COVENTRY Building Society

All together, better

Annual Report & Accounts 2024

Annual Report & Accounts

We are a building society, owned by our members. We provide savings to individual savers and mortgages on homes to borrowers across the UK. We put our members first in everything we do, and we're as committed today to remaining a mutual organisation, as when we were founded in 1884.

The acquisition of The Co-operative Bank on 1 January 2025 will extend our propositions into the personal current account and business banking markets.

Visit us here www.thecoventry.co.uk

The photography in this Annual Report & Accounts features some of our amazing colleagues and members, and our home in the City of Coventry. The term 'Society' is used in this Annual Report & Accounts to refer to the activities of the Society and its subsidiaries, except where the context indicates otherwise. 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). Principal Office: Coventry House, Harry Weston Road, Binley, Coventry CV3 2TQ.

Strategic Report

An overview of strategy and our financial and non-financial performance in the year.

Performance highlights

All together, better

From the little things to the life-changing, we make it all add up.

Delivering value to members

3.7%
Savings balance growth
(2023: 12.5%)

£401m
Value returned to members[1]
(2023: £342m)

3.0%
Mortgage balance growth
(2023: 4.7%)

7,100
first homes purchased
(2023: 6,300 homes)

2024
Fairer Finance
Most transparent for savings

2024
Fairer Finance
Gold ribbon for customer experience for our mortgages

Our commitment to service

+79
Net Promoter Score[2]
(2023: +76)

58
Seconds average call waiting time[3]
(2023: 105 seconds)

2024
Fairer Finance
Gold ribbon for customer experience for our savings

Engaging colleagues and supporting our communities

£4.5m
Total community investment[4]
(2023: £3.1m)

83%
Great Places to Work Trust Index® score[5]
(2023: 81%)

2024
Great Place to Work
Best Workplaces in Financial Services & Insurance

Performance highlights continued

Sustainable financial performance

Capital ratios

28.0%
Common Equity Tier 1
(2023: 29.1%)

5.7%
UK leverage ratio
(2023: 5.4%)

Profitability

£323m
Reported profit before tax
(2023: £474m)
£349m excluding acquisition & integration costs

1.07%
Net interest margin
(2023: 1.26%)

Efficiency

54.0%
Cost to income ratio
(2023: 39.4%)

0.57%
Cost as a percentage of average assets
(2023: 0.51%)

Low risk

0.33%
of mortgages more than 3 months in arrears
(2023: 0.26%)

207%
Liquidity Coverage Ratio
(2023: 227%)

1. Based on the Society's average month end savings rate compared to the CACI Ltd's Current Account and Savings Database rest of market average rate for savings accounts, excluding current accounts and offset savings, for the 12 months of the year.
2. A measure of customer advocacy that ranges between -100 and +100 representing how likely a customer is to recommend our products and services.
3. Based on average call waiting times between 1 January 2024 and 31 December 2024.
4. Total community investment made by the Society has been determined in line with the Business for Societal Impact (B4SI) framework.
5. A measure indicating a trust-based people first workplace based on positive responses to the annual Great Place to Work survey.

A statement from our Chair

Welcome to our 2024 Annual Report and Accounts.

2024 has become a milestone year for the Society. The year in which we celebrated our 140th anniversary was also the year we laid the foundations of a larger, more diversified and impactful business through the acquisition of The Co-operative Bank ('the Bank'). What links the two organisations is the clarity that mutuality provides in prioritising the long-term needs and interests of members. We have shown this in 2024, not simply by pursuing the transformational combination of the Society and the Bank, but by delivering value, service, security and the positive wider social impact that our members expect every day. In doing so, we have achieved a strong and sustainable financial and business performance that sets the combined organisation up for continued success in the future.

During 2024, we grew savings and mortgages balances, increased the savings member premium once again to record levels, and delivered an outstanding service experience across our customer-facing channels. We also made considerable progress with our investment priorities, adding choice and convenience to members' interactions with us, and building efficiency and resilience into our operations and infrastructure.

We delivered this during a year in which the external environment continued to confound commentators and industry forecasts alike. At the start of 2024, it was widely predicted that inflation would fall quickly within the Bank of England's target range, and that base rate could be cut as many as five times during the course of the year.

Instead, continued geopolitical uncertainty, including elections in the UK and US, together with persistent inflation in the service sector and wages generally, meant that base rate was cut just twice, ending the year at 4.75%. The UK economy performed sluggishly during the year, and whilst it is understandable that the new government has placed economic growth at the heart of its objectives, this will not be easily achieved.

The housing market was forecast to be relatively static in 2024 and this was borne out as the slower than anticipated reduction in interest rates dampened demand. The interest rate environment has also prolonged the concern felt by many borrowers who are yet to remortgage from the extremely low rates of the last few years. In this context, the Board have been reassured by the Society's arrears position, which shows that the combination of our responsible lending and focused customer care, together with tighter regulation, is keeping members in their homes and repayments on track.

Savers, of course, have benefitted as rates remained higher than forecast. Our aim is to encourage the saving habit, with all the attendant benefits of increased personal financial resilience. We continued to recognise our savers' loyalty and introduced additional incentives to help people save, including linking savings to the purchase of their first home. Our priority is always to balance the interests of our savers and borrowers, while maintaining the Society's financial strength for the good of all members, current and future.

The ability to plan for the long-term success of the Society has been at the heart of our transformational acquisition of The Co-operative Bank. Members' interests were central to this acquisition, which we completed on 1 January 2025.

As we celebrate our 140th anniversary, we believe that this groundbreaking combination of ethical and purpose-led organisations is an opportunity to build, and future-proof, a bigger and better mutual building society for the benefit of all stakeholders.

Steve, our Chief Executive, will talk more in his review about the rationale and implications of the acquisition and the integration plans that lie ahead. However, in listening to our members, it is clear that while they see the potential benefits of the acquisition, their immediate priority is that we maintain the strength of the Society's existing proposition, and particularly the outstanding service, value and security that they receive today.

The Board and the Society's executive team are committed to meeting this expectation, and we believe that the Society's performance this year shows that this focus has been unaffected by the additional work required to make the acquisition a reality.

A statement from our Chair continued

By managing growth in a disciplined fashion this year, the Society delivered strong profitability and additional capital ahead of the acquisition, whilst ensuring we met our member commitment through outstanding service and value and returning our largest ever member premium.

We also made substantial progress on our investment priorities, including the very successful launch of our mobile app and further enhancements to mortgage and savings services. I am pleased to say that throughout the year we achieved very high member satisfaction, with these service enhancements being positively received by members and mortgage brokers alike.

It shows that there is clear line of sight between the needs and expectations of our members and our strategic ambitions and performance priorities.

Changes to the Board

Last year we welcomed Vanessa Murden as a non-executive director with specific expertise in technology transformation. In February, she resigned from the Board to take an executive role in financial services. In her short time with the Society, she made a significant contribution to the progress we are reporting in our technology estate. Iain Plunkett, a financial services executive with 30 years' experience in business, technology and operational transformation, was appointed as a non-executive director in July and took over responsibility to chair the Board Technology Oversight Committee.

In July, we also welcomed Ewa Kerin, an experienced financial services executive, to the Board as a non-executive director. Very sadly, Ewa had to resign in November for family reasons, and we offer both Ewa and Vanessa our very best wishes for the future.

In January 2025, Caroline Marsh joined our Board as a non-executive director. Caroline is a former financial services executive with extensive experience in UK retail banking and brings both product and operational expertise as well as Board experience. She will be chairing the Society's Remuneration Committee and will fulfil the same role at the Bank from April 2025. Mark Parker, an existing member of the Bank Board, also joined the Group Board with effect from January 2025.

The acquisition of The Co-operative Bank has meant an extensive review of governance structures and arrangements. This is summarised on page 12 of this Annual Report.

Board priorities for the year ahead

In the coming year, we are anticipating further easing in the interest rate environment and believe this will support an increase in housing market activity. We will continue to work hard to balance the needs of our mortgage and savings members, and ensure we meet their expectations in terms of service and value.

Having completed the acquisition of The Co-operative Bank in January 2025, we have begun the work to integrate the two organisations and deliver the benefits I have outlined. This work will take some years to complete, and our priorities in this time will be to meet the needs of all of our customers and members, and ensuring the financial strength and stability of the combined Group.

> "The Society is focused on consistently meeting the needs of its members and customers."

I believe the acquisition paves the way for an exciting future, one that builds on the shared mutual and co-operative values of our heritage to create a sustainable and differentiated type of financial services organisation, with members and customers at the heart of our decision-making.

David Thorburn

Chair of the Board
6 March 2025

Your Chief Executive's review of the year

In 2024, we delivered a strong and disciplined performance that balanced the needs of our savers and borrowers and provided all members with the competitive value, outstanding service and security they expect. In doing so we sustained our track record of growth and enhanced the financial position of the Society, adding capital strength ahead of our transformational acquisition of The Co-operative Bank.

I am delighted that this performance was underpinned once more by exceptional member satisfaction and colleague engagement. Our sustained investment in digitising the business and in our technology infrastructure not only provides greater choice to members and customers but enhances the resilience of the organisation. Our strategy of the 'digital first, human always' service continues to be valued by our members as we seek to build a modern mutual.

It would be understandable to focus on the acquisition of The Co-operative Bank, which completed on 1 January 2025, and is a transformational moment in the Society's long history. However, this would be doing a disservice to every one of my colleagues who helped deliver another exceptional year's performance on behalf of our members.

In an uncertain environment, with the UK economy experiencing more persistent inflation and higher interest rates than many believed to be the case at the start of the year, the Society grew savings and mortgages balances in a disciplined and controlled way and delivered a financial performance that ranks amongst the best in the Society's history. It is the consistency of our performance, including capital accretion, over the last few years, which have seen great volatility in the external environment, that enabled us to consider and deliver The Co-operative Bank transaction.

In 2024, we delivered the most extensive portfolio of successful change than in any year previously, including key enablers to achieve Society strategic objectives. We achieved outstanding levels of member and broker satisfaction, as well as increasing colleague engagement and the support we provide to local communities and national charities. I believe that this performance is built on our ability to take balanced decisions in the long-term interest of our members, which is the hallmark of our mutual business model, and which will continue to be the foundation of our future success.

Strong mortgage performance

Despite the relatively flat market we delivered a strong mortgage performance, adjusting quickly to external events and delivering a consistently outstanding service to brokers and borrowers.

Overall mortgage balances grew by 3.0% or £1.5 billion (2023: 4.7%, £2.3 billion). This was driven by retaining more of our existing borrowers whilst also increasing the number of first homes purchased by our members to 7,100 (2023: 6,300). As we've reported previously, the impact of changes in buy to let regulations continues to bring significant developments this sector. Earlier in the year we extended the number of properties that can be held in buy to let portfolios and we will shortly be launching a service offering professional landlords the opportunity to increase their portfolio through a limited company.

The impact of our excellent retention rates should also not be underestimated. Across the year, more than 80% of borrowers stayed with us as we prioritised our maturity offers and ensured we align maturity and new business rates. Brokers know they can trust the Society to offer competitive rates and that we are transparent in our dealings with them. Our borrowing members stay with us because we treat them fairly.

They also stay with us because we offer genuinely outstanding service. We have reduced the average time to offer a mortgage from nearly 12 days in 2023, to 9 this year, with our new mortgage origination platform taking just 8 days on average. To put this in context, it was around 15 days as recently as 2022. The average wait time when calling our new lending services was just 12 seconds on more than 115,000 calls we've taken in 2024, and we completed nearly 30,000 house purchases.

It is unsurprising that our brokers and borrowers value the relationship they have with the Society so highly. This year, our broker Net Promoter Score peaked at a new record of +96 in June and averaged +88 for the year.

Chief Executive's review continued

Central to this has been the ongoing deployment of our new mortgage origination platform, which is making a significant difference to our core efficiency and ability to manage peak levels of demand. Over 85% of eligible cases now go through the system, with the remainder due to come onstream in 2025. It already provides a demonstrably improved service to brokers, borrowers and colleagues but will offer further service and proposition opportunities in the future.

I want to take this opportunity to thank my mortgage colleagues and those that support our franchise for doing such a fantastic job. Nowhere is this clearer than the teams helping our most vulnerable members. With interest rates remaining higher than expected, the rate shock being experienced by borrowers remortgaging from ultra-low fixed rates of recent years continues to put pressure on household finances. However, arrears levels of 0.33% continue to be amongst the lowest in the industry[1], and a third of the industry average.

I am also pleased to report that the number of members using special arrangements under the Mortgage Charter has fallen this year. There are now less than 325 customers making use of a term extension or interest only arrangement, with most who had used these arrangements now repaying capital and interest as normal. Likewise, our teams continue to receive very positive feedback from the borrowers we contact when indicators show them to be at risk of falling into arrears.

The positive approach our lending teams take with members is supported by our ongoing work on Consumer Duty. Although our purpose, culture and values inherently support the aims of this regulation we are not complacent, and this year have taken further steps to manage non-core books and make some adjustments to existing products.

Delivering value to savers

The performance of our savings business is similar in many ways to the mortgage business I have just described. We have grown savings balances by delivering outstanding value and service to new and existing members, whilst making great progress in digitalising services and improving capacity, convenience, and capability.

Savings balances increased by 3.7% or £1.8 billion (31 December 2023: 12.5%, £5.3 billion), taking our overall savings balance to £49.3 billion. Despite interest rates coming down, which challenges income and margin, we have again increased the savings premium we pay members to £401 million (31 December 2023: £342 million)[2]. This is a record level of member premium, and our ability to do this reflects both our commitment to the benefits of mutuality and the Society's underlying strength.

I talked at the half year point about the progress we are making in digitalising services, and in particular the launch of our mobile app. This has gone from strength to strength, and over 920,000 members are now registered to use either our online services or the app itself.

The 140,000 users of the app have enjoyed new functionality throughout the year, including the ability to open new savings products, and in 2024 135,000 savings members submitted maturity instructions digitally for the first time too. We will continue to enable members to do more for themselves at a time and in a way that suits them, with both voice activation and a new live chat channel adding choice and convenience to our service very soon.

The additional capacity that these digital services provide is key to our efficiency and growth as well as improving choice and convenience. But we continue to invest to ensure that members can speak to us when they need to. They have done so over 3.5 million times in 2024 across our branches and contact centres, and our average time to answer a call across all our operations this year was just 58 seconds. We describe this as 'digital first, human always' and I want to thank my customer-facing colleagues for their warmth and professionalism, which is testament to their skills as well as the Society's purpose and culture.

We know this is particularly valued when members are dealing with more complicated or sensitive issues like bereavement, power of attorney or financial crime. Our investment in colleagues is not simply to give them the skills they need to support members across multiple channels, although this is important in terms of managing peaks of demand and enhancing operational resilience. It is also key to providing the dedicated support members need when dealing with difficult situations and shows why our service is rated so highly. In 2024, our customer-facing Net Promoter Score[3] was +79 on average and peaked at +92 in branches.

Investing to enhance service, resilience and security

Our investment in customer-facing channels is making a tangible improvement to our members' experience. We are also making significant progress with other aspects of technology investment, enhancing the security and resilience of our operations. The range of programmes we are delivering shows our increasing capability in driving transformational change, something that will become even more relevant with our acquisition of The Co-operative Bank.

We made further progress in the transformation of our financial systems, delivering programmes to automate elements of our regulatory reporting, and introduce a new procurement system. We implemented a new fraud engine, which enhances existing customer protection whilst enabling us to move to same-day payments with confidence. We have decommissioned or upgraded the vast majority of our Windows estate.

The focus of these programmes has been to improve agility or resilience, or both. We have also implemented new IT tools across the Society to improve collaboration between colleagues and are seeing clear benefits of enabling our people to work smarter and more effectively in a hybrid environment.

1. Percentage of mortgages with more than three months of arrears. Source: UK Finance.
2. Based on the Society's average month end savings rate compared to the CACI Ltd's Current Account and Savings Database rest of market average rate for savings accounts, excluding current accounts and offset savings, for the 12 months of the year.
3. Net Promoter Score (NPS) is a measure of customer advocacy that ranges between -100 and +100, which represents how likely a customer is to recommend our products and services.

Chief Executive's review continued

+79 Net Promoter Score

Our measure of excellent service[1]
(2023: +76)

The investment we are making is significant. In 2024, our capital and revenue investment was £91 million (2023: £92 million). This investment has been a consistent feature of the Society's strategic plan in recent years, and it is extremely encouraging that this long-term thinking is already generating real benefits for members in terms of service stability and service enhancements.

Investing in our long-term future - The Co-operative Bank

The acquisition of The Co-operative Bank is also an investment in the long-term future of the Society and, following the regulatory approvals received at the end of November, the acquisition completed on 1 January 2025. We firmly believe that this combination of organisations is the right strategic choice that will enable us to meet the expectations of our current and future customers and members over the long term.

These benefits include leveraging the Society's enhanced scale and diversified funding base to deliver greater efficiencies and investment across the combined group, and so maintain the competitive value and superior services our members and customers want, including access to a wider range of products and a large branch network.

Entry to the current account and linked savings market is particularly attractive to the overall proposition. This, together with access to the business banking market offers great potential to enhance member and customer value. We also see great potential in the complementary nature of our brands as well as the financial resilience that comes with diversification and scale.

The work to integrate our two organisations will take time, but the Board and I are excited by the opportunity it presents. Our ambition in bringing together two strongly purpose-led organisations that share a mutual and co-operative heritage is the creation of a genuine alternative to today's banking organisations.

Supporting our communities

We continue to work closely with our charitable partner, Centrepoint, the charity dedicated to ending youth homelessness, and were delighted to make an additional £1 million donation at the end of the year to partially fund a new independent living programme in Manchester, the home of The Co-operative Bank.

This investment builds on the Society's £1 million annual donation to Centrepoint, which in 2024 saw the creation of a new Youth Hub in Coventry, bringing together youth services under one roof for the first time. Our funding is also being used to support research and deliver emergency support via the national Centrepoint helpline. With Centrepoint already working closely with The Co-operative Bank, we anticipate this partnership only growing in strength.

