m, March 2022: £6,753m and December 2021: £5,306m) has been affected by two main factors in the first half of 2022. Firstly, following the change in industry wide regulation[5] required from 1 January 2022, the Society applied a post model adjustment (£1,912m as at June 2022) that reflects an update in loss given default and the cyclicality of the probability of default model. This increased the risk weighted exposures amount.

Secondly during the year to 30 June 2022, increases in the UK House Prices Index (HPI) improved asset quality, reducing the average risk weight on the mortgage portfolio and therefore reducing the risk weighted exposure amount throughout the period.

As part of its efforts to alleviate unwarranted pressures on firms from the impact of Covid, in 2020 the PRA set Pillar 2A requirements as a nominal amount instead of a percentage of the total risk weighted exposures amount (RWEA). The PRA stated, in December 2021, that firms would return to setting Pillar 2A requirements as a percentage of RWEA in 2022. The Society was given an updated Total Capital Requirement which became binding in May 2022. In the table above the March 2022 and December 2021 SREP requirement figures are calculated on the previous nominal amount, which was based on December 2019 RWEA. The June 2022 figures reflect the new requirement. Whilst the new requirement has a variable element that is lower than the previous variable requirement, it is applied to a higher RWEA than the December 2019 RWEA used to establish the nominal-based requirement.

The Society's Leverage ratio also remains strong at 5.0% (31 March 2022: 4.8%). The Leverage ratio and corresponding Leverage ratio total exposure measure excludes qualifying central bank claims in line with the UK Leverage Regime which became applicable from 1 January 2022. The 31 December 2021 comparatives have been calculated as if under the UK Leverage Regime.

The Society's 12 month average liquidity coverage ratio at 30 June 2022 is 200.2% (31 March 2022: 191.4%).

The table below details risk weighted exposure amounts (RWEAs) and the respective own funds requirements as at 30 June 2022, and the RWEAs previously disclosed as at 31 March 2022. Own funds requirements are calculated as 8% of the RWEAs.

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[5] PS13/17 'Residential mortgage risk weights', PS11/20 'Probability of default and loss given default estimation', PS16/21 'Internal Ratings Based UK mortgage risk weights' and PS23/21 'The identification of the nature, severity, and duration of an economic downturn for the purposes of IRB models'. Supervisory Statement SS11/13 (with subsequent updates) also came into effect on 1 January 2022.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		30 June 2022	31 March 2022	30 June 2022
		£m	£m	£m
1	Credit risk (excluding CCR) [6]	5,992	6,060	480
2	Of which the standardised approach	187	201	15
3	Of which the foundation IRB (FIRB) approach	78	78	6
5	Of which the advanced IRB (AIRB) approach [7]	3,815	3,974	305
6	Counterparty credit risk - CCR	52	54	4
7	Of which the standardised approach	8	8	1
UK 8a	Of which exposures to a CCP	1	3	0
UK 8b	Of which credit valuation adjustment - CVA	30	28	2
9	Of which other CCR	13	15	1
16	Securitisation exposures in the non-trading book (after the cap)	2	3	0
18	Of which SEC-ERBA (including IAA)	2	3	0
23	Operational risk	636	636	51
UK 23b	Of which standardised approach	636	636	51
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) [8]	6	6	0
29	**Total**	**6,682**	**6,753**	**535**

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

[6] Included in the Credit Risk (excluding CCR) value are the PMAs (£1,912m) but these do not appear in any of the 'of which' rows.
[7] See Table 3 Template UK CR8 – RWEA flow statements of credit risk exposures under the IRB approach for further details.
[8] 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
		As at 30 June 2022
		£m
Assets - *Breakdown by asset class according to the balance sheet in the published financial statements*		
1	Loans and advances to customers	46,643
2	Liquidity	8,543
3	Other	404
4	**Total assets**	55,590
Liabilities - *Breakdown by liability class according to the balance sheet in the published financial statements*		
1	Retail savings	40,292
2	Wholesale funding	12,422
3	Subordinated liabilities and subscribed capital	57
4	Other	186
5	**Total liabilities**	52,957
Shareholders' Equity		
1	General reserve	2,122
2	Other equity instruments	415
3	Other	96
4	**Total shareholders' equity**	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 risk weighted exposure amounts 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	33	0	1.4	1,361	65	65	9
4	Financial collateral comprehensive method (for SFTs)					2,087	45	45	13
6	**Total**					**3,448**	**110**	**110**	**22**

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

The template below analyses the counterparty credit risk exposure value by regulatory exposure class and risk weights.

	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 (£m)	0	0	24	0	74	12	0	0	0	0	0	110
11	**Total exposure value (£m)**	**0**	**0**	**24**	**0**	**74**	**12**	**0**	**0**	**0**	**0**	**0**	**110**

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. The value and risk weighted value of those exposures are shown below.

		Exposure value	RWEA
		£m	£m
1	**Exposures to QCCPs (total)**		1
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	24	1
3	(i) OTC derivatives	24	1
7	Segregated initial margin	364	

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	0	1,053	339	9	5,732	3
2	Debt	0	0	25	0	66	0
5	**Total**	**0**	**1,053**	**364**	**9**	**5,798**	**3**

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

Credit Valuation Adjustments 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	41	30
5	**Total transactions subject to own funds requirements for CVA risk**	41	30

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

4.2. Countercyclical buffers

The UK countercyclical capital buffer (CCyB) is a tool which enables the Financial Policy Committee (FPC) to adjust the resilience of the UK banking system to the changing risks it faces over time. The FPC has currently set the level of the UK CCyB rate at 0% therefore the Society holds no countercyclical buffer.

		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			
	Breakdown by country:	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
010	UK	531	48,256	0	0	19	48,805	325	0	0	325	4,066	100%	0%
020	**Total**	**531**	**48,256**	**0**	**0**	**19**	**48,805**	**325**	**0**	**0**	**325**	**4,066**	**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 as noted above currently has a 0% buffer rate The Society has no institution specific countercyclical capital buffer requirement.

1	Total risk exposure amount (£m)	6,682
2	Institution specific countercyclical capital buffer rate	0.0%
3	Institution specific countercyclical capital buffer requirement (£m)	0

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
010	Loans and advances	73	36	31	32	0	0	109	36
070	*Households*	73	36	31	32	0	0	109	36
100	***Total***	73	36	31	32	0	0	109	36

Table 11 Template UK CQ1: Credit quality of forborne exposures

The Society has a small number 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	0.3	0.3	0.0	0.3	-0.1	0.0
090	Accommodation and food service activities	0.5	0.0	0.0	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	0.0	0.0	0.4	-0.1	0.0
200	***Total***	1.3	0.3	0.0	1.3	-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 Coventry Building 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	7,163	7,163	0	0	0	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	46,537	43,349	3,188	193	5	188	-15	-8	-7	-6	0	-6	0	46,358	188
040	*Credit institutions*	66	66	0	0	0	0	0	0	0	0	0	0	0	0	0
060	*Non-financial corporations*	1	0	1	0	0	0	0	0	0	0	0	0	0	1	0
070	*Of which SMEs*	1	0	1	0	0	0	0	0	0	0	0	0	0	1	0
080	*Households*	46,470	43,283	3,187	193	5	188	-15	-8	-7	-6	0	-6	0	46,357	188
090	Debt securities	1,302	1,302	0	0	0	0	0	0	0	0	0	0	0	0	0
110	*General governments*	898	898	0	0	0	0	0	0	0	0	0	0	0	0	0
120	*Credit institutions*	385	385	0	0	0	0	0	0	0	0	0	0	0	0	0
130	*Other financial corporations*	19	19	0	0	0	0	0	0	0	0	0	0	0	0	0
150	Off-balance-sheet exposures	2,505	2,500	5	0	0	0	0	0	0	0	0	0		22	0
210	*Households*	2,505	2,500	5	0	0	0	0	0	0	0	0	0		22	0
220	***Total***	***57,507***	***54,314***	***3,193***	***193***	***5***	***188***	***-15***	***-8***	***-7***	***-6***	***0***	***-6***	***0***	***46,380***	***188***

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	46	109	1,322	45,232	0	46,709
2	Debt securities	0	670	384	248	0	1,302
3	***Total***	**46**	**779**	**1,706**	**45,480**	**0**	**48,011**

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		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density
		£m	£m	£m	£m	£m	%
1	Central governments or central banks	7,620	0	7,620	0	0	0.0
4	Multilateral development banks	160	0	160	0	0	0.0
6	Institutions	86	0	86	0	17	20.0
8	Retail	12	0	12	0	9	75.0
9	Secured by mortgages on immovable property	243	0	243	0	86	35.3
10	Exposures in default	14	0	14	0	14	101.0
12	Covered bonds	225	0	225	0	25	11.2
15	Equity	5	0	5	0	5	100.0
16	Other items	31	0	31	0	31	100.0
17	**Total**	**8,396**	**0**	**8,396**	**0**	**187**	**2.2**