These donations are just a part of the total £4.5 million we invested in our well-established community investment programmes[2]. We provide more details about these programmes and how to access them in our 2024 Sustainability Report, which can be found on our website (from March 2025) and includes the steps we are taking towards our environmental goals.

I recommend reading this report to understand the ambition behind our social and environmental strategies and the progress we are making following our B Corp certification in 2023. Our investment may be best measured by the impact analysis we do and the awards we receive, but it is best told by the human stories behind these achievements. Our Sustainability Report tells some of these stories, and I am very proud that in 2024 we helped over 21 thousand people in this way.

There is a clear link between a colleague who cares about delivering the best possible service to members and one who wants to make a difference in the communities we serve. This is borne out by the thousands of volunteering hours that my colleagues put in each year, on both social and environmental projects, and 2024 was no exception. Whether planting trees, painting schools, befriending the vulnerable, or enhancing the life skills and work potential of students, colleagues relish going the extra mile, and our culture and business performance is the better for encouraging these behaviours.

Engaging our colleagues

Colleague engagement is a real strength of the Society. We measure it through the annual Great Place to Work survey, and in 2024 we again achieved a huge endorsement of the policies and practices by which we attract, develop, lead and encourage colleagues who want to achieve their potential.

£4.5m

Total community investment[2]
(2023: £3.1m)

1. Net Promoter Score (NPS) is a measure of customer advocacy that ranges between -100 and +100, which represents how likely a customer is to recommend our products and services.
2. Total community investment made by the Society has been determined in line with the Business for Societal Impact (B4SI) framework.

Chief Executive's review continued

£323m

Reported profit before tax

(2023: £474m)

£349m on an underlying basis excluding acquisition & integration related costs

In our half year results I was pleased to report that following a successful survey in 2023, we had moved up two places to 11th in the Super Large category of companies that met the Great Place to Work benchmark. The results of our 2024 survey showed that we have increased our overall Trust Index score for the third year running to 83% and putting us well ahead of that Super Large benchmark. This was based on a 90% response rate, showing the level of engagement and credibility we can attach to these results. The icing on the cake was to be named as one of the Fortune 100 Best Companies to Work For in Europe.

Our overall scores are backed by awards recognising our progress and achievements in diversity and inclusion, advocating for and advancing women, our focus on wellbeing and development, and excellence in financial services. There is always more to do but I was very pleased to see continued progress for ethnic minority representation in senior manager roles this year, and we are very close to achieving our gender targets in management and senior management roles too.

I believe this success comes from giving colleagues genuine ownership on these issues whilst proactively supporting their initiatives. We now have eight colleague networks, including a black network, which won the 'best employee resource group' at the 2024 Black Talent awards. More than 200 colleagues attended 'Together Braver' workshops examining diversity and inclusion in the workplace, and we have signed up for the 'Accelerated Progress Programme' designed to improve social mobility in financial services.

Brilliant colleagues, well supported and encouraged, are the key to the brilliant service and products we offer. To achieve the engagement and trust we do in a year of great change at the Society is testament to culture and values instilled over many years, and which are the foundation for our future success.

A strong and disciplined performance

In 2024, the Society sustained a strong and disciplined performance by delivering to our members' priorities of value, outstanding services, security and making a difference to their world.

In recent years we have increased the Society's financial strength on the back of these clear priorities and delivered the capability to make the transformational acquisition of The Co-operative Bank possible.

In a year of political and economic uncertainty, we have maintained this record and our profit before tax of £323 million (2023: £474 million) is the third highest profit in the Society's 140 year history. It is testament to the Society's ability to sustain strong profitability and capital generation over recent years. Excluding acquisition and integration related costs of £26 million, our underlying profit before tax would be £349 million.

Our leverage ratio increased to 5.7% (31 December 2023: 5.4%) and our Common Equity Tier 1 ratio of 28.0% (31 December 2023: 29.1%) remains well above regulatory requirements. Our Liquidity Coverage Ratio was 207% (31 December 2023: 227%). We will apply the same focus and priority to continue to build capital, which provides the security and reassurance our members and regulators expect, in the years following the acquisition.

An exciting future

Looking ahead, it is difficult to forecast with any certainty the environment we will face. However, we believe that interest rates will reduce, and this should prove a welcome boost to borrowers and the broader housing market.

Our priority, as always, will be to provide the value, service and security our members and customers expect. This is particularly important as we begin the journey of building a new combined organisation. This process will rely on strong execution and balanced decision-making as we implement our plans and deliver on our commitments to all stakeholders.

I have said many times that the strength of the mutual model is the ability to take decisions in the long-term interests of our members. As we close our 140th year and stand on the threshold of a new era for the Society, this has never been more important.

I would like to thank all my colleagues for their hard work and commitment as we embark on this journey, and of course our members and customers for their continued loyalty and trust.

Stephen Hughes

Chief Executive
6 March 2025

Acquisition of The Co-operative Bank

Subsequent to the financial year end, on 1 January 2025, the Society acquired the entire issued share capital of The Co-operative Bank Holdings plc (the ultimate holding company of The Co-operative Bank plc (the 'Bank').

Strategic rationale

The combination of the Society and the Bank brings together a purpose-led mutual and the original ethical bank. These common values, along with a combined heritage of almost 300 years, brings true challenge to the UK financial services sector. It enables the deepening of the enlarged group's existing presence in the mortgage and savings markets as well as extending the Society's proposition to the personal current account and business banking markets. The acquisition enables the Society to leverage its financial scale and a diversified funding base to continue to offer strong member value and outstanding service.

Financial considerations

The combined organisation will have a group balance sheet size of approximately £90 billion.

A gain on acquisition of £603 million arising from an acquired net asset value well in excess of the consideration paid is recognised on completion.

The pro-forma combined group CET1 ratio of 19.7% and combined group leverage ratio of 4.5% at 1 January 2025 are both comfortably above applicable regulatory minimums and based on the opening 1 January position.

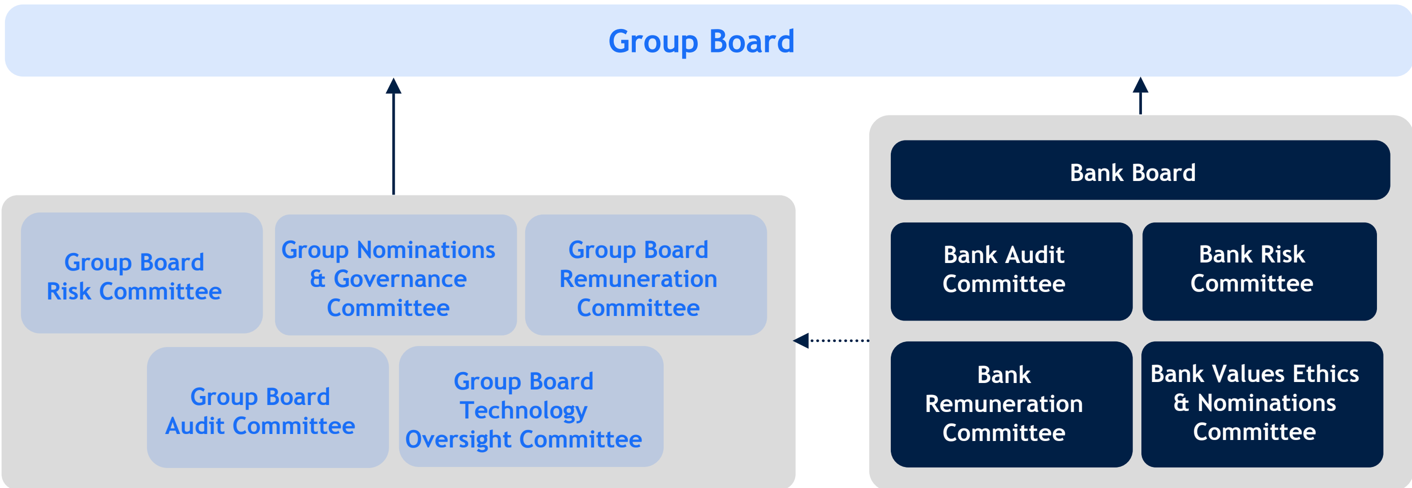
Integration consideration

The Society will seek to integrate the Bank gradually over several years, prioritising good customer outcomes. The Society and Bank will continue to operate under their current names and branding with their respective banking licences, whilst the work required to provide more integrated services in the future is carried out.

The results for the year to 31 December 2024 exclude the financial impacts of this acquisition outside of the transaction related costs. Further information on the day one accounting impacts of bringing the two organisations together are presented in note 36 to the accounts.

Changes to governance structures

The following governance structure has been established to lead the combined organisation and is effective from 1 January 2025.



The Group Board has the responsibility for oversight of both the Society and the Bank and is supported by the Group risk committees and the Bank Board and its risk committees.

David Thorburn continues as Chair of the Society and the new combined Group.

Caroline Marsh and Mark Parker have joined the Group Board as independent non executive directors with effect from 3 January 2025 and 1 January 2025 respectively. Caroline takes the role of Chair of the Group Remuneration Committee, succeeding Jo Kenrick who steps into the role of Bank Chair. Mark Parker joins the Group from the Bank Board. From an executive director perspective, Stephen Hughes and Lee Raybould continue on the Board and take the role of Group Chief Executive and Group Chief Financial Officer respectively.

At 1 January 2025, the Group Board is made up of the Chair, seven non-executive directors and two executive directors. Jo Kenrick remains the Deputy Chair and Senior Independent Director for the enlarged Group.

Our strategy

A people and purpose-led building society responding to the needs of all stakeholders.

We review our strategic plan each year to ensure we continue to meet the expectations of our members and other stakeholders.

Our strategic compass provides the direction for the business we aspire to be in the longer-term.

Our Purpose

We exist to make people better off through life.

Our responsibility is to balance the needs of different stakeholder groups, empowering our customers, colleagues and others to be better off through life.

Our Belief

Putting Members First

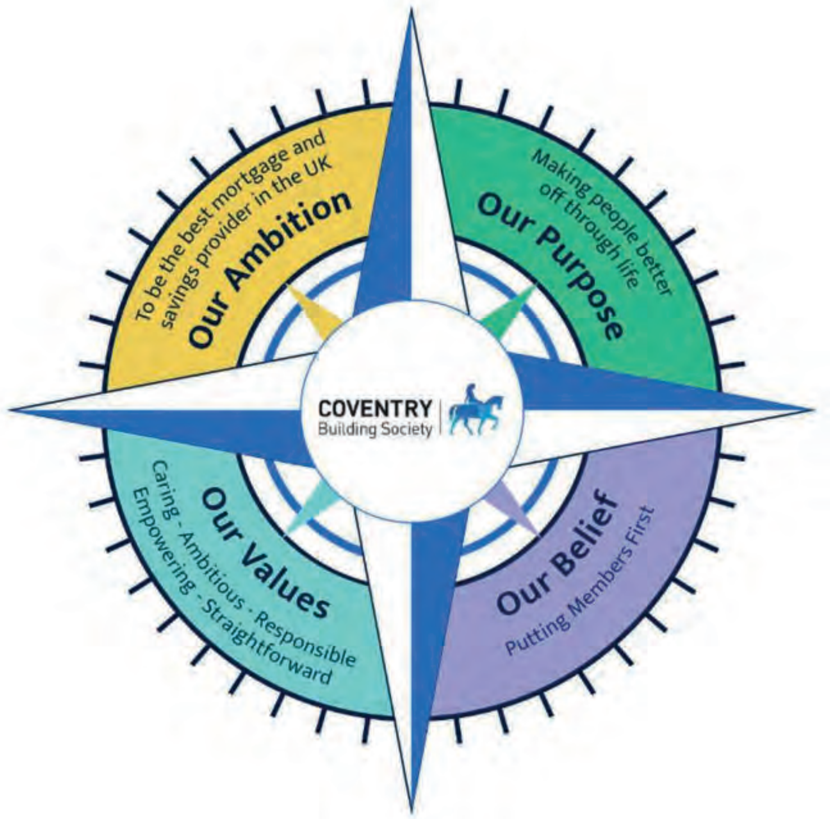
We believe in remaining an independent, customer-owned building society.

Putting Members First means considering the impact of our decisions and strategy on our current and future membership, and has consistently led us to 'do the right thing' and to outperform the markets in which we operate over the long-term.

Our CARES Values

Our values are to be **Caring, Ambitious, Responsible, Empowering** and **Straightforward.**

These are reflected in our behaviours with each other, with members and customers, and with other stakeholders as a key driver of trust and to sustain a strong culture.



Our strategy continued

Our compass elements guide our strategic choices and direction for the Society with members, other customers and our own people at the core. They guide our investment plans and are also aligned to our performance measures and targets.

Making people better off through life	
A purpose-led approach to business, the environment and wider society	A responsible business supporting sustainable growth and employment, and whilst doing so, reducing our carbon footprint and use of natural resources. We are also supporting customers to reduce the carbon footprint of their homes through education and products. Our purpose extends to our support to wider society, changing our communities for the better through increasing financial literacy and career aspirations, improving access to quality housing and reducing loneliness. Our purpose also drives us to be open, honest and transparent in our dealings with our members, employees, partners and regulators, and in reporting our performance.
An inclusive and inspiring workplace for everyone	We are creating an inspiring place to work that better reflects the diversity of our city, communities and membership. We provide a safe and engaging workplace for our employees, supporting their health and wellbeing.
Offering the best value products and services we can	
Making home ownership a reality and building a society of savers	Putting customers' needs first, empowering them to make better financial decisions and helping them achieve their financial and life goals through simple mortgage and savings propositions that offer good long-term value and high standards of consumer protection.
Easy to use digital options backed by market leading UK based telephone customer service and our branch network	We want customers to feel confident they have chosen the right provider for their mortgage and savings by: • Offering mobile app and other digital capabilities that offer an improved choice of product options, better and more secure servicing that also support our own people. • Backed up by friendly, caring and well-trained colleagues in our branches and UK contact centres offering support and guidance to customers when they need it most.
All delivered in a resilient way	
Keeping our customers' money and data safe and secure	Keeping customers' money and our operations safe and accessible for our customers, and their data secure through investment in resilient technology, processes and infrastructure.
A resilient and sustainable financial performance	Our strategy is to deliver a sustainable and resilient financial performance, while also supporting our core markets, UK economic growth and employment and providing good value and great service to our customers, consistent with our mutual ownership model. To achieve this, we stress test our capital and liquidity resources to ensure we can continue to grow and remain profitable under severe but plausible scenarios. We are also careful to spend our members' money efficiently to enable better growth, long-term value and service, whilst investing to meet stakeholders' and regulatory expectations.

Our business model

As a building society, we are owned by our members. We have a simple focused business model that enables us to deliver our products, services and long-term performance.

Inputs	Outputs
Infrastructure Our critical technology systems were available 99% of the time during 2024. These systems supported the distribution of our products via our 64 branches, our telephone channels and digital self-service options. **Suppliers and intermediaries** We distribute the vast majority of our mortgage products via mortgage brokers and intermediaries. Our business is supported by over 850 suppliers of which 80 provide critical services.	**Our simple business model** We receive interest and fee income from mortgage customers. We then pay interest to savings members and investors who have placed deposits with us or bought our debt securities. The difference between these two provides the net interest income to pay our colleagues and suppliers, to cover potential losses on our lending, and to invest in improved technology, products and services. Any remaining profit is retained as capital to fund future growth and provide resilience in the event of an economic downturn or other market shock. We have a lower risk approach to lending than the average UK mortgage provider, which also supports this financial resilience. This is reflected in our long term financial performance, lower arrears rates and lower repossession rates relative to others. We believe this mutual business model is consistent with the values and ethos of those who founded the Society 140 years ago.
Financial We use the retained profits from 140 years of trading, plus other forms of financial capital and funding from outside investors, together with the savings of our members, to fund mortgage loans to customers. **Natural** We are investing and changing to eliminate fossil fuels from our operations and supply chain. We are committed to reducing the carbon footprint of both our own business activities and our financed emissions on the homes that we provide mortgages on.	**Our customers** We provide residential mortgages and savings accounts to personal customers based in the UK. We believe in Putting Members First, treating all our customers fairly and giving them digital and human options about how they interact with us. We provide extra help to customers in vulnerable situations and those in financial difficulty. This also means keeping customers money and data safe and secure, offering good long-term value and ensuring high standards of customer protection for both savers and borrowers. We also support landlords who provide homes to tenants in the private rental sector. Our buy to let business diversifies our lending and helps create value for our wider membership, through better savings rates and services than we could otherwise provide.
Colleagues We depend on an engaged and diverse workforce of over 3,000 UK-based colleagues who deliver our services to 2 million customers across every region of the UK. We support flexible and hybrid working where possible, allowing our people to work from home and to balance their family and other responsibilities.	**Our products and services** We provide residential mortgages to individuals to enable them to buy their own home or to let property as an investment. We provide cash savings accounts and our product range supports those of all ages wanting to save for their futures, including tax free ISAs, fixed term or easy access propositions. We choose not to provide investment advice, insurance products or to lend on anything except UK residential property. We serve our customers through our network of branches and agencies, through our mobile app and online services, via the telephone, through our intermediary partners and also through saving and investment platforms.

Our stakeholders

As directors, we work to promote the success of the Society for the benefit of all of its stakeholders. In doing so, we voluntarily comply with Section 172 of the Companies Act 2006. More information on who our stakeholders are and how we, as a Society, engage with them is set out below and in the Governance section.

Stakeholder group	Customers	Colleagues	Suppliers
	This group includes our members, other mortgage and savings customers, and mortgage brokers.	**This group includes all of the Society's employees.**	**This group includes third-party organisations and contractors who provide goods and services to us.**
Stakeholder needs - what do they expect from us?	• Great value savings and mortgage products. • Excellent human service through whatever channel they use to interact with us. • A business model that is resilient, so we are safe and secure over the long term. • High availability of IT systems with data kept secure. • Simple and clear communications.	• An inclusive and inspiring workplace for everyone. • A great place to build and develop their careers. • An approach to reward that is fair and consistent. • Support for career development and training. • A culture that promotes wellbeing, supported by straightforward policies and processes.	• To do business with us on terms that are commercially beneficial. • To be paid promptly. • To work with consistent and understandable procurement processes (and proportionate for local SME suppliers). • Decisions that are made in a consistent, ethical and fair way.
How do we engage with them?	• Our Member Panel, an online forum of 11,000 members. • Regular surveys and research conducted with customers, prospects and intermediaries. • Online Member Talkback sessions and research groups to hear first-hand member and customer thoughts on pre-defined subjects. • Complaints monitoring. • Our AGM, where members vote on key matters to the Society and interact with the Board.	• 'My Society', our employee forum. • The annual Great Place to Work survey and surveys on specific issues. • Structured meetings with the Chief Executive and other executives. • Online internal communications tools and networks. • Through our recognised union, Unite.	• Regular governance meetings with key suppliers. Suppliers are provided with feedback on sourcing activities they are involved in, including debriefing unsuccessful suppliers. • Supplier awards, where all suppliers are invited to self-nominate. • Annual supplier surveys to gain an understanding of the views of our suppliers. • Supplier strategy events.
What's been important for them in 2024?	• Products that reward loyalty and offer good long-term value. • The ability to access our online services in an easier way whilst maintaining security standards. • Maintaining a consistent presence in the mortgage market. • Less paper and a mobile savings app.	• Our remuneration strategy and focus on financial wellbeing. • Creating an inclusive workplace and progress against published diversity and inclusion ambitions. • Maintaining positive wellbeing, including mental health support. • Improving opportunities for career development.	• Understanding more about our strategy. • Prompt payment. • Finding out about opportunities that might be available to local suppliers.
Our response and key decisions taken by the Board	• Approved the launch of our first digital mobile application and introduced initiatives to help build digital confidence. • We launched three loyalty products, including an innovative account aimed at supporting borrowers to save and reduce their mortgage. • The new 'Sunny Day Saver' was launched to support and encourage customers to save regularly and build a savings habit.	• The Board engaged in two-way discussions with the My Society forum focusing on the Society's strategic plan, diversity and inclusion, the Society's people strategy and talent development initiatives. • The Board reviewed the results of the Great Place to Work survey and approved the annual People Strategy, including a review of diversity and inclusion initiatives and progress against key targets.	• The Board approved our supply chain decarbonisation strategy. In 2024 we proactively engaged with our top 71 suppliers to understand their actual emissions produced when they provide goods or services to the Society.

Our stakeholders continued

Stakeholder group	Investors	Communities	Environment
	This group includes wholesale investors and ratings agencies.	This group includes those supporting the communities we serve.	Our direct and indirect impact on the world around us.
What do they expect from us?	• A stable and sustainable performance, with resilient capital and liquidity levels. • An organisation that is focused on the mortgage and savings markets, that is well governed and manages risks effectively. • Clear disclosures to enable informed investment decisions to be made. • Focus on environmental, social and governance impacts.	• Support (financial and in kind) and to benefit from our skills and knowledge. • Help to raise awareness of key issues and signposting those in need. • A community strategy that makes clear what we support and how this can be accessed. • Funding commitment across the medium term.	• To contribute towards tackling climate change. • Measurement and reporting of our emissions. • The reduction of our own emissions and broader environmental impacts. • Helping customers make the transition to their homes being more energy efficient.
How do we engage with them?	• A programme of investor and analyst meetings. • Public updates on our performance or other material matters for disclosure. • Information about our funding programmes and the Annual Report & Accounts published on our website.	• Engaging regularly with our strategic partnerships, charities, public sector and schools. • Key points of contact established and maintained in each of the organisations we work with. • Through a long-term partnership with Centrepoint.	• Working with a range of external bodies and suppliers to monitor, manage and reduce our environmental impacts. • Working with third parties for assurance to conform with ISO 14064 and ISO 20400 standards. • Engaged with customers to help make energy-saving improvements to their home. • Worked with suppliers to understand actual emissions produced when providing goods or services to the Society.
What's been important for them in 2024?	• The Society's roadmap to achieving Net Zero ambitions by 2040. • Product propositions aimed at helping members improve the energy efficiency of their homes. • Our plans for a green or social bond.	• Building successful partnerships which bring value to community organisations. • Certainty of funding as well as responding to changing external events, by providing additional funding to support services. • Creating access to opportunities and raising aspirations.	• Our Climate Action Plan, outlining our progress towards improving our impact on the environment. • Detailing our approach to a Net Zero future. • Aligning our environmental and social initiatives to further support our local communities.
Our response and key decisions taken by the Board	• Feedback used to develop the Annual Report and Sustainability Report to ensure the emerging needs of investors are met. • The Board discussed the feedback from rating agencies and their assessment of our performance.	• Over £4 million in community investment. • The Board considered our ongoing investment in the Society's community strategy. • Received updates on a campaign of activities to support our corporate charity, Centrepoint, working together with partners to help end youth homelessness by 2037. This included the launch of the Coventry Youth Hub and funding to support over 3,000 young people.	• The Board considered the impact of climate change on both the Society, its customers and wider stakeholders and approved the multi-year Climate Action Plan published on our website. • The Board considered the Society's ESG Plan, assessing performance against agreed ESG ambitions. • Considered the results of our first double materiality assessment, helping to inform our sustainability agenda.

Building a sustainable Society

Our achievements in 2024

B Corp
retained certified B Corp status

Over
12,700
hours of colleague volunteering

ISO 20400
Sustainable Procurement certification retained

Carbon neutral
since 2021 for our own operations

Thriving charitable partnership with
Centrepoint

ISO 14064-1
emission certification retained

83%
Employee engagement

We are signatories of:

The Climate Pledge, UN Global Compact, UN Sustainable Development Goals, UN Principles for Responsible Banking, Task Force for Climate-related Financial Disclosures, Bankers for Net Zero, UK Sustainable Investment and Finance Association, Race at Work Charter, Women in Finance Charter.

We have been recognised:

Certified B Corp - A growing global community of businesses that demonstrate their commitment to people and the planet, which spans 105 countries and over 160 industries. Becoming B Corp certified is the beginning of a journey of continuous improvement and involves the organisation making a commitment to use their business as a force for good and to be the change they want to see in the world.

Fair Tax Mark - Fair Tax is at the heart of a fair society, a strong economy and a functioning democracy. Its aim is to help those people who believe in a fair society and playing by the rules to say so publicly.

ISO 14064-1 certification - An international standard that quantifies the reporting of greenhouse gas (GHG) emissions and the verification.

External associations include:

Building a sustainable Society continued

Our sustainability strategy

Sustainability is at the core of the Society's strategy and aligns with our purpose and values. This sustainability strategy is framed by the three key external United Nations (UN) benchmarks we have committed to. Delivering against these external benchmarks forms the core of the Society's sustainability strategy.

Our sustainability strategy is embedded within the Society's people and purpose-led Strategic Plan. This is approved by our Board annually and guides decision making for a five year period. More detailed decision making on this topic, including identifying specific actions and accountabilities, is considered by the Board twice annually.

The Plan's objective of the Society being a 'people and purpose-led mutual' and this being made a reality, is achieved by the strategic goals as outlined on page 14:

1. Having a purpose-led approach to business, the environment and wider society.
2. Creating an inclusive and inspiring workplace for everyone.

The term sustainability covers all three areas of Environmental, Social and Governance (ESG) and the Society considers them as follows:

Environmental	We believe that climate change is a critical issue for the UK and the wider world. We are committed to making a positive contribution to the challenge of climate change by reducing the environmental impact of our business activities. At the heart of this is progressing our decarbonisation strategy, which aims to deliver on ambitious Net Zero targets.
Social	As a people and purpose-led organisation, we aim to meet the needs of multiple stakeholders. For members, offering long-term value, good customer outcomes and superior customer service. For colleagues, providing work that supports, engages and enables them to unlock their full potential. And we support local communities and national causes, creating opportunities for the most disadvantaged in society.
Governance	Maintaining the highest standards of governance is integral to the successful delivery of the Society's sustainability strategy. Our governance framework ensures that the Board is effective in making decisions and maintaining oversight, whilst keeping to our well-established purpose and values.

The Society's commitment to sustainability

Since 2021, the Society has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption.

The Society is also a signatory of the UN Principles for Responsible Banking and has identified four of the 17 UN Sustainable Development Goals (UN SDGs) to prioritise as our areas of focus. The priority goals are:

- UN SDG 4: Quality education;
- UN SDG 8: Decent work and economic growth;
- UN SDG 11: Sustainable cities and communities; and
- UN SDG 13: Climate Action

For each of these priority goals, we have agreed ambitions and specific targets, which are outlined on the following page. These measures help to define, measure and report on our broader sustainability activities.

More information on the Society's approach is provided on our website at www.thecoventry.co.uk and in our annual Sustainability Report.

Building a sustainable Society continued

Progress with our sustainability priority goal

Sustainable Development Goal - Quality education

Why we make a difference

- We are a leading local employer, wanting to provide employment opportunities for our local communities.
- We are committed to enhancing the skills of our employees.
- We have the resources to make a positive impact on education in Coventry.

Our targets and ambitions

- 250 apprenticeships over five years from 2021.
- 50% of senior management roles from internal recruits by 2025.
- 10,000 children and young people in Coventry supported via education programmes over three years from 2021.

In 2024, we delivered:

- 264 apprentices since 2021.
- 48% of senior managers recruited internally in 2024.
- Over 44,000 children and young people supported since 2021.

Sustainable Development Goal - Sustainable cities and communities

Why we make a difference

- We provide financing for housing and can help first time buyers onto the housing ladder.
- We can help homeowners with the transition to Net Zero.
- Our community programme focuses on access to housing.

Our targets and ambitions

- Number of people supported through 'Access to Housing' is 1,000 between 2021 and 2025.
- Supporting purchase of 12,300 first homes in 2025.
- Launch of 'CV First Home proposition' providing additional cashback to first time buyers in CV postcode area

In 2024, we delivered:

- 5,503 people supported through Access to Housing.
- We supported first time buyers to purchase over 7,000 homes.

Sustainable Development Goal - Climate action

Why we make a difference

- Our own operations emit GHG emissions.
- Our borrowing members will need help to deal with the transition to Net Zero.

Our targets and ambitions

- Become carbon neutral for our own operations in 2021.
- 43% reduction in our Scope 1 & 2 emissions by 2030 (baseline 2020)
- Ambition to be entirely Net Zero by 2040.
- Zero waste to landfill.

In 2024, we delivered:

- Reduced our Scope 1 and 2 emissions by 50% (compared to 2020).
- 59% reduction in paper consumption since 2017.
- Zero waste to landfill.

Sustainable Development Goal - Decent work and economic growth

Why we make a difference

- We provide career opportunities at differing levels of seniority.
- We spend around £211 million annually with our supply chain, enabling us to drive positive changes with our suppliers.
- We can offer underrepresented groups career pathways.

Our targets and ambitions

- Offer career development to enable colleagues to achieve their potential.
- Progress the sustainability agenda with our suppliers.
- 40% of all senior manager and above roles held by women by 2025.
- 25% of manager roles and above held by colleagues from ethic minority groups by 2025.
- Actual emissions data is gained from 100% of suppliers whose GHG emissions account for 80% of supply chain emissions by end of 2025.

In 2024, we delivered:

- 44% of roles filled by internal candidates in 2024.
- Sustainability features in supplier due diligence questionnaires and request for proposal documents.
- 37% of all senior manager and above roles held by women.
- 16% of manager and above roles held by colleagues from ethnic minority groups.
- Social mobility action features in the Supplier Code of Conduct and request for proposal documents.

Building a sustainable Society continued

Doing the right thing

Part of creating a more sustainable society is continuing to apply high standards of corporate governance. Our key activities and policies in this area are set out below.

Information on how the Society performed across a range of Environmental, Social and Governance activities in 2024 is included in our Sustainability Report, which will be available on our website at www.thecoventry.co.uk.

Climate

More information on our activity to meet our environmental targets is included in the 'Our approach to climate change' section of this report.

Diversity and inclusion

We understand there are challenges faced by different communities and we aim to address those challenges and support diversity, inclusion and belonging in every way we can. The Society's General Counsel chairs both the Diversity & Inclusion Council (made up of senior leaders from across the Society) and the Diversity & Inclusion Thinktank (made up of a cross-section of colleagues at all levels), which provide challenge, leadership and practical support to our approach and progress on the topic.

We believe in treating people fairly and recognise that different individuals bring different skills to our Society. We also believe that having an inclusive culture helps us to attract, develop, engage and retain the best, diverse talent, ultimately allowing us to serve our members in the best possible way.

Ethical behaviour

Our belief of Putting Members First is deeply embedded in the organisation and brings with it a commitment to the highest possible standards of ethical behaviour and conduct. To ensure we uphold these standards, we use a number of resources, campaigns and policies relating to topics such as: Code of Conduct, Money Laundering, Bribery and Corruption, Personal Responsibilities and Fraud Awareness. All our people complete regular mandatory training and tests in each of these areas. Our Whistleblowing Committee consists of members of the senior leadership team who are responsible for reviewing, investigating, monitoring and reporting any incidences of whistleblowing. The committee report to our Whistleblowers' Champion, Iraj Amiri, one of our non-executive directors, who has overall responsibility for overseeing the integrity, independence and effectiveness of the Society's whistleblowing policies and procedures.

Tax strategy

We conduct all of our business activities in the UK and are fully committed to meeting all of our UK tax responsibilities. We have also been awarded the Fair Tax Mark. More information is included in our tax strategy which is published at www.thecoventry.co.uk.

Privacy and data security

Our operations are based in the UK, and we undertake the requirements set out by our regulators, the Financial Conduct Authority and Prudential Regulation Authority, alongside relevant data security and privacy legislation. We disclose information to HMRC and other government bodies when we are required or permitted to do so. We partner with experienced cyber security firms to help manage our risks and strengthen our capability, and we have comprehensive cyber insurance. The Board Risk Committee receives an annual update with regards to the Society's compliance with data protection legislation. All employees undertake regular mandatory data protection and information security training as a minimum, and there is a wealth of experience in our data and security teams that support the business. Further information on how we use and store data is in our Privacy Notice, which can be found on our website at www.thecoventry.co.uk. This all means we can provide an informative and safe service to our members.

Human trafficking and modern slavery

We have zero tolerance of slavery and human trafficking in any of our own operations or in our supply chain. Due to the nature of the Society's business, the chance that slavery or human trafficking will occur is low; however, we are not complacent on these issues. More information is in our Modern Slavery and Human Trafficking statement at www.thecoventry.co.uk.

Anti-corruption and anti-bribery

Our values include being responsible and we expect all colleagues and individuals acting on the Society's behalf to act with integrity in all dealings relating to our business. As a result, we have no tolerance of bribery and corruption. Our anti-bribery policy reflects our internal zero tolerance approach and legal requirements. All colleagues, contractors, directors and suppliers are aware of their responsibilities in this area. Annual anti-bribery training, together with monitoring and enforcement tools, ensure compliance with our policy is continuously assessed.

Our external environment

In order to assess risks to the Society and our future performance, we consider the following key external environmental factors:

Economic environment

The UK economy remained subdued but avoided recession in 2024 as political change and higher interest rates aimed at bringing down inflation impacted households' and businesses' near term spending and investment confidence.

Inflation, including housing costs, peaked at 9.6% in October 2022 falling to 3.5% at the end of 2024 (2023: 4.2%), still above the Bank of England's 2% target.

Central banks around the world began to reduce interest rates in 2024 once it became clear that inflation was returning towards target. The Bank of England reduced its own rate twice in 2024 to 4.75% (2023: 5.25%).

Higher interest rates have led to a slowdown in economic activity, higher unemployment and subdued housing market activity, although house prices increased. The level of job vacancies continued to fall and the unemployment rate increased in the last 12 months to 4.4%[1] (2023: 3.8%).

Despite the subdued housing and mortgage market activity, house prices rose[2] by 4.7% in 2024 (2023: fall of 1.8%). The number of housing market transactions rose to 0.9 million (2023: 0.8 million). The combined effects of rising unemployment and higher interest rates led to a 0.23% increase in arrears from historically low levels in 2022.

Market environment

Savings market

UK household deposits have continued to grow enabled by higher interest rates, real terms earning growth and subdued consumer spending. Market savings rates peaked in the middle of 2024 before falling as the reduction in Bank of England Base Rate expectations impacted easy access and bond pricing. The level of deposits in retail savings and current accounts remained high at £1.9 trillion (2023: £1.8 trillion), an increase of £443 billion compared with pre-pandemic levels. The weighted average market savings[3] rate increased from 2.43% to 3.32%, while household savings balances in the UK grew by 5.8% (2023: 1.1%).

Mortgage market

Those remortgaging in 2024 continued to experience higher interest rates at maturity, although new business rates started to fall. This improved affordability for first time buyers and home movers and contributed to both a rise in house prices and higher level of gross mortgage lending and growth in mortgages outstanding of 1.6% after no growth in 2023[4].

Rental market

The buy to let market (mortgaged homes in the private rental sector) remained subdued in 2024. New lending demand continued to be impacted by higher interest rates, uncertain house price outlook, increased costs from taxation and environmental regulation impacting on landlord returns. However, tenant demand remained strong leading to higher rental yields. More properties in this segment are being purchased through limited companies to take advantage of preferential tax relief on mortgage interest, and the Society will offer this option to borrowers from 2025.

UK rental market demand is expected to ease in 2025 as falling interest rates make buying a home more attractive for first time buyers and with the downward trend in net immigration. The plans to build more homes by the new government are not expected to materially impact supply in the near term. Falling interest rates will also improve the return on investment for buy to let property, which should underpin supply.

Regulatory change

Regulatory developments continued to focus on the operational resilience of firms, the promotion of effective competition to ensure good customer outcomes and on tackling the risks to consumers from frauds and scams. The Society implemented the FCA's Consumer Duty principles for 'on sale' products in 2023 and has been fully compliant for 'off sale' products since July 2024.