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	7,620	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,620	0
4	Multilateral development banks	160	0	0	0	0	0	0	0	0	0	0	0	0	0	0	160	0
6	Institutions	0	0	0	0	86	0	0	0	0	0	0	0	0	0	0	86	0
8	Retail exposures	0	0	0	0	0	0	0	0	12	0	0	0	0	0	0	12	12
9	Exposures secured by mortgages on immovable property	0	0	0	0	0	243	0	0	0	1	0	0	0	0	0	244	244
10	Exposures in default	0	0	0	0	0	0	0	0	0	14	0	0	0	0	0	14	14
12	Covered bonds	0	0	0	199	26	0	0	0	0	0	0	0	0	0	0	225	0
15	Equity exposures	0	0	0	0	0	0	0	0	0	5	0	0	0	0	0	5	5
16	Other items	0	0	0	0	0	0	0	0	0	30	0	0	0	0	0	30	30
17	**Total**	**7,780**	**0**	**0**	**199**	**112**	**243**	**0**	**0**	**12**	**50**	**0**	**0**	**0**	**0**	**0**	**8,396**	**305**

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	7,347	46,545	46,545	0	0
Debt securities	1,302	0	0	0	
Total	**8,649**	**46,545**	**46,545**	**0**	**0**
Of which non-performing exposures	6	188	188	0	0
Of which defaulted	0	179			

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	26,771	1,190	0	27,961	0.1	187,632	9.8	0	783	2.8	3	-1
	0.00 to <0.10	5,755	526	0	6,281	0.1	46,415	7.3	0	68	1.1	0	0
	0.10 to <0.15	21,015	664	0	21,679	0.1	141,217	10.5	0	715	3.3	3	-1
	0.15 to <0.25	120	5	0	124	0.2	1,548	5.7	0	3	2.5	0	0
	0.25 to <0.50	15,382	977	0	16,360	0.3	100,897	15.1	0	1,588	9.7	9	-4
	0.50 to <0.75	52	0	0	52	0.7	529	6.4	0	3	6.5	0	0
	0.75 to <2.50	1,771	231	0	2,002	1.4	12,653	18.4	0	617	30.8	5	-3
	0.75 to <1.75	1,722	229	0	1,951	1.4	12,157	18.7	0	609	31.2	5	-2
	1.75 to <2.5	49	1	0	50	2	496	7.8	0	8	16.1	0	0
	2.50 to <10.00	810	96	0	906	4.4	5,782	18.8	0	541	59.7	7	-2
	2.5 to <5	604	82	0	686	3.6	4,327	19.5	0	389	56.7	5	-1
	5 to <10	206	14	0	220	7	1,455	16.8	0	152	69.1	3	-1
	10.00 to <100.00	274	6	0	279	42.3	2,188	11	0	159	56.9	13	-1
	10 to <20	92	3	0	96	15.1	699	14.2	0	76	79.4	2	0
	20 to <30	1	0	0	1	25.7	13	6.9	0	0	43	0	0
	30. to <100	180	2	0	183	56.7	1,476	9.3	0	83	45.2	10	-1
	100.00 (Default)	168	0	0	169	100	1,408	6.7	0	121	71.6	3	-5
Subtotal (exposure class)		45,348	2,505	0	47,853	0.9	312,637	12.1	0	3,815	8	40	-16
Total (all exposures classes)		**45,348**	**2,505**	**0**	**47,853**		**312,637**		**0**	**3,815**	**8**	**40**	**-16**

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 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**	**3,815**	**3,815**
9	Retail	3,815	3,815
9.2	*of which Retail – non-SMEs - Secured by immovable property collateral*	3,815	3,815
10	**TOTAL (including FIRB exposures and AIRB exposures)**	**3,815**	**3,815**

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)			
			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**	**RWEA post all CRM assigned to the obligor exposure class**	**RWEA with substitution effects**
		£m	%	%	%	%	%	%	%	%	%	%	%	£m	£m
4	Retail	48,168	0.0	257.0	257.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,815	3,815
4.2	*Of which Retail – Immovable property non-SMEs*	48,168	0.0	257.0	257.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,815	3,815
5	Total	48,168	0.0	257.0	257.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,815	3,815

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 Internal Ratings Based (IRB) approach. This flow statement is specific to our approved IRB models and therefore excludes the post model adjustment applied to both our loss given default and probability of default models (£1,912m).