Prudential regulators continue to focus on the need for financial resilience beyond a firm’s standard operational activities, for example capital resilience through changing MREL[5] regulation, Basel 3.1 capital floors.

Technology

Technology continues to change the way that customers access and interact with their financial services provider and is also exposing them and the Society to new types of fraud and cyber threats. Mobile apps are now the preferred digital option for many consumers and the Society launched its own mobile app in 2024. The adoption of mobile banking is expected to be permanent with a continuing reduction in the use of branches and non-digital channels. Artificial intelligence, open banking and digital currencies are all technology developments that could impact consumer behaviour and market competition.

Climate change

Climate change and the move to Net Zero will impact the Society and its customers increasingly in the next decade, although adoption of green technology and green lending propositions remains low. Clarity around regulation and the incentives available to borrowers will enable firms to provide guidance and products to new and existing borrowers.

1. Source: UK Government National Statistics.
2. Source: Nationwide house price index.
3. Based on the Society’s average month end savings rate compared to the CACI Ltd's Current Account and Savings Database rest of market average rate for savings accounts, excluding current accounts and offset savings, for the 12 months of the year.
4. Source: Bank of England.
5. Minimum Requirement for Own Funds and Eligible Liabilities.

Top and emerging risks

In common with other financial institutions, the nature of the Society's business model results in a number of unavoidable or inherent risks, namely principal risks. These risks are closely monitored by the Board through the Risk Management Framework and outlined on pages 32 and 33 of the Risk Management Report.

The top and emerging risks outlined below provide information on the current risks, driven by the external environment, which could impact the Society and how we mitigate them.

Risk	Mitigation
Economic and geopolitical uncertainty	
Global conflict and economic conditions following the pandemic have led to an environment of increased inflation and interest rates. This has increased household costs for borrowers with impacts on affordability and ability to repay. Downstream impacts from conflicts, heightened geopolitical tensions, and a changing political landscape increase uncertainty over future economic conditions and interest rate profiles that can impact the Society's profitability.	The Society regularly conducts stress testing against different economic scenarios to confirm that we can withstand severe but plausible stresses. The Society's lower risk lending approach, combining multiple tools like scorecards, policy rules and affordability stress rates, translates into arrears levels that remain well below industry levels. The Society's board risk appetite measures track new lending and portfolio performance and have well established limits to identify signs of deterioration. The Society proactively contacts customers who may be most impacted by higher mortgage rates. The Society holds credit loss provisions to protect against the risks which have yet to emerge in modelled data.
Housing, mortgage and funding market environment	
An elevated interest rate environment places downward pressure on mortgage activity and growth. The higher cost of living, the end of the Term Funding Schemes, quantitative tightening or disruption to wholesale markets could lead to higher funding costs. Changes to Government policy and regulation could have an impact on the size and functioning of key markets the Society operates in, such as buy to let mortgages.	The Society undertakes detailed strategic planning to ensure the needs of savings and borrowing members are balanced with maintaining the strength and resilience of the Society and continuing to support the growth of the UK economy and functioning of our key markets. In extreme conditions, the Society can moderate its rate of growth or deleverage to reduce its funding and capital requirements.
Changing customer behaviour and expectations	
Customer expectations and increased use of digital channels are changing the way the Society's products are designed and delivered. This may be further impacted by demographic changes to the UK population. There is a risk that the Society's propositions do not keep up with the pace of change or attract new members, or that the level of investment required to keep pace challenges the Society's lower cost operating model.	The Society continues to focus on developing products and services that keep up with these expectations and we have increased our investment in digital servicing and distribution. Our plans balance the requirement to deliver short-term improvements and long-term strategic capabilities. The Society improved its digital channels during 2024 and continues to prioritise this in 2025.
Technology and digital innovation	
As new technology (including Artificial Intelligence) develops and is adopted there is a risk that the level of investment does not keep pace with core market competitors, reducing the Society's relative attractiveness to customers. There is also a risk that technological change delivery itself could impact service levels, growth or other performance measures. Furthermore, as the technology landscape evolves external cyber threats also evolve in frequency, severity and sophistication.	The Society continues to invest and focus on making sure the capabilities and resilience of technology keeps pace to meet the expectations of our regulators and other stakeholders, and to ensure the resilience of our platforms and the security of members' money and data. Over the plan horizon we expect to include greater use of artificial intelligence, cloud and digital identification to mitigate the risk of economic and financial crime. The Society's adoption of a scaled agile change model supports the resilience, flexibility and efficiency of delivering technology and other change. There is a continual programme of cyber risk testing and development to strengthen the Society's protection from threats.

Top and emerging risks continued

Risk	Mitigation
Operational resilience	
A severe disruptive event or crisis could impact the ability of the Society to maintain the delivery of its important business services and other support services. Such events could lead to member harm, loss of funds, or impact the safety and soundness of the Society, reputational damage or regulatory penalties. Severe disruptive events could include technology failure impacting key IT services, widespread data loss or corruption, a cyber security event, or the failure of a critical third party.	The Society manages and governs a range of operational risk types in accordance with risk appetite. The Society has operational resilience capabilities in place (spanning crisis management, business continuity, technology, data, people, supply chain and property), which aim to ensure the Society's key services are resilient to disruptions and stress. From a people perspective, the Society evolves its proposition in line with external market changes and colleague feedback, with key person dependencies identified and mitigation options reviewed.
Regulatory requirements	
The Society is facing into a step up in regulatory requirements as a function of its increasing size and systemic importance to the UK financial services sector. As a result of organic growth and the acquisition of The Co-operative Bank, the Society will exceed the £50 billion deposit threshold in the near term resulting in additional compliance requirements.	There is a risk that the scope and complexity of regulatory change and increased regulatory expectation will increase the Society's costs and capital requirements and, if not delivered effectively, increase the risk of reputational damage with the regulator.
Climate change	
The risks of climate change could create material disruption to the Society's business as a result of transition risk as the UK economy transitions to lower carbon activities. This includes the potential impact of new regulations in our core markets.	The Society continues to develop its understanding of climate risk and its impact on the business model. The continued focus on understanding and planning for the impact of climate change is recognised in the Society's Sustainability Report and the Climate section of the Annual Report & Accounts.
Strategic change execution	
The acquisition and integration of The Co-operative Bank will bring increased change execution risks, which have been carefully considered during the due diligence process. Failure to effectively execute this change could delay the strategic delivery, the Society's growth and cause reputational damage with customers or regulators.	The Society has implemented a robust governance framework, with a dedicated integration management office to ensure strategic change is appropriately managed, and delivery risks are monitored and controlled. The Society's approach to managing this risk has been developed across the three lines of defence. This includes deploying established programme risk and governance tools, bringing in third party support and subject matter expertise. The second line are embedded in the programme while the third line will adopt a continuous monitoring approach (including thematic reviews). The Board will directly oversee the integration programme with support from appropriate sub committees.

Chief Financial Officer's review

The Society has continued to deliver a strong financial performance in 2024. Whilst profit has decreased, in line with our expectations, it is the third highest in our history and has led to further strengthening of our capital position.

The economic backdrop has improved with the reduction in inflation during the year, although inflation has been more stubborn than was envisaged 12 months ago and this, combined with UK and US elections, has caused volatility in interest rate expectations. Despite this uncertainty, it is pleasing to have delivered another impressive set of financial results.

This has been underpinned by our belief in delivering long-term sustainable value and outstanding levels of service, whilst continuing to maintain a resilient balance sheet.

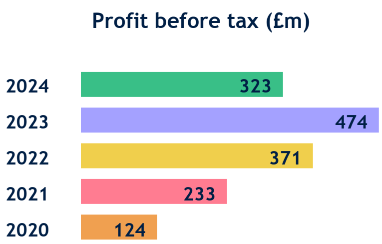
The acquisition of The Co-operative Bank will make the Society stronger by diversifying our funding and bringing scale benefits. It is these benefits that will allow us to sustain the level of service and value delivered today and well into the future.

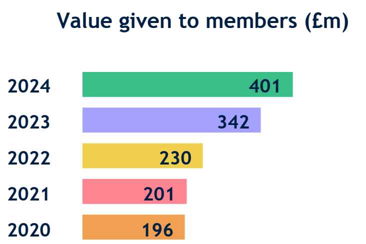
Financial Highlights

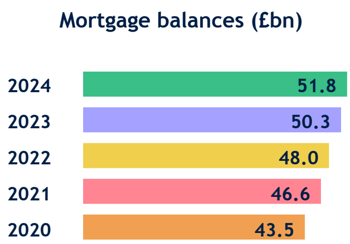
- Our profit before tax reduced to £323 million (2023: £474 million). Whilst a decrease on last year, this is in line with our expectation following an exceptional operating environment in 2023 and the third highest profit the Society has ever reported.
- Record distribution in value given to members of £401 million (2023: £342 million)[1], with 3.7% growth in savings balances demonstrating the ongoing competitiveness of our savings rates and our approach to rewarding loyalty.
- Net interest income reduced by £88m to £679m (2023: £767m) due to the impact of mortgage and savings customers repricing onto lower margin products and base rate reductions in the year, offset by growth in our balance sheet.
- The cost to income ratio increased to 54% (2023: 39%), mainly due to the reduction in income in the period and one off costs from the acquisition. Excluding the acquisition and integration related costs, our cost to income ratio would be 50%.
- We have further strengthened our leverage ratio to 5.7% (2023: 5.4%) and our Common Equity Tier 1 ratio remained stable at 28.0% (2023: 29.1%).
- A highly successful and oversubscribed issuance of £665 million Additional Tier 1 capital was completed in June, further strengthening the balance sheet ahead of our acquisition of The Co-operative Bank.

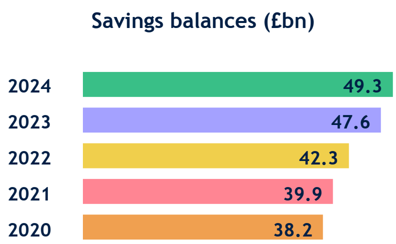
Following the acquisition of The Co-operative Bank on 1 January 2025, our combined pro-forma Group leverage and CET1 ratios were 4.5% and 19.7% respectively. This reflects the combined balance sheet of the new Group and includes the gain on acquisition of £603 million, representing the difference between the fair value of the net assets acquired and the purchase consideration of £745 million.

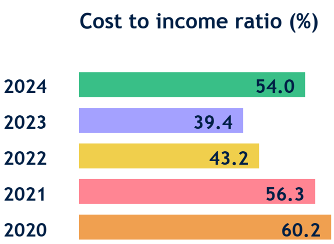
Lee Raybould
Chief Financial Officer
6 March 2025

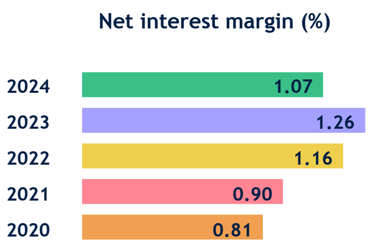


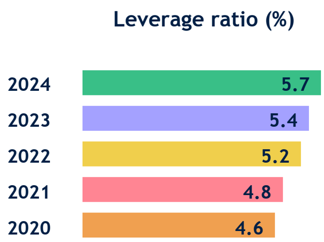


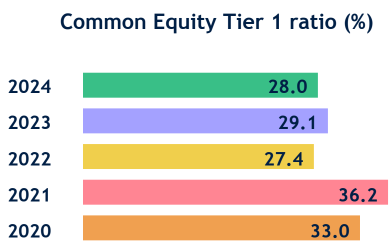












1. Value given to members is based on the Society's average month end savings rate compared to the CACI Ltd's Current Account and Savings Database rest of market average rate for savings accounts, excluding current accounts and offset savings, for the 12 months of the year.

Chief Financial Officer's review continued

Income Statement

Overview

The Society has delivered another strong financial performance in what has continued to be a very challenging year with further volatility in both the Bank of England Base Rate expectations and the subsequent market pricing for mortgages and savings products.

The following factors impacted the 2024 financial results:

- Net interest income decreased to £679 million (2023: £767 million). The reduction is due to the impact of mortgage and savings customers repricing onto lower margin products and base rate reductions in the year, offset by growth in our balance sheet.
- Loss on derivatives and hedge accounting of £12 million (2023: £30 million gain) due to the gains seen in previous years beginning to unwind and reflecting mortgage customer behaviour.
- Management expenses have increased by £21 million, driven mainly by inflation across all our activities, along with £8 million relating to the Bank of England levy. As a result of the acquisition, the Society incurred a further £26 million of deal related and preparatory integration costs in 2024.
- Despite the cumulative effect of high interest rates and cost of living pressures, the credit quality of our book remains robust. And, with an improved economic outlook, we have reduced expected credit loss provision by £18 million in the period (2023: £7 million charge).

Taking account of these factors, profit before tax for the year decreased to £323 million (2023: £474 million).

	2024 £m	2023 £m
Interest receivable	3,293.8	2,992.5
Interest payable	(2,614.5)	(2,225.3)
Net interest income	679.3	767.2
Other income & charges	(3.8)	(5.2)
(Loss)/ gain on derivatives and hedge accounting	(11.7)	30.3
Total income	663.8	792.3
Management expenses	(332.7)	(311.9)
Acquisition & integration related costs	(25.8)	–
Impairment release/(charge)	17.6	(6.9)
Profit before tax	322.9	473.5
Tax	(76.2)	(122.4)
Profit after tax	246.7	351.1

Net interest income

Net interest income decreased to £679 million (2023: £767 million). The overall decrease in net interest income of £88 million compared to prior year contributed to a reduced net interest margin of 1.07% (2023: 1.26%).

Interest receivable on mortgages and related hedging programmes increased by £280 million, predominantly as a result of higher average mortgage balances and the impact of higher average rates in comparison to the prior period.

We also benefitted from an additional £21 million of interest receivable on liquidity balances as a result of higher average Bank Rate across 2024 than 2023, which has more than offset the lower liquidity balances held.

Interest payable on retail savings increased by £402 million due to increased deposit balances and higher average rates paid on overall balances. Throughout 2024, the Society continued to pay above average savings rates, returning £401 million (2023: £342 million) in member value compared to market average rates[1], whilst continuing to invest in the Society and maintain its long-term resilience. This represents 0.88% above the market average rate.

In addition, the interest payable on our wholesale funding remained broadly stable at £471 million (2023: £484 million).

Net interest margin

At 1.07%, our net interest margin decreased from the 1.26% reported in 2023, as a result of the movements in net interest income outlined above relative to our average total assets.

We saw a decline in net interest margin to 1.05% in the first half of this year (H1 2023: 1.34%). However, in the second half of 2024, the Society's net interest margin has increased to 1.10% as we consciously balanced our growth and managed margins according to underlying market conditions.

	2024 £m	2023 £m
Net interest income	679	767
Average total assets	63,247	60,665
	%	%
Net interest margin	1.07	1.26

Derivatives and hedge accounting

The Society uses derivative financial instruments solely for risk management purposes to manage interest rate and currency risk arising from its fixed mortgage and savings activity and from non-sterling and fixed rate wholesale funding.

The Society applies hedge accounting where possible and its approach continued to be effective throughout the period. The loss for the year of £12 million (2023: £30 million gain) predominantly reflects the unwinding of previous gains, as expected due to the nature of hedge accounting.

1. Based on the Society's average month end savings rate compared to the CACI Ltd's Current Account and Savings Database rest of market average rate for savings accounts, excluding current accounts and offset savings, for the 12 months of the year.

Chief Financial Officer's review continued

Management expenses and acquisition costs

Overall management expenses, including acquisition and integration related costs, depreciation and amortisation, increased by £47 million. The increase in costs was driven by the following factors:

- Deal related and preparatory integration costs of £26 million have been included in respect of the acquisition of The Co-operative Bank.
- £8 million costs in relation to the new Bank of England levy.
- Increase in salary related costs of £7 million (4%) due to a small increase in headcount and wage inflation.
- Increased community spend of £1 million and additional marketing spend.

Our strong financial performance has allowed the Society to continue with its significant investment programme. The total spend on investment, including capital expenditure, of £91 million (2023: £92 million) has been focused on activity to modernise our services, with great progress on our digital roadmap and completion of our new mortgage sales platform. In addition, we continue to make improvements to operational resilience and have further achieved some significant milestones in our finance transformation programme.

The cost to income ratio[1] has increased to 54.0% (2023: 39.4%), reflecting the expected reduction in income relative to our cost base in the year and the impact of one-off acquisition costs. Excluding the acquisition related costs, our underlying cost to income ratio would be 50.1%. We continue to demonstrate effective management of our operating cost base with just a £12 million (4%) increase when excluding the acquisition and integration related costs and the new Bank of England levy.

The underlying cost to mean assets ratio of 0.53% has also increased in 2024 (2023: 0.51%) but it is expected to remain among the lowest in the building society sector. Maintaining our cost efficiency advantage is a key part of the Society's strategy.

Further details regarding administrative expenses are included in note 9 to the accounts.

Expected credit losses

The performance of our mortgage book has remained resilient despite interest rates remaining high, ongoing cost of living pressures and the material increases in mortgage costs for borrowers as they refinance from the very low historic rates to market rates.

The Society has updated its economic scenarios reflecting our expectation of lower interest rates and higher house price inflation and the impact on Expected Credit Losses (ECLs) are recognised in the year.

Whilst a deliberately cautious approach to estimating ECLs continues to be applied, the cost of living post model adjustment, introduced in June 2022, has been reduced by £16 million, reflecting resilient credit quality and only a modest increase in arrears levels. The prolonged period of consumer pressures not resulting in the expected levels of borrowers requiring extra help over the period has led to a reduction in the ECL provision of £18 million (2023: increase of £7 million) being recognised.

At the year end, total provisions were £24 million (2023: £43 million), of which £6 million (2023: £24 million) related to post model adjustments (PMAs).

£18 million (2023: £18 million) of ECL provision relates to the core modelled losses, including the impact of alternative economic scenarios. The alternative scenarios reflect a range of possible outcomes as the economy continues to see further periods of uncertainty related to inflation, affordability pressures and house price movement.

The post model adjustments cover the following risk areas:

- Risk relating to the impact of the cost of living on our members where we have identified behavioural characteristics that may lead to future difficulties (£2 million). This adjustment has reduced by £16 million in 2024, mainly due to improved economic conditions and a more resilient performance than previously expected. In addition, our ECL models have been enhanced to more accurately predict the impact of cost of living affordability pressures on our customers, resulting in a reduction on this PMA.
- A more granular assessment of house price information, which provides a more accurate view of indexed loan to values (LTVs) and risks associated with pockets of negative equity.
- Risks that cannot easily be modelled, such as for fraud or cladding remediation within the portfolio.

IFRS 9 requires loans to be assessed as ‘stage 2’ where there has been a significant increase in credit risk. Loans are held in stage 2 until such a time when they are considered to have 'cured' by performing for a sustained period of time, typically 12 months from the stage 2 trigger event. In 2024, stage 2 accounts decreased to 10.1% (2023: 14.5%), principally due to the impacts of the cost of living pressures dissipating. 96% of these stage 2 accounts remain up to date with their mortgage payments. 89.2% of the book remains in stage 1 (2023: 85.0%).

As a result of these changes, the ECL provision now equates to 0.05% of the overall mortgage book (2023: 0.08%).

More information on ECLs is included in note 14 to the accounts.

Taxation

In 2024, the corporation tax charge was £76 million (2023: £122 million), reflecting an effective tax rate of 23.6% (2023: 25.9%). The effective tax rate is lower than the UK statutory corporation tax rate of 25%, due to a higher tax credit in relation to the additional distributions made to holders following the repurchase and new issuance of the Group's AT 1 instrument. The surcharge on banking profits is offset against this credit. Further information is included in note 15 to the accounts.

1. Administrative expenses, depreciation and amortisation/Total income.

Chief Financial Officer's review continued

Balance Sheet

Overview

Our core trading performance for both mortgages and savings remains strong with a more balanced period of growth across both portfolios in 2024. The Society took a conscious decision to moderate growth during the year as a result of continued economic uncertainty, pressure on mortgage margins and in anticipation of the acquisition of The Co-operative Bank. The strong earnings in the year have further increased general reserves and capital, improving the financial resilience of the Society. A summarised Balance Sheet is set out below:

	2024 £m	2023 £m
Assets		
Loans and advances to customers	**51,801.3**	50,276.1
Liquidity	**10,723.9**	10,924.3
Other	**1,506.1**	1,262.3
Total assets	**64,031.3**	62,462.7
Liabilities		
Retail funding	**49,343.3**	47,582.3
Wholesale funding	**10,555.9**	10,845.5
Subordinated liabilities and subscribed capital	**57.0**	57.0
Other	**447.1**	738.3
Total liabilities	**60,403.3**	59,223.1
Equity		
General reserve	**2,754.2**	2,573.2
Other equity instruments	**665.0**	415.0
Other	**208.8**	251.4
Total equity	**3,628.0**	3,239.6
Total liabilities and equity	**64,031.3**	62,462.7

Loans and advances to customers

The Society's lending strategy remains primarily focused on high quality, low loan to value (LTV) mortgages within the prime residential market. These loans are mainly distributed through third-party intermediaries, giving the Society a regionally diverse mortgage portfolio in a cost-effective way.

The Society manages its growth according to the economic conditions, market pricing and funding conditions. In 2024, we advanced £6.7 billion of mortgages (2023: £7.9 billion) and mortgage balances grew by £1.5 billion (2023: £2.3 billion). Despite our balanced approach to lending in 2024, we outperformed the UK mortgage market with year on year growth in mortgages of 3.0% and our market share remained stable at 3.1%[1] (2023: 3.1%). Our residential balances increased by 4.8%, with our buy to let book remaining stable despite a small market contraction. This growth was complemented by lower levels of redemptions as a result of uncertainty on future base rate reductions.

New lending on owner-occupier homes accounted for 76% of total new lending in 2024 (2023: 81%) at an average LTV of 68.1% (2023: 67.0%). The Society continues to support first time buyers and increased the number of loans advanced in 2024 to 7,100 (2023: 6,300).

Total mortgage assets at 31 December 2024 stood at £51.8 billion (2023: £50.3 billion), which comprised £32.4 billion of owner-occupier loans (2023: £30.9 billion) and £19.4 billion buy to let loans (2023: £19.4 billion). The balance weighted indexed LTV of the mortgage book at 31 December 2024 reduced slightly to 53.5%[2] (2023: 53.8%) when compared to prior year as a result of house price growth.

Possessions and forbearance remained low, with 36 cases in possession at the year end (2023: 25) and forbearance levels having decreased by 4% year on year in value terms and 10% in number of cases.

Whilst the impact of the cost of living challenges is less than previously expected, around a third of mortgage customers are still likely to be impacted by a future rate shock as they mature onto higher rate products. The Society continues to focus on supporting its members and remains cautious in estimating expected credit losses.

At 31 December 2024, only 0.33% of mortgages were more than three months in arrears, which remains a very low number both historically and when compared with the latest available industry average of 0.91%[3]. Whilst this represents an increase in the year (31 December 2023: 0.26%), the low actual number of cases more than three months in arrears of 1,045 (31 December 2023: 843) demonstrates the resilience of the portfolio despite challenging economic conditions. The vast majority of these accounts have an LTV below 75%. The buy to let book saw a similar increase in arrears but from a very low base.

Liquidity

Liquid assets has remained broadly stable at £10.7 billion (2023: £10.9 billion) as we maintained a prudent liquidity buffer, demonstrated by our Liquidity Coverage Ratio (LCR) remaining strong at 207% (2023: 227%), significantly above the minimum regulatory requirement.

Liquid assets are principally held in deposits at the Bank of England and in UK Government investment securities. This means that asset quality remains very high, with 96% of the portfolio rated Aaa-Aa3 (2023: 94%). 99% of liquid assets are held in UK sovereign or UK financial institutions (2023: 96%).

Included in liquid assets are £0.5 billion of assets held at fair value through other comprehensive income (FVOCI). As at 31 December 2024, the balance on the FVOCI reserve was a £0.7 million loss, net of tax (2023: £1.3 million gain, net of tax).

Liquid assets reduced due to the transfer of funds (into other assets) to independent paying agents in readiness for the Bank purchase completion on 1 January 2025.

Retail funding

The Society continues to be predominately funded by retail savings, with balances increasing in the year by £1.8 billion to £49.3 billion (2023: £47.6 billion), representing growth of 3.7%, compared with market growth of 5.8%. The Society's overall savings market share is 2.7%[1] (2023: 2.7%).

The Society continued to support the cash ISA market, with our market share of 6.1%[1] broadly unchanged from

1. Source: Bank of England.
2. LTV is calculated using the Nationwide Building Society quarterly regional house price index (HPI).
3. Source: UK Finance.

Chief Financial Officer's review continued

prior year (2023: 6.5%). Our increase in overall savings market share reflects the strength of our proposition and our desire to increase the value we distribute to members whilst de-risking our future funding plan.

Wholesale funding

We use wholesale funding to diversify our sources of funding, enabling growth and lowering risk, which then benefits both mortgage and savings members through better rates.

Wholesale funding has remained broadly stable at £10.6 billion (2023: £10.8 billion). The Society successfully completed five issuances during the year, comprising a £500 million senior non-preferred in March, £500 million residential mortgage backed securities (RMBS) issued in July, €500 million covered bond and €500 million senior unsecured in October, and a £250 million repo in November.

As a result of our wholesale issuances and growth in retail deposits the Society has reduced the outstanding central bank Term Funding (TFSME) balance to £2.0 billion at 31 December 2024 (2023: £3.5 billion).

Equity

The Society’s equity is predominantly made up of 140 years of retained profits in the general reserve and Additional Tier 1 (AT 1) capital.

In June 2024, the Society completed a highly successful and oversubscribed £665 million issuance of AT 1 capital. This instrument has a first call date in 2029. At the same time, a tender for the existing 2019 AT 1 instrument was made, resulting in the repurchase of the £415 million existing AT 1 capital balance.

The Society made post-tax profits of £247 million in the year and total equity increased by £388 million to £3.6 billion, inclusive of a £51 million distribution to AT 1 capital holders and a £41 million movement in the cash flow hedge reserve.

Pension fund

The pension scheme assets and liabilities are recorded in the Society’s financial statements and the overall position was a deficit of £5 million at the end of 2024 (2023: £4 million surplus). These assets and liabilities are impacted by market movements and the change in the year has been driven by fluctuations in the UK corporate bond market. The Society continues to monitor the pension scheme to ensure that there is no scheme deficit over the medium-term.

Regulatory capital

We hold capital to protect members against unexpected future losses. As we grow our mortgage book, the amount of capital we need to hold to meet the UK Capital Requirements Directive (CRD) V increases.

The table below provides a summary of the Society's capital resources and CRD V ratios on an end-point basis (i.e. assuming all CRD V requirements were in force in full with no transitional provisions permitted).

Leverage

We are not currently bound by regulatory leverage ratios, which measure Tier 1 capital against total exposures, including off-balance sheet items. The UK leverage ratio framework is expected to apply to the Society at the point retail deposits exceed £50 billion at its annual reporting date.

The Society's UK leverage ratio increased to 5.7% (2023: 5.4%) due to the increase in retained profits and the additional AT 1 issuance in June 2024, and remains above the current regulatory expectation of 3.25% minima.

Capital

The capital ratios include additional risk weighted assets (RWAs) held for regulatory changes that are currently not reflected in the IRB models, as previously disclosed within the 2023 Annual Report & Accounts. The Society has submitted updated models to the PRA but has yet to receive approval for changes to its calculation of RWAs. When approval is granted, the final model output may vary from those calculated, impacting the capital ratios, effectively bringing forward some of the effect of increasing RWAs envisaged in Basel 3.1.

The increase in capital as a result of retained profits in the period has been offset by an increase of RWAs of 9.9%, resulting in a reduced CET 1 ratio of 28.0% at 31 December 2024. The reduction in CET 1 is due to an increase in balances, slightly higher loan to value lending, as well as an additional £725 million being held with independent paying agents in readiness for the Bank acquisition of The Co-operative Bank. Our CET 1 ratio remains significantly ahead of the Total Capital Requirement for the Society, which was 10.6% of RWAs at 31 December 2024.

The PRA have delayed the Basel 3.1 implementation until 1 January 2027. A reduced, three year transition period for the RWA output floor will commence, retaining full implementation by 1 January 2030. The phasing in of the floors will reduce the Group's reported CET 1 ratio, as they do not give full credit for the Group's very low risk mortgage book.

Applying the Basel 3.1 RWA provisions to the 31 December 2024 figures on a full transition basis would result in a CET 1 ratio of approximately 24.5%, however given the phase in we do not expect a material short term impact. The long-term projected reduction in reported CET 1 measures has been included within the Group's financial plans, ensuring we remain safe and secure. The capital disclosures are on a Group basis, including all subsidiary entities.

	End-point 31 Dec 2024 £m	End-point 31 Dec 2023 £m
Capital resources:		
Common Equity Tier 1 (CET 1) capital	**2,615.5**	2,475.5
Total Tier 1 capital	**3,280.5**	2,890.5
Total capital	**3,320.5**	2,890.5
Risk weighted assets	**9,340.4**	8,499.1
Capital and leverage ratios:	**%**	%
Common Equity Tier 1 (CET 1) ratio	**28.0**	29.1
Leverage ratio including central bank reserves and full AT 1 capital amount	**5.2**	4.6
UK leverage ratio[1]	**5.7**	5.4

1. The UK leverage ratio includes a restriction on the amount of Additional Tier 1 capital and excludes central bank reserves from the calculation of leverage exposures.

Other information

Alternative performance measures

The Society reports its results using a number of financial measures which are not driven by accounting standards (non-IFRS measures). These measures are used to understand our performance and are used internally when assessing the Society's results. More information on each alternative performance measure and its calculation is set out within the Glossary on page 185.

Non-financial information

The Society has voluntarily applied the requirements of Sections 414CA and 414CB of the Companies Act 2006 relating to the disclosure of non-financial and sustainability (environmental, social and governance) information. The information is integrated across the Annual Report & Accounts and therefore we have used cross-referencing to avoid duplication.

Reporting requirement	Page
Business model	15
Top & emerging risks	23
Key risk management	32
Key performance indicators	4, 99
Colleagues	16
Human rights	21
Anti-bribery and corruption	21
Communities	17
Environmental matters[1]	20
Climate-related financial disclosures	56

1. Our full Environmental Policy is published on our website at www.thecoventry.co.uk.

The Strategic Report has been approved by the Board of Directors and signed on its behalf.

Stephen Hughes
Chief Executive
6 March 2025

Risk Management Report

This section outlines the risks that the Society is exposed to and how they are managed.

Risk Management Report

Introduction

This Risk Management Report explains the principal risks that the Society is currently exposed to and provides information on how these risks are managed.

The report also includes information on the Society's capital position. Holding capital is a key tool in ensuring the Society protects members from the impact of any related risk which may materialise.

Principal risks

The principal risk categories to which our business model is inherently exposed are set out below. These risks are managed through the Society's Enterprise Risk Management Framework (ERMF).

Principal risks are those risks that the Society believes could significantly affect the achievement of the Society's purpose. The principal risks were reviewed during the year and to ensure sufficient oversight and governance of the integration activity, change risk will be elevated to a principal risk category in 2025. Both data risk and technology have now been embedded as principal risk categories recognising the prominence they have at the Society. Additionally, top and emerging risks, those risks that could impact the Society's strategic plan or business model, are regularly considered and reviewed. Information on the Society's top and emerging risks is included in the Strategic Report on pages 23 and 24.

Risk categories	Mitigation
Credit risk The risk of loss to the Society from retail borrowers or wholesale counterparties failing to meet their contractual payments in full and/or on time. Credit risk is supported by the following sub-categories: Retail credit risk and treasury counterparty credit risk.	**Retail credit risk:** We operate robust underwriting and affordability assessments which, together with appropriate credit policies, results in the Society lending responsibly and within its risk appetite. We also build and operate statistical models to measure retail credit risk to ensure we understand our exposure to ongoing risk of losses in stressed scenarios. **Treasury counterparty credit risk:** We operate under a treasury risk management framework reviewed annually by the Board which limits the size and breadth of exposures to good quality counterparties with a low risk of failure.
Market risk The risk of a reduction in earnings and/or value as a result of financial market movements.	We operate within Board approved limits and use interest and foreign exchange rate swap agreements to mitigate the impact of changes in interest rates and foreign exchange rate.
Liquidity and funding risk The risk of insufficient funds to meet obligations falling due or the inability to access funding at reasonable cost or risk.	We hold sufficient liquidity to withstand a severe but plausible stress and operate within limits set by the Board. We maintain a diversified funding base to avoid any overreliance on any funding source, type or term.
Capital risk The risk that the Society has insufficient capital resources to absorb losses in benign or stressed conditions, fails to meet regulatory or external expectations, or has insufficient financial resources to recapitalise in the event of resolution.	The Society holds sufficient capital to withstand a severe but plausible stress, and mitigate risks identified through the annual ICAAP process. Risk appetite limits are set to ensure that the Society always maintains compliance with regulatory minima, with early warning indicators in place to identify periods of severe stress as part of the recovery planning process.
Conduct risk The risk that the Society's behaviour and decision making at all levels causes foreseeable harm and prevents the delivery of good customer outcomes, or fails to meet the standards articulated in the Society's purpose and belief in Putting Members First.	We place good customer outcomes, aligned to the FCA consumer duty, at the heart of our decision making. In line with Putting Members First, this reduces conduct risk. This ethos is embedded in product design, services, and people and communication strategies. The Board plays an active role in oversight of these strategies and the delivery by the Society of good customer outcomes.
Operational risk The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. Whilst technology and data risks are operational in nature, they are considered as stand-alone principal risk categories.	We actively identify, assess and manage operational risks across a number of categories to which the Society is exposed, consistent with Basel risk classifications, industry best practice and the Society's business model. We aim to continuously enhance our operational risk management framework to enable the Society to effectively manage its operational risk, thereby limiting incidents and associated losses to within appetite.
Technology risk The risk of loss due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data.	Now fully embedded as a principal risk. We continue to make significant investment in upgrading our IT estate, enhancing digital capabilities, IT operations and security defences. The Society monitors and assesses its protection from the ongoing but increasing threat of cyber crime, implementing incremental improvements, thereby continually strengthening risk management capabilities.

Risk Management Report continued

Principal risks continued

Risk categories	Mitigation
Data risk The risk of the Society failing to effectively govern, manage and protect its data or evolve its data capabilities to align with customer needs and expectations or meet regulatory and legal compliance.	Data risk is now embedded as a principal risk, providing executive level governance and enabling greater focus over developments. Risk management has been strengthened through a range of enhancements including implementation of data quality tooling, Board approved risk appetite, policies covering the principal data risk and its sub-categories, and a suite of associated risk indicators that form the basis of reporting.
Model risk The potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.	We have implemented robust model risk management practices, set out in the Board Policy on Model Risk and Model Risk Framework. These cover key governance requirements and processes applicable to material models.
Strategic risk The risk that the business model fails as a result of not responding to changes to macroeconomic, geopolitical, regulatory (including climate change) or other factors (including changing customer behaviour and expectations in an increasingly digital world), or from making poor strategic choices and plan execution.	We have a simple business model and a clear understanding of the risks and opportunities in the markets in which we operate. We have a robust strategic planning process which includes capital and liquidity stress testing and sensitivity analysis. We monitor changes in strategic planning assumptions and the market outlook to identify emerging risks which could threaten the business model over the medium- to long-term.

Controlling and managing risk

The Society operates a simple business model. It manages risk through the ERMF, which sets out the Board's approach to managing and overseeing risk by defining risk strategy; risk appetite; governance and control; and risk management in light of the Society's strategy. The ERMF is approved annually by the Board to ensure it operates effectively. The Society will continue to enhance the ERMF as required to ensure it identifies and manages risk within its low risk appetite.