		Risk weighted exposure amount
		£m
1	**Risk weighted exposure amount as at the end of the previous reporting period**	3,974
2	Asset size (+/-)	335
3	Asset quality (+/-)	-454
4	Model updates (+/-)	0
5	Methodology and policy (+/-)	0
6	Acquisitions and disposals (+/-)	0
7	Foreign exchange movements (+/-)	0
8	Other (+/-)	-40
9	**Risk weighted exposure amount as at the end of the reporting period**	3,815

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

Increases in the UK House Prices Index (HPI) have had an impact on asset quality, resulting in a decrease in the RWEAs.

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 exposures	2,221	0	0	0	0	0	2,221	0	0	0	0	13	6	0	19
Retail (total)	2,221	0	0	0	0	0	2,221	0	0	0	0	13	6	0	19
residential mortgage	2,221	0	0	0	0	0	2,221	0	0	0	0	13	6	0	19

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**	2,221	2	0
2	Retail (total)	2,221	2	0
3	residential mortgage	2,221	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.

		ΔEVE	ΔNII	Tier 1 capital
	Period	June 2022	June 2022	June 2022
		£m	£m	£m
010	Parallel shock up	10	86	
020	Parallel shock down	-19	-97	
030	Steepener shock	40		
040	Flattener shock	-37		
050	Short rates shock up	-26		
060	Short rates shock down	34		
070	**Maximum**	-37	-97	
080	**Tier 1 capital**			2,417

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 2022
		£m
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	54,239
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-2
6	(Asset amounts deducted in determining tier 1 capital (leverage))	-116
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**54,121**
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	111
13	**Total derivatives exposures**	**130**
Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	66
16	Counterparty credit risk exposure for SFT assets	38
18	**Total securities financing transaction exposures**	**104**
Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	2,505
20	(Adjustments for conversion to credit equivalent amounts)	-1,997
22	**Off-balance sheet exposures**	**508**
Capital and total exposure measure		
23	**Tier 1 capital (leverage)**	2,417
24	Total exposure measure including claims on central banks	54,862
UK-24a	(-) Claims on central banks excluded	-6,555
UK-24b	**Total exposure measure excluding claims on central banks**	**48,307**
Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	5.0%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.0%
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 (%)	5.0%
UK-25c	Leverage ratio including claims on central banks (%)	4.4%

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 Coventry Building Society's LCR.

		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on (DD Month YYY)	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
		£m	£m	£m	£m	£m	£m	£m	£m
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					7,150	7,020	6,885	6,680
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	40,005	39,746	39,377	38,719	2,483	2,487	2,444	2,337
3	*Stable deposits*	18,319	17,783	16,987	16,334	916	889	849	817
4	*Less stable deposits*	12,378	12,532	12,399	11,827	1,567	1,598	1,595	1,520
5	Unsecured wholesale funding	416	523	611	606	325	423	503	503
7	*Non-operational deposits (all counterparties)*	408	505	593	539	317	405	485	436
8	*Unsecured debt*	8	18	18	67	8	18	18	67
9	*Secured wholesale funding*	-				44	25	0	0
10	Additional requirements	266	261	270	241	266	261	270	241
11	*Outflows related to derivative exposures and other collateral requirements*	225	213	224	230	225	213	224	230
12	*Outflows related to loss of funding on debt products*	41	48	46	11	41	48	46	11
14	Other contractual funding obligations	29	50	46	44	8	29	28	28
15	Other contingent funding obligations	2,726	2,685	2,829	2,825	685	683	720	710
16	TOTAL CASH OUTFLOWS					3,811	3,908	3,965	3,819
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	12	6	0	2	0	0	0	0
18	Inflows from fully performing exposures	268	269	250	253	209	211	191	195
19	Other cash inflows	6	7	9	6	6	7	9	6
20	TOTAL CASH INFLOWS	286	282	259	261	215	218	200	201
UK-20c	*Inflows subject to 75% cap*	286	282	259	261	215	218	200	201
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					7,150	7,020	6,885	6,680
22	TOTAL NET CASH OUTFLOWS					3,596	3,690	3,765	3,618
23	LIQUIDITY COVERAGE RATIO					200.2%	191.4%	182.6%	185.3%

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

Note the UK LIQ2 disclosure template forms part of the UK Pillar 3 disclosure framework. In line with PS22/21 'Implementation of Basel Standards: Final rules', disclosures for the Net Stable Funding Ratio are not required until after 1 January 2023. Therefore, this template has not been presented.

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.
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 be 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.

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