Three lines of defence

The Society operates within a 'three lines of defence' model, recognised as an industry standard for risk management. The key accountabilities of the three lines of defence within the Society are set out below:

First line of defence

The business

- Identifies, manages and mitigates the Society's risks.
- Is responsible for compliance with relevant regulation and legislation.
- Defines and operates controls.
- Assesses key risk indicators and market conditions.
- Produces management information and reports on risk.

Second line of defence

Risk oversight

- Designs, develops and ensures adherence to the Enterprise Risk Management Framework.
- Designs and develops other key frameworks, including Conduct, Model and Operational Risk Frameworks.
- Provides oversight and challenge over the management of risks.
- Develops compliance policies, supports delivery of regulatory change and monitors and reports on regulatory issues.
- Is responsible for overseeing effective compliance with relevant regulation and legislation.

Third line of defence

Internal audit

- Provides independent and objective assurance and advice on all matters related to the achievement of Society objectives.
- Conducts independent testing and verification of the adequacy and effectiveness of the Society's governance, risk management, controls, policies, processes and first line compliance.
- Responsible for providing assurance that risk management processes are functioning as designed and that strong evidence regarding compliance with relevant regulation and legislation exists.

Risk Management Report continued

Risk management

The Society's risk management objectives are to:

- Identify risks to the strategic plan and to the Society's objectives.
- Assess risk exposures by impact and likelihood.
- Respond to risks by evaluating them against the Society's risk appetite, formulating associated management responses and monitoring progress against agreed management action plans.

Risks are identified, assessed, managed, monitored, escalated and reported in accordance with the requirements of the ERMF. Management information captures risk metric information against risk indicators, triggers and limits as appropriate. Where a trigger or limit is breached, an escalation process exists to ensure it is escalated, reported and managed effectively, through the appropriate channels.

Risk strategy

The Board sets the Society's risk strategy and risk management approach. The strategy includes establishing a robust risk culture, setting the Board's risk appetite and ensuring that the 'three lines of defence' model operates effectively.

Risk culture

Risk culture is reflected in the behaviour and approach of the Board and all employees to risk awareness, risk taking and risk management. A strong risk culture helps the Society to achieve its strategy within acceptable risk levels.

The Society's risk culture is built on the following four elements:

- Tone from the top;
- Accountability;
- Effective communication and challenge; and
- Incentives.

In particular, the Society does not pay any sales incentives to employees.

Board risk appetite

The Board articulates the risks it is willing to take in delivering the Strategic Plan through its risk appetite statements, which create a framework for decision making. These appetite statements are reviewed on an annual basis to ensure they remain effective.

The Board's strategy towards risk and risk appetite is to achieve operational, conduct and prudential resilience that protects the long-term interests of our membership and the Society, and also reflects our market role in supporting economic growth and financial stability.

The Executive Risk Committee (ERC), the Board Risk Committee (BRC) and the Board all review performance and adherence to Board risk appetite limits.

Stress testing and planning

Stress testing, for both internal and external shocks, is used to understand the potential impact of risks crystallising and options to manage them. This includes scenario and contingency planning.

Stress testing is a key part of the Society's capital and liquidity assessments, and allows the Board to be satisfied that the Society has sufficient capital and liquidity resources even under a range of severe forward-looking scenarios.

More detail on the stress testing carried out by the Society, including the Internal Capital Adequacy Assessment Process (ICAAP), and Internal Liquidity Adequacy Assessment Process (ILAAP) is set out in the sections that follow covering capital, and liquidity and funding risk.

Governance and control

The Society has a number of committees which oversee and monitor risk as set out opposite. The Board delegates to BRC oversight of the Society's risk management arrangements as a whole. The Chief Risk Officer (CRO) has an independent reporting line directly to the Chair of the BRC, in addition to reporting to the Chief Executive.

The Internal Audit function provides independent and objective assurance and the Chief Internal Auditor has an independent reporting line to the Chair of the Board Audit Committee (BAC).

Further information on the BRC and BAC is included in the Governance Report.

Risk committee structure

Board

Principal committees

Board Risk Committee (BRC)
To provide oversight in relation to current and potential future risk exposures and future risk strategy, including determination of risk appetite and tolerance and the effectiveness of the Society's framework for managing risk.

Board Audit Committee (BAC)
To oversee the effectiveness of the system of internal control and the effectiveness of the Internal Audit function and external auditors.

Chief Executive

Executive Risk Committee (ERC)
To oversee and monitor risk, and ensure that risk is being identified and managed efficiently across the Society in line with the Enterprise Risk Management Framework.

Management committees

Retail Credit Committee (RCRC)
To monitor management of retail credit risk and performance of mortgage book to ensure compliance with risk limits.

Conduct Risk & Compliance Committee (CRCC)
To oversee and manage delivery of good customer outcomes consistent with conduct risk appetite.

Asset & Liability Committee (ALCO)
To oversee balance sheet risks faced by the Society and market risk, treasury credit risk and liquidity and funding risk.

Model Risk Committee (MRC)
To oversee management of model risks and exposure to risk remains within risk appetite statement.

Operational Risk Committee (ORC)
To oversee management of operational risks faced by the Society and the resolution of any risks that crystallise into risk events.

Technology Risk Committee (TRC)
To oversee management of technology risks faced and resolution of any risks that crystallise into risk events.

Data Risk Committee (DRC)
To oversee the management of data risks faced and resolution of any risks that crystallise into risk events.

Climate Risk Forum (CRF)
To oversee management of financial risks arising from climate change and demonstrate an understanding of the distinctive elements of these risks and a sufficiently long-term view.

Risk Categories

Credit risk

Credit risk is the risk of loss to the Society resulting from retail borrowers or wholesale counterparties failing to make their contractual payments in full and/or on time. Credit risk arises from the retail mortgage book and treasury assets held and therefore is supported by the following sub-categories:

- Retail credit risk; and
- Treasury counterparty credit risk.

Maximum exposure to credit risk

The Society's exposure to credit risk mostly relates to loans and advances to customers. The maximum exposure to credit risk increased to £65.5 billion in 2024 (2023: £64.6 billion) as a result of growth in the mortgage book and an increase in liquid assets.

The maximum exposure to credit risk for on-balance sheet and off-balance sheet financial exposures is set out below, allowing for impairment where appropriate. The maximum exposure to credit risk for off-balance sheet financial exposures is considered to be the contractual nominal amounts.

(Audited)	On-balance sheet carrying value 2024 £m	Off-balance sheet exposures[1] 2024 £m	Maximum credit risk exposure 2024 £m	On-balance sheet carrying value 2023 £m	Off-balance sheet exposures[1] 2023 £m	Maximum credit risk exposure 2023 £m
Cash and balances with the Bank of England	9,893.4	–	9,893.4	8,572.2	–	8,572.2
Loans and advances to credit institutions	328.7	–	328.7	787.9	–	787.9
Debt securities	501.8	–	501.8	1,564.2	–	1,564.2
Loans and advances to customers	51,801.3	1,915.0	53,716.3	50,276.1	1,909.2	52,185.3
Derivative financial instruments	1,084.2	–	1,084.2	1,513.5	–	1,513.5
Total	63,609.4	1,915.0	65,524.4	62,713.9	1,909.2	64,623.1

1. Off-balance sheet exposures comprise pipeline loan commitments and undrawn loan facilities.

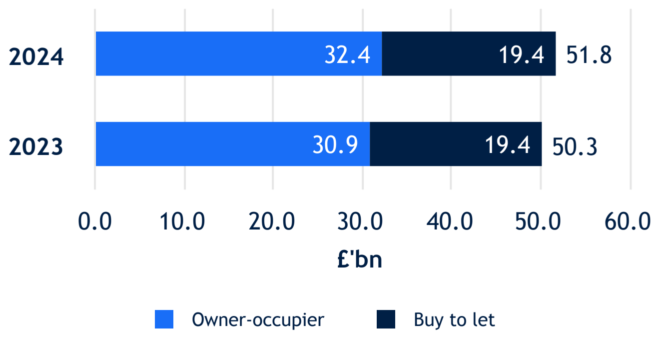
Retail credit risk

Credit risk in the Society's mortgage book only crystallises in the event that a borrower is unable to repay the mortgage and, as a result, the property on which the mortgage is secured has to be repossessed and sold at a price which is insufficient to allow the borrower to repay the loan.

The Society continues to focus on low risk, high quality owner-occupier and buy to let mortgages. Non-traditional mortgage lending outside these core segments relates to residual legacy products and comprises a negligible amount of total gross loans.

Buy to let lending continues to be provided mainly on an interest only basis, reflecting the underlying investment nature of buy to let properties, which can be sold to repay the capital amount. Interest only lending was 4.9% of the owner-occupier portfolio at 31 December 2024 (2023: 5.4%) with an average loan to value of 33.4% (2023: 35.1%).

Loans and advances to customers (Audited)



More information on the performance of the retail portfolio is included in the following sections.

Risk Categories continued

Geographical concentration

The mortgage portfolio continues to be well diversified and reflects the national coverage of the Society's distribution channels.

The geographical split of mortgages by balance, gross of impairment provisions, is shown below and has remained broadly stable:

Region (Audited)	2024 %	2023 %
London	**26.4**	26.9
South East England	**18.2**	18.5
Central England	**14.3**	14.2
Northern England	**14.1**	13.6
East of England	**12.0**	12.0
South West England	**8.6**	8.7
Scotland	**3.7**	3.5
Wales and northern Ireland	**2.7**	2.6
Total	**100.0**	100.0

Loan to value and income multiples (Unaudited)

The low loan to value (LTV) profile of the mortgage book, as shown in the following tables, is a reflection of the Society's low risk approach to lending. The Society updates the estimated value of the properties securing the mortgage portfolio on a quarterly basis using Nationwide regional house price indices and all tables within this report are prepared using these valuations.

The standard maximum income multiple for owner-occupier mortgages is 4.49, consistent with the prior year. The Society lends on multiples of up to 5 for very low LTV cases. Any lending at or above 4.5 times income is closely monitored and by value 1.7% (2023: 3.1%) of advances were made at or above this level in 2024.

The Society is a responsible lender and operates robust affordability checks before advancing any loans. For owner-occupier mortgages, ensuring a borrower has sufficient net income, both at the time of application and in a future higher interest rate environment, is a key part of this. For buy to let loans, the Society sets minimum interest coverage ratios which reflect among other things the tax status of the borrower.

The Society's actual average interest coverage ratio at the end of the year using a stressed 5% interest rate was 225.2% (2023: 218.8%), significantly above its minimum lending criteria. The Society also lends to portfolio landlords within the buy to let segment and takes a prudent approach to assessing portfolio LTV and income coverage ratios. There are also limits on the number of properties in the portfolio both in total and those which the Society will lend on. Each loan in a portfolio is assessed on a standalone basis and no allowance is made in the affordability assessment for other income of the borrower.

The LTV distribution of the mortgage book as at 31 December 2024 has remained broadly stable with 2023, as a result of continued growth in HPI offset by a slight increase in the 85% to 95% banding as a result of additional lending in the year, including first time buyers. The overall average LTV (balance weighted) marginally decreased from 53.8% to 53.5% during the year. The following tables calculate LTV based on the weighted average loan balances unless stated otherwise.

Total mortgage book profile by number of accounts (Audited)	2024 %	2023 %
Indexed loan to value:		
< 50%	**53.2**	52.8
50% to 65%	**26.5**	26.5
65% to 75%	**11.8**	11.7
75% to 85%	**5.5**	5.9
85% to 95%	**2.9**	2.7
>95%	**0.1**	0.4
Total	**100.0**	100.0
Average indexed loan to value of stock (simple average)	**46.0**	46.2
Average indexed loan to value of stock (balance weighted)	**53.5**	53.8

The average indexed LTV of loan stock in London has decreased to 52.4% (2023: 52.6%) as a result of an increase in house prices during the year. The rest of the portfolio has seen indexed LTV decrease marginally to 54.0% (2023: 54.3%).

The average LTV of gross new lending in 2024 is shown below, which has increased during the year as a result of an increased focus on higher LTV lending in line with market changes.

Gross lending by balance - new business profile (Audited)	2024 %	2023 %
Owner-occupier purchase	**43.2**	44.9
Owner-occupier remortgages	**30.9**	34.3
Owner-occupier further advances	**2.2**	1.7
Buy to let purchase	**5.7**	4.3
Buy to let remortgages	**17.2**	14.4
Buy to let further advance	**0.8**	0.4
Total	**100.0**	100.0
Average loan to value (simple average)	**62.7**	59.9
Average loan to value (balance weighted)	**66.7**	64.9

Retail credit risk management - mortgages

The Retail Credit Risk Committee (RCRC), and ultimately the Board, oversee the Society's credit risk management supported by a specialist retail credit risk department reporting to the Chief Risk Officer.

The Board sets prudent credit risk limits within the context of the Society's overall risk appetite and these are reflected in the Society's lending policy and credit controls. The limits are also tested in a severe but plausible stress scenario to ensure the Society is not exposed to risk outside of its appetite if such a scenario unfolds, and lending is tracked against these limits.

Risk Categories continued

All mortgage applications are assessed against the Society's lending policy criteria to ensure consistent credit decision making and lending within the Society's credit risk appetite. This assessment uses stressed interest rates to ensure affordability even if interest rates increase. The lending criteria has remained broadly unchanged in 2024.

The Society also ensures that there is no overexposure to any geographical region or counterparty and that its mortgage portfolio as a whole can withstand a range of macroeconomic and specific stress scenarios.

The Society's approach to payment difficulties

The Society continues to support customers having difficulty making their mortgage payments; this includes closely monitoring the impacts of the affordability pressures that both the cost of living inflationary challenges and a higher interest rate environment have given rise to in recent years. The Society takes action to proactively contact mortgage customers who have or will be coming to the end of their initial fixed rate mortgage product period, and who may experience increases in their mortgage rates. In the event that customers do experience financial difficulties, contact is made on a missed direct debit (pre-arrears) as well as following missed payments (arrears). The full range of forbearance support, as detailed below, is available related to the circumstances of the borrower. The Society also continues to support the Mortgage Charter, an initiative established in 2023 to provide short-term assistance to borrowers experiencing cost of living challenges.

Arrears performance

During 2024, the Society's longer-term arrears position has worsened, with £182.2 million (2023: £126.7 million) of accounts being greater than three months in arrears. The overall credit quality of the book however does remain high and arrears levels compare favourably to the UK Finance average. The vast majority of these accounts have an LTV below 75%. The Society continues to have a small number of properties in possession, which as at 31 December 2024 stood at 36 properties (2023: 25).

	2024		2023	
(Audited)	Gross balance £m	Arrears balance £m	Gross balance £m	Arrears balance £m
Greater than three months	**174.1**	**9.4**	122.0	5.9
Greater than six months	**98.6**	**7.4**	62.2	4.2
Greater than one year	**40.1**	**4.4**	19.7	2.2
In possession	**8.1**	**0.6**	4.7	0.3

The overall level of arrears remains significantly lower than the UK Finance average, as shown below:

	2024		2023	
(Audited - Society only)	Society %	UK Finance[1] %	Society %	UK Finance[1] %
Greater than three months	**0.33**	**0.91**	0.26	0.91
Greater than six months	**0.19**	**0.60**	0.14	0.56
Greater than one year	**0.08**	**0.31**	0.04	0.26
In possession	**0.01**	**0.02**	0.01	0.03

1. UK Finance data as at 31 December 2024 (2023: 31 December 2023).

Extent and use of forbearance (Unaudited)

The Society exercises forbearance if it is in the best interests of the borrower. Forbearance measures that the Society may offer are:

- **Concessions**, where the Society agrees to accept either the normal monthly payment with no contribution towards paying off the outstanding arrears, reduced payments, or in exceptional circumstances, no repayments for a short period.
- **Mortgage term extensions** to reduce the amount of the monthly payment as part of a longer-term solution.
- **A change of product** which results in more sustainable monthly payments.

On very rare occasions, arrears may be capitalised or the Society may agree to change repayment mortgages to interest only terms for a temporary period as a means of exercising forbearance.

Where a loan is up to date, the Society may agree a short-term payment holiday as a way of allowing borrowers to resolve financial difficulties, in which case this is treated as a forbearance measure rather than as one where the borrower is using a product feature. Forbearance payment holidays are for a maximum of three months and are only given where the borrower can afford the post-holiday monthly repayments. The table on the following page provides details of loans which have had forbearance measures granted.

The Society applies the Prudential Regulation Authority (PRA) definition of forbearance (which aligns to the European Banking Authority) for the purpose of this disclosure, where forbearance measures have been granted in the last 24 months, regardless of whether the incident of forbearance has now been lifted and the loans are back on their original terms.

As outlined in the table following, the overall number of loans in forbearance has decreased marginally to 599 compared to 668 in 2023, but still stands at 0.2% of the total mortgage portfolio (2023: 0.2%). The average LTV (balance weighted) of accounts in forbearance as at 31 December 2024 remains low at 50.9% (2023: 50.1%) and mitigates the risk of loss to the Society in the event that the borrower defaults on the loan at a future date.

All accounts subject to forbearance at the reporting period are assessed as either stage 2 or 3 under IFRS 9 and the Society recognises a lifetime ECL for these as an impairment provision.

The table below details all cases which have had forbearance measures granted during the last 24 months, under the PRA definition of forbearance. This therefore includes stage 1 accounts under IFRS 9, as the forbearance measures had been lifted at 31 December 2024.

Risk Categories continued

(Unaudited)	2024 No. of accounts	2024 Carrying value £m	2023 No. of accounts	2023 Carrying value £m
Forbearance: Accounts past due				
Concessions	**217**	**36.2**	198	31.3
Payment holidays	**43**	**4.6**	65	8.7
Product transfers	**2**	**0.4**	2	0.2
Temporary transfer to interest only	**7**	**0.8**	12	2.0
Term extensions	**1**	**0.2**	–	–
Forbearance Indicators: Accounts past due				
Concessions	**150**	**23.3**	146	19.5
Payment holidays	**158**	**20.5**	212	26.3
Product transfers	**1**	**–**	1	–
Temporary transfer to interest only	**18**	**3.1**	30	4.9
Term extensions	**2**	**0.2**	2	0.2
Total Forbearance	**599**	**89.3**	668	93.1
Of which Stage 2	**177**	**21.5**	202	24.6
Of which Stage 3	**311**	**52.3**	307	47.9
ECL on forborne accounts		**0.6**		0.8

Identifying impaired loans (Audited)

Under IFRS 9, the Society calculates impairment provisions on loans and advances to customers on an expected credit loss (ECL) basis and not on an incurred loss basis. ECL provisions are based on an assessment of probability of default, loss given default and exposure at default in a range of forward-looking scenarios.

IFRS 9 requires the Society to categorise customer loans into one of three stages at the Balance Sheet date. Assets that are 'performing' are shown in stage 1; assets where there has been a significant increase in credit risk (SICR) since initial recognition or 'deteriorating' assets are in stage 2; and accounts which are credit impaired or in 'default' are in stage 3. Under IFRS 9, loans are generally treated as being in 'default' if they are three or more months in arrears, have been three or more months in arrears in the last 12 months or have other specific unlikeliness to pay indicators. Equity release loans are treated as being in default once the loan is 12 months past the contractual trigger event. IFRS 9 requires a 12 month ECL provision on all stage 1 assets and a lifetime ECL provision on all stage 2 and 3 assets.

Further disclosure on the ECL provisions and the accounting judgements which have been applied are included in note 14 to the accounts.

Credit risk outlook

The resilience of the mortgage portfolio as well as an improved economic outlook has facilitated a release of impairment provisions in the year. However, challenges still persist with costs at an elevated level compared with recent years and geo-political developments that could lead to instability in the wider economy that could feed into customer-level impacts. The Society therefore continues to remain alert to potential impacts on its mortgage customers and will continue to manage policy and provisions in accordance with any emerging risks.

As at 31 December 2024 arrears levels remain low at 0.33% (2023: 0.26%) of the total mortgage portfolio. Benchmarking data continues to illustrate the high quality of the portfolio, but we remain vigilant to potential increases in arrears levels in the medium-term.

The Society has maintained its ongoing focus on low risk lending within a prudent risk appetite, which is geographically spread across the UK. This continues to offer protection against forecasted house price falls in 2024 and increased affordability pressures on borrowers.

Risk Categories continued

Treasury counterparty credit risk

Treasury counterparty credit risk is the risk that the Society is unable to recover the principal or interest due from a wholesale debtor, or that the value of a wholesale asset or instrument suffers materially due to changes in the creditworthiness of the counterparty.

Management of treasury counterparty credit risk

The Society has a low appetite for treasury counterparty credit risk and restricts exposures to good quality counterparties with a low risk of failure.

Treasury investments in financial institutions are predominantly with highly rated UK banks and systemically important international institutions in addition to multilateral development banks (MDBs), such as the European Investment Bank. The Society also invests in Covered Bonds and Residential Mortgage Backed Securities (RMBS). The counterparty credit risk framework is reviewed annually by the BRC and the Board, and reflects internal analysis, external credit ratings and any other relevant factors. There is a maximum permitted exposure set for each category of investments in addition to country and regional limits.

Within the risk framework, detailed limit setting is delegated to the Asset and Liability Committee (ALCO) with oversight from the Risk function, supplemented by daily monitoring by the Treasury Credit Committee.

Exposures are reviewed continuously to ensure that they remain within the approved limits. Developments with treasury counterparties are closely monitored, with detailed internal credit assessments performed annually on key counterparties, with limits reduced or suspended where there are adverse changes, including changes in the creditworthiness of counterparties or markets.

Treasury counterparty credit exposure profile (Audited)

Treasury assets comprise cash and balances with the Bank of England, loans and advances to credit institutions and debt securities. The majority of liquidity continues to be held in UK central bank reserves.

All of the Society's treasury exposures, outside of balances held with the central clearing house, remain at investment grade as set out below:

	Exposure value by Moody's rating				
2024 (Audited)	Aaa-Aa3 £m	A1-A3 £m	Baa1-Baa3 £m	Unrated £m	Total £m
Central banks and sovereigns	**10,269.6**	–	–	–	**10,269.6**
Multilateral development banks (supranational bonds)	**19.2**	–	–	–	**19.2**
Financial institutions	**9.6**	**122.7**	–	**302.8**	**435.1**
Mortgage backed securities	–	–	–	–	–
Total	**10,298.4**	**122.7**	–	**302.8**	**10,723.9**

	Exposure value by Moody's rating				
2023 (Audited)	Aaa-Aa3 £m	A1-A3 £m	Baa1-Baa3 £m	Unrated £m	Total £m
Central banks and sovereigns	9,270.4	–	–	–	9,270.4
Multilateral development banks (supranational bonds)	109.7	–	–	–	109.7
Financial institutions	690.5	240.5	–	458.8	1,389.8
Mortgage backed securities	154.4	–	–	–	154.4
Total	10,225.0	240.5	–	458.8	10,924.3

The majority of treasury assets continue to be held within the UK. The geographical domicile of the Society's treasury assets is shown below:

	Treasury assets					Of which, debt securities		
2024 (Audited)	Sovereign £m	Supranationals £m	Financial institutions £m	Mortgage backed securities £m	Total liquid assets £m	Book value £m	Market value movement £m	Fair value £m
United Kingdom	**10,269.6**	–	**290.3**	–	**10,559.9**	**529.8**	**(47.2)**	**482.6**
Supranationals	–	**19.2**[1]	–	–	**19.2**	**19.2**	–	**19.2**
France	–	–	**134.6**[2]	–	**134.6**	–	–	–
Spain	–	–	**10.2**	–	**10.2**	–	–	–
Total	**10,269.6**	**19.2**	**435.1**	–	**10,723.9**	**549.0**	**(47.2)**	**501.8**

1. Supranationals relate to amounts held with the European Investment Bank (guaranteed by a number of European sovereigns).
2. Cash collateral held by counterparties under Credit Support Annexes (CSAs) in relation to derivative liabilities.

Risk Categories continued

2023 (Audited)	Treasury assets Sovereign £m	Supranationals £m	Financial institutions £m	Mortgage backed securities £m	Total liquid assets £m	Of which, debt securities Book value £m	Market value movement £m	Fair value £m
United Kingdom	9,270.4	–	984.1	154.4	10,408.9	1,496.6	(42.0)	1,454.6
Supranationals	–	109.7[1]	–	–	109.7	110.9	(1.3)	109.6
France	–	–	404.7[2]	–	404.7	–	–	–
Spain	–	–	1.0	–	1.0	–	–	–
Total	9,270.4	109.7	1,389.8	154.4	10,924.3	1,607.5	(43.3)	1,564.2

1. Supranationals relate to amounts held with the European Investment Bank (guaranteed by a number of European sovereigns) and both the European and International Bank for Reconstruction and Development (guaranteed by a number of global sovereigns).
2. Cash collateral held by counterparties under Credit Support Annexes (CSAs) in relation to derivative liabilities.

Treasury counterparty credit risk mitigation

The Society enters into derivative transactions for risk management purposes. It undertakes sale and repurchase (repo) transactions to manage liquidity and raise longer-term funding, where highly rated assets such as gilts are sold with an agreement to repurchase at an agreed price at a later date. Counterparty credit risk includes the risk of default by the derivative counterparty and the risk that cash received in a repo transaction is less than the market value of the asset.

The Society manages this risk by undertaking credit assessments of all counterparties and by exchanging collateral to mitigate any exposure. Daily collateralisation of repo transactions is carried out in accordance with the Global Master Repurchase Agreements to mitigate net exposure arising from changes in market value. Similarly, all derivatives have Credit Support Annexes (CSAs) in place to collateralise the net mark-to-market credit exposures.

The Society has entered into International Swaps and Derivatives Association (ISDA) master netting agreements for all of its derivatives (other than swaps undertaken by Coventry Building Society Covered Bonds LLP and Coventry Godiva Covered Bonds LLP). These allow the Society to settle exposures ‘net’ in the event of a default or other predetermined event.

The Society is subject to mandatory central clearing of derivatives through a third-party regulated central clearing counterparty to reduce systemic and operating risk. Under this, collateral is exchanged on a daily basis. The Society may still enter into swaps that are not currently cleared by any of the central clearing houses, e.g. cross currency swaps; these are all subject to daily exchange of collateral to better manage counterparty risk.

The Society’s Covered Bond programmes (Coventry Building Society Covered Bonds LLP and Coventry Godiva Covered Bonds LLP) and Economic Master Issuer plc enter into swaps under separate ISDA agreements. Each agreement includes a CSA which provides for collateralisation of the swap exposure.

The derivative exposures can only be settled net following a default or other predetermined event, and therefore exposures are presented gross on the Balance Sheet.

As at 31 December 2024, the Society has no derivative net credit exposures (2023: £10.3 million, of which £10.0 million is with A1 rated institutions and £0.3 million relates to Aa3 rated institutions).

More information is included in note 32 to the accounts.

Analysis of treasury assets by IFRS 9 stage and impairment

Under IFRS 9, the calculation of impairment on treasury assets is performed on an expected credit loss (ECL) basis.

The Society determines whether there has been a significant increase in credit risk for treasury assets using a range of factors including counterparty credit ratings, internal monitoring processes and, for mortgage backed securities, stress testing. Exposures are monitored by the Treasury Credit Committee.

All of the Society’s treasury assets are assessed as stage 1 'performing' assets at both 1 January and 31 December 2024. Due to the underlying quality of the assets, they have remained resilient to market volatility and the cost of living pressures.

ECLs are calculated by applying an externally published Probability of Default (PD) for the applicable credit risk rating to the treasury exposure value. The required provision remained negligible for 2024 and is immaterial to the financial statements.

As at 31 December 2024, no treasury assets were past due (2023: none).

Counterparty credit risk outlook

Whilst there remains uncertainty in the economic outlook moving into 2025, the Society’s consistent low risk approach to counterparty credit risk protects the Society and its members from credit risk arising on its treasury portfolio. This is expected to be maintained in the near future.

Risk Categories continued

Market risk

Market risk is the risk of a reduction in earnings and/or value resulting from adverse movements in financial markets.

Market risk only arises in the banking book as the Society does not hold a trading book. Interest rate risk in the banking book includes re-price, option and basis risk. The Society is also subject to credit spread risk in the banking book and foreign currency risk.

The main source of market risk to which the Society is exposed to is re-price risk.

Management of market risk

The Board has overall responsibility for determining the Society's appetite to market risks, including interest rate risk in the banking book (IRRBB). The Chief Financial Officer and Treasurer are responsible for managing and monitoring current and emerging market risks. This is overseen by the Market Risk Committee, ALCO, BRC and ultimately the Board.

Market risk is managed by specifying risk tolerances and operating within these limits, using derivatives, such as interest rate swaps, or matching offsetting assets and liabilities. The Society maintains adequate margin capacity through administered rates, and invests its reserves and some of its interest rate insensitive liabilities in fixed rate assets to reduce income volatility.

Re-price risk

The Society is exposed to the risk that interest rates change and its assets and liabilities re-price on different dates, resulting in a negative impact to the future net interest income or the value of the balance sheet. The Society manages this risk by limiting the impacts of different interest rate shocks.

The impact on the economic value of assets and liabilities under parallel and non-parallel interest rate shock scenarios is monitored by the Society.

The Society monitors its exposure against the prescribed shocks of the Basel Committee on Banking Supervision (BCBS) outlier tests monthly and the Board sets limits for the maximum change in the Society’s economic value of equity beneath the regulatory limit.

In addition to the economic value measures, the impact of various interest rate scenarios on net interest income, i.e. an earning measure, over multiple timeframes, is monitored.

The Society uses a structural hedge to manage net interest sensitivity arising from its reserves and some of its interest rate insensitive balances. The structural hedge has a number of Board approved parameters that limit the size, duration and concentration of maturities of the hedge.

Shock applied (Unaudited)	2024 £m	2023 £m
Impact on present value of assets and liabilities at year end from a parallel change in yield curve:		
+100 basis points shift (EV 100)	**2.7**	(2.4)
-100 basis points shift (EV 100)	**(2.6)**	2.5
+200 basis points shift (EV 200)	**28.2**	30.8
-200 basis points shift (EV 200)	**(30.5)**	(34.5)
Impact on net interest income for the year from a parallel change in yield curve:		
+100 basis points shift	**10.8**	6.8
-100 basis points shift	**(11.0)**	(10.5)

The table above shows the exposure to re-price risk against a range of value and earnings-based assessments as at 31 December 2024. The relatively small change in value and net interest income measures provides insight into the modest amount of re-price risk the Society runs. The balance sheet is positioned so that net interest income benefits should interest rates rise, i.e. net interest income disbenefits from falling interest rates. The sensitivity of the economic value to the different interest rate shocks is driven by pre-hedged customer flow positions and separate assumptions on how they will complete under each shock.

Product option risk

The Society is exposed to the risk that arises when interest rate changes result in a financial incentive for a customer to exercise an option on a fixed rate product and hedging has to be adjusted at adverse rates. The key behavioural assumptions made are:

- Rate of prepayment of fixed rate mortgages.
- Rate of prepayment of fixed rate savings.
- Rate of conversion of fixed rate mortgage pipeline.

Prepayment risk is quantified and assessed using a set of bespoke models that, based on historical experience, attempt to predict customer behaviour in response to changes in interest rates, which are backtested. It is mitigated by appropriate redemption or early withdrawal charges.

Pipeline risk is managed through dynamic hedging of the Society’s estimate of likely sales and timing using a conversion model and applying stressed assumptions. Final hedging adjustments are made once the completion onto a product has ceased.

Risk Categories continued

Basis risk

The Society is exposed to the risk that interest rates change and floating rate liabilities re-price by different amounts than to its assets such that it is negatively impacted. The Society manages basis risk by offsetting assets and liabilities by their reference rate and ensuring that earnings sensitivity to market rates diverging from the Bank of England Base Rate remain within limits. The primary short-term interest rate benchmark that the Society is exposed to is Sterling Overnight Index Average (SONIA).

Credit spread risk

Credit spread risk in the banking book is the risk arising from changes in the market value of financial assets due to fluctuations in their credit spread. Beyond cash, the Society holds securities for the high quality liquidity buffer which are held at fair value through other comprehensive income (FVOCI). The Society manages this exposure through a limit which caps the change in the market value of both fixed and floating rate assets under a shock to credit spreads. Due to the low treasury credit risk appetite of the Society, in terms of exposure and credit quality, the risk is constrained.

Foreign currency risk

The Society raises non-sterling funding to ensure wholesale funds are obtained cost-effectively across a wide pool of potential providers. However, this exposes the Society to the risk of a change in the value of foreign currency denominated liabilities. Cross currency swaps are entered into in order to fully hedge the foreign exchange risk. Both pre- and post-hedged exposures are managed within limits.

Further information is included in note 24 to the accounts.

Market risk outlook

After the rapid and significant increase in the Bank of England Base Rate to its peak at 5.25% in August 2023, markets spent 2024 trying to anticipate the scale and timing of a rate cutting cycle, and even a recession, that might see inflation reduce sustainably back to the Bank of England's target of 2%. Rate cut anticipation was at its peak in January 2024 with six cuts priced in. As it turned out, core inflation was far stickier; developed market labour markets were surprisingly resilient and there was no recession. By the end of 2024, core services inflation had reduced only marginally from 6.4% to 5% and the Bank of England had cut rates just twice, to 4.75%.

Following the new government's budget in late October, the outlook for the UK in 2025 looks mixed. While activity can be expected to receive a boost, business confidence surveys have deteriorated when assessing the increased burden placed on them and long-term rates are increasing where global bond markets face into large fiscal deficits.

The Society is satisfied that the controls outlined above will mean that market risk remains within appetite.

Liquidity and funding risk

Liquidity risk is the risk that the Society has insufficient funds to meet its obligations as they fall due. Funding risk reflects an inability to access funding markets or to do so only at excessive cost.

Both risks are managed on a Group basis (including all subsidiary entities) with day-to-day responsibility delegated to the Chief Financial Officer and Treasurer, with oversight provided by the Liquidity Management Committee, ALCO, BRC and the Board.

Management of funding risk

The Society ensures that it is not reliant on any single source or funding provider to manage funding risk. It maintains a strong and diversified funding base with access to a range of wholesale funding markets. This reflects the Society's strategy and the traditional building society model.

Retail funding forms the bulk of the funding base and consists of a mix of variable rate products, fixed rate bonds and ISAs. The Society has a strong record of attracting and retaining savings balances and continues to organically grow its savings book. The Society raises deposits from a broad customer base which is spread throughout the UK and offers a range of retail savings products to diversify retail funding. Funds are acquired directly through the Society's operating channels and through several partnerships, with new channels and partnerships being explored to diversify this further.

Over 2020 and 2021, the Society accessed the Bank of England Term Funding Scheme with additional incentives for SMEs (TFSME) to further reduce funding costs and diversify exposures. The Society drew a total of £5.25 billion from TFSME which is set to be repaid by the end of 2025, with the repayment funded by a mix of new wholesale issuances and retail savings acquisition. This scheme closed to new drawings in 2021, and during 2024, £1.4 billion of the balance was repaid, leaving £2.0 billion payable in 2025.

The Board sets limits to avoid both overreliance on wholesale funding and funding concentration by type, counterparty or tenor. These limits comply with the Building Societies Act 1986 and follow the Prudential Regulation Authority's (PRA) supervisory guidance.

Management of liquidity risk

The Society ensures it holds sufficient quality and quantity of liquidity to remain a going concern after a severe but plausible stress. In turn, this ensures that it meets regulatory requirements set by the PRA. The level of stress applied is dynamically assessed based on an assessment of risks run by the Society and the prevailing economic and market liquidity backdrop.

The Society's business model inherently involves 'maturity transformation' as it borrows, or takes deposits, for shorter-terms than its mortgage lending. This mismatch could, in certain stressed circumstances, give rise to liquidity risk if the Society was unable to raise new funding or replace existing funding at maturity because of either a liquidity crisis in the capital markets

Risk Categories continued

and/or a loss of member confidence that causes a severe outflow of retail funding at that time.

The annual Internal Liquidity Adequacy Assessment Process (ILAAP) is completed to ensure that the Society holds sufficient liquidity to cover this risk. The ILAAP is approved by the Board and confirms the Society's liquidity risk appetite including limits that determine the mix and amount of liquidity it must hold.

The Society's Recovery Plan outlines a menu of actions that can be undertaken to stop the Society from failing in severe stress situations covering both capital and liquidity stresses. In line with regulatory requirements, the Society has also considered its funding requirements in resolution including identifying its liquidity needs and available resources.

The Society completes regular stress testing including ad-hoc scenarios and reverse stress testing to test both the current balance sheet and the latest projection, thereby ensuring that actual and forecast liquidity remain within appetite. The forecast and actual liquidity levels are monitored by the Liquidity Management Committee, ALCO and BRC, and overseen by the Board.

The Society held a significant buffer above its regulatory liquidity requirement throughout 2024.

Liquidity resources

The Society's liquidity resources can include funds in cash and accounts held in the Bank of England reserve account and other highly marketable assets and contingent liquidity. They are managed based on the prudent estimation of the expected time taken to convert them into cash in a stress situation. These limits ensure that the Society meets its risk appetite, which is consistently higher than regulatory requirements.

The Society monitors compliance against Liquidity Coverage Ratio (LCR) requirements on a daily basis and as at 31 December 2024, the Society's LCR was 207% (2023: 227%), significantly above the regulatory minimum.

The Net Stable Funding Ratio (NSFR) is a measure that compares the stability of the Society's asset and liability base. The Society holds sufficient stable funding to meet the regulatory requirement of 100% NSFR.

As at 31 December 2024, total cash and High Quality Liquid Assets (HQLA) remains high, with the majority of assets held as cash at the Bank of England. Total contingent liquidity increased compared to the prior year, following a release in encumbrance of eligible collateral via the repayment of TFSME funding.

Liquidity adequacy and stress testing

The ILAAP ensures that the Society holds sufficient liquidity both to meet minimum regulatory requirements such as the LCR and to comply with the Internal Liquidity Adequacy Assessment (ILAA) Rules, including the Overall Liquidity Adequacy Rule.

The ILAAP explains the assumptions used in the Society's liquidity stress tests, including the rationale for their selection and calibration. These assumptions are specific to the Society and reflect the main risks. The stress tests consider the potential causes of liquidity risk for the Society in a severe but plausible stress and the management actions that may be taken to ensure that the Society remains a going concern. The Society's business model means that the main liquidity risks would relate to significant unexpected withdrawals of retail deposits, the impact of any credit risk downgrade and a lack of access to wholesale funding markets when wholesale funding matures.

The ILAAP is reviewed by the PRA. Following this, the PRA provides Individual Liquidity Guidance which sets out the liquidity that the PRA requires the Society to hold, including any add-ons for liquidity risks that are not adequately captured by the LCR.

The Society continued to meet all regulatory liquidity requirements throughout the year.

Risk Categories continued

Wholesale funding

During 2024, the Society issued one Residential Mortgage Backed Security transaction (with total bonds issued of £500 million), €500 million in covered bonds, €500 million in Senior unsecured, £500 million in Senior Non-Preferred and £250 million in Covered Bond repos. Additionally, the Society raised £665 million in AT 1 capital funding as a precursor to its purchase of The Co-operative Bank in early 2025.

Overall, the wholesale funding at 31 December 2024 has decreased by £290 million as a result of repayment of TFSME during the year, lower deposit from banks balances, offset by higher RMBS backed debt securities in issue.

		2024		2023	
(Audited)	Notes to the accounts	£m	%	£m	%
Deposits from banks, including repo agreements	22	**1,464.4**	**13.9**	1,735.0	16.0
Amounts drawn under the Term Funding Scheme	22	**2,467.1**	**23.4**	3,495.7	32.2
Other deposits and amounts owed to other customers		**81.9**	**0.8**	237.3	2.2
Debt securities in issue					
Medium term notes	23	**2,066.9**	**19.6**	1,145.0	10.6
Covered bonds	23	**2,865.6**	**27.1**	2,954.3	27.2
Residential Mortgage Backed Securities	23	**1,610.0**	**15.2**	1,278.2	11.8
Total		**10,555.9**	**100.0**	10,845.5	100.0

Wholesale funding outstanding at 31 December 2024 remained primarily denominated in sterling as shown below:

(Audited)	GBP £m	EUR £m	Total £m
Deposits from banks, including repo agreements	**1,464.4**	**–**	**1,464.4**
Amounts drawn under the Term Funding Scheme	**2,467.1**	**–**	**2,467.1**
Other deposits and amounts owed to other customers	**81.9**	**–**	**81.9**
Debt securities in issue			
Medium term notes	**1,653.5**	**413.4**	**2,066.9**
Covered bonds	**1,005.5**	**1,860.1**	**2,865.6**
Residential Mortgage Backed Securities	**1,610.0**	**–**	**1,610.0**
Total as at 31 December 2024	**8,282.4**	**2,273.5**	**10,555.9**
Total as at 31 December 2023	**8,896.7**	**1,948.8**	**10,845.5**

All of the euro denominated covered bonds have been swapped back into sterling.

The expected maturity analysis for wholesale funding is shown below, based on the earlier of first call date or contractual maturity. The movement of funding into the less than one year maturity period primarily reflects the maturity due on TFSME funding.

	2024		2023	
(Audited)	£m	%	£m	%
Less than one year	**4,568.1**	**43.3**	2,652.4	24.5
One to two years	**1,558.8**	**14.8**	4,086.5	37.7
Two to five years	**3,550.1**	**33.6**	3,715.1	34.2
More than five years	**878.9**	**8.3**	391.5	3.6
Total	**10,555.9**	**100.0**	10,845.5	100.0

Risk Categories continued

Contractual maturity profile of financial assets and liabilities

The table below analyses the carrying value of financial assets and financial liabilities based on the remaining contractual life to the maturity date. In practice, the contractual maturity will differ to actual repayments; 'on demand' customer deposits will be repaid later than the earliest date on which repayment can be requested and mortgages may be repaid ahead of their contractual maturity. Overall, the net liquidity gap decreased during the year.

At 31 December 2024 (Audited)	Repayable on demand £m	Up to 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Assets						
Cash and balances with the Bank of England[1]	9,893.4	–	–	–	–	9,893.4
Loans and advances to credit institutions	328.7	–	–	–	–	328.7
Debt securities	–	56.8	24.7	295.1	125.2	501.8
Loans and advances to customers	64.4	917.5	2,651.9	12,787.4	35,380.1	51,801.3
Hedge accounting adjustment	(0.4)	(2.3)	(50.4)	(369.8)	(24.8)	(447.7)
Derivative financial instruments	6.7	12.0	193.5	775.4	96.6	1,084.2
Investment in equity shares	–	–	–	–	8.8	8.8
Total financial assets	10,292.8	984.0	2,819.7	13,488.1	35,585.9	63,170.5
Liabilities						
Shares	27,981.5	1,929.5	13,481.6	5,515.5	435.2	49,343.3
Sale and repurchase agreements[2]	–	301.3	203.0	500.0	–	1,004.3
Amounts drawn under TFSME[2]	–	24.9	2,040.0	–	–	2,064.9
Deposits from banks - other	860.5	1.8	–	–	–	862.3
Amounts owed to other customers	–	76.3	5.6	–	–	81.9
Secured debt securities in issue - RMBS and covered bonds	–	508.0	203.2	3,278.1	486.4	4,475.7
Senior unsecured debt funding	–	10.0	358.7	1,308.5	389.6	2,066.8
Hedge accounting adjustment	–	–	120.8	(149.1)	(39.5)	(67.8)
Derivative financial instruments	–	–	67.9	190.7	46.8	305.4
Subordinated liabilities	–	0.4	–	15.0	–	15.4
Subscribed capital	–	1.6	–	–	40.0	41.6
Total financial liabilities	28,842.0	2,853.8	16,480.8	10,658.7	1,358.5	60,193.8
Net liquidity gap (contractual)	(18,549.2)	(1,869.8)	(13,661.1)	2,829.4	34,227.4	2,976.7

1. In the prior year this balance included a mandatory reserve with the Bank of England. Due to changes in the scheme in the year, this balance is nil at 31 December 2024.
2. Included in Deposits from banks on the Balance Sheet.

Risk Categories continued

At 31 December 2023 (Audited)	Repayable on demand £m	Up to 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Assets						
Cash and balances with the Bank of England[1]	8,572.2	–	–	–	–	8,572.2
Loans and advances to credit institutions	474.5	313.4	–	–	–	787.9
Debt securities	–	224.2	402.4	738.7	198.9	1,564.2
Loans and advances to customers	53.8	893.4	2,561.3	12,456.9	34,310.7	50,276.1
Hedge accounting adjustment	(0.7)	(1.0)	(51.6)	(381.4)	1.6	(433.1)
Derivative financial instruments	6.1	7.2	199.4	1,207.0	93.8	1,513.5
Investment in equity shares	–	–	–	–	6.8	6.8
Total financial assets	9,105.9	1,437.2	3,111.5	14,021.2	34,611.8	62,287.6
Liabilities						
Shares	23,717.0	1,549.9	13,319.2	8,627.5	368.7	47,582.3
Sale and repurchase agreements[2]	–	557.5	–	250.1	–	807.6
Amounts drawn under TFSME[2]	–	45.7	500.0	2,950.0	–	3,495.7
Deposits from banks - other	925.6	1.8	–	–	–	927.4
Amounts owed to other customers	–	187.3	41.7	8.3	–	237.3
Secured debt securities in issue - RMBS and covered bonds	–	443.8	0.6	3,788.1	–	4,232.5
Senior unsecured debt funding	–	1.0	6.7	748.4	388.9	1,145.0
Hedge accounting adjustment	–	–	(40.9)	(1.3)	(25.9)	(68.1)
Derivative financial instruments	0.2	–	140.5	319.0	134.5	594.2
Subordinated liabilities	–	0.4	–	15.0	–	15.4
Subscribed capital	–	1.6	–	–	40.0	41.6
Total financial liabilities	24,642.8	2,789.0	13,967.8	16,705.1	906.2	59,010.9
Net liquidity gap (contractual)	(15,536.9)	(1,351.8)	(10,856.3)	(2,683.9)	33,705.6	3,276.7

1. Includes £182.1 million mandatory reserve with the Bank of England.
2. Included in Deposits from banks on the Balance Sheet.

Gross contractual cash flows payable under financial liabilities are analysed further below. This analysis differs from the analysis of contractual maturity as it includes interest accrued for the period to maturity on the balance outstanding at the Balance Sheet date. Principal payments are included based on the earlier of first call date, accessible date or contractual maturity. The undated Subscribed capital is included in the 'More than 5 years' column but with no accrued interest after this date. The profile remained broadly similar to the prior year.

At 31 December 2024 (Audited)	Up to 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Liabilities					
Shares	**29,909.0**	**13,686.2**	**5,581.4**	**435.2**	**49,611.8**
Deposits, amounts owed to other customers and debt securities in issue	**1,906.0**	**2,223.9**	**5,533.3**	**789.9**	**10,453.1**
Other liabilities and adjustments	**40.6**	**283.4**	**161.6**	**10.7**	**496.3**
Subordinated liabilities	**0.6**	**0.6**	**17.3**	**–**	**18.5**
Subscribed capital	**2.5**	**2.4**	**19.4**	**40.0**	**64.3**
Total liabilities	**31,858.7**	**16,196.5**	**11,313.0**	**1,275.8**	**60,644.0**
Undrawn loan facilities	**–**				**–**

At 31 December 2023 (Audited)	Up to 3 months £m	3-12 months £m	1-5 years £m	More than 5 years £m	Total £m
Liabilities					
Shares	25,276.1	13,400.5	8,655.1	368.8	47,700.5
Deposits, amounts owed to other customers and debt securities in issue	1,501.7	1,899.2	6,751.3	460.1	10,612.3
Other liabilities and adjustments	11.9	348.2	452.9	24.4	837.4
Subordinated liabilities	0.6	0.6	18.3	–	19.5
Subscribed capital	2.4	2.5	19.4	40.0	64.3
Total liabilities	26,792.7	15,651.0	15,897.0	893.3	59,234.0
Undrawn loan facilities	20.2				20.2

Risk Categories continued

Asset encumbrance

Some of the Society's mortgages or treasury assets are used to support collateral requirements for secured funding, central bank operations or third-party repo transactions. Mortgages or treasury assets used in this way are referred to as encumbered. Encumbrance provides cheaper and more stable funding; however it creates the risk that savings members and other senior unsecured creditors may be unable to benefit from the liquidation of encumbered assets in the event of insolvency of the Society, and may risk bearing losses from a forced sale of the encumbered assets if the Society defaulted. While these risks are very remote, limits on encumbrance are set by the Board and encumbrance levels are managed within these limits.

Asset encumbrance at 31 December 2024 is set out in the table below.

	Encumbered		Unencumbered		
(Unaudited)	Pledged as collateral[1] £m	Other[2] £m	Available as collateral[3] £m	Other[4] £m	Total £m
Cash and balances with the Bank of England	–	70.6	9,822.8	–	9,893.4
Loans and advances to credit institutions	328.7	–	–	–	328.7
Debt securities	467.2	–	34.6	–	501.8
Loans and advances to customers	12,820.8	–	6,465.6	32,514.9	51,801.3
Hedge accounting adjustments	–	–	–	(447.7)	(447.7)
Derivative financial instruments	–	–	–	1,084.2	1,084.2
Other assets	725.1	–	–	144.5	869.6
Total as at 31 December 2024	14,341.8	70.6	16,323.0	33,295.9	64,031.3
Total as at 31 December 2023	16,645.7	261.5	13,878.5	31,677.0	62,462.7

1. Assets that have been used to support interest rate swap collateralisation agreements, third-party secured funding operations, central bank operations or third-party repo transactions, and cannot be used for any other purpose.
2. Other encumbered assets are assets that cannot be used for secured funding due to legal or other reasons. This includes cash and assets supporting secured funding vehicles.
3. These assets are readily available as collateral to secure funding. Loans and advances to customers in this category comprise Bank of England approved portfolios, and those that although technically encumbered are held in respect of retained self-issued notes in the Society's covered bond and securitisation programmes.
4. Unencumbered other assets are therefore conservatively defined as not readily available for use as collateral. The Loans and advances to customers in this category include £19.9 billion at 31 December 2024 (2023: £18.1 billion) which would be eligible for use to support future external or self-issuance under the Society's covered bond and securitisation programmes. A proportion of the remaining balance would also be suitable for such purpose subject to amending the programme structures.

External credit ratings

At the latest ratings provided, Moody's downgraded the Society's long-term rating from A2 to A3, and short-term rating from P-1 to P-2 in December, however the outlook has remained stable. Fitch long- and short-term ratings remained unchanged, however the outlook has been revised to negative.

Short- and long-term credit ratings as at the date of approval of the Annual Report & Accounts are set out below:

(Audited)	Long-term	Short-term	Outlook	Date of last credit opinion
Moody's	A3	P-2	Stable	December 2024
Fitch	A-	F1	Negative	October 2024

Liquidity and funding risk outlook

The Society remained committed to prudent liquidity levels and funding levels, raising funds via retail savings and wholesale markets with beneficial conditions. The Society has £2.0 billion of TFSME drawings which are due to be repaid by the end of 2025, primarily through new wholesale issuances and further retail acquisition. The Society's wholesale funding plan also considers regulation related to meeting the Minimum Requirement for own funds and Eligible Liabilities (MREL), and the impact on the Society's ratings of senior debt.

Risk Categories continued

Conduct risk

Conduct risk is the risk that the Society's behaviour and decision making, at all levels, causes foreseeable harm and prevents the delivery of good customer outcomes, or fails to meet the standards articulated in the Society's purpose and belief in Putting Members First.

Conduct risk profile

The Society's purpose is to exist to make people better off through life to create a wider society that is fair, confident and resilient. The Society's mutual ownership, its culture and values, and its belief of Putting Members First drives its decision making and actively supports delivery of good customer outcomes.

The Society continues to meet its conduct risk responsibilities and ensures the delivery of good outcomes for members. This is evidenced through the Society's low level of customer complaints and the positive response from the Financial Ombudsman Service on complaints that are referred to it, both of which remain consistently below industry averages. In 2024, 90%[1] of complaints referred to the Financial Ombudsman Service were decided in the Society's favour (2023: 87%) compared with an industry average of 65%[2] (2023: 63%).

Management of conduct risk

The Society manages conduct risk through its Conduct Risk Framework, which is designed to protect our customers by identifying, assessing and managing risks that could cause them harm (financial or non-financial) during their relationship with the Society.

In relation to Consumer Duty, the Society completed its review of closed book products and services by the July 2024 deadline, with no material issues identified. The Consumer Duty programme is now embedded in day-to-day operations, as well as change programmes and new product development.

The Society has an established product approval governance framework, which ensures any new or materially adapted products are assessed for consistency with the needs of the identified target market, clarity of terms and conditions, consideration of the implications for customers with characteristics of vulnerability and the mitigation of any risks inherent in the products.

Day-to-day management of conduct risk is the responsibility of all of the Society's senior and functional management teams. Oversight is provided by the Conduct Risk and Compliance Committee (CRCC), membership of which includes senior managers from across the Society. All major product developments are reviewed and approved by CRCC before launch.

Quality assurance activities across operational processes are focused on customer outcomes, in addition to process and policy adherence, and specifically to check members have received the right advice and levels of service for their particular needs. Second line oversight is undertaken by the Conduct Risk Oversight & Compliance function, reporting into the Chief Risk Officer. The Board plays an active role in oversight of these strategies and the delivery by the Society of good customer outcomes.

Supporting vulnerable customers

The Society recognises that members in vulnerable circumstances are at greater risk of poor outcomes when dealing with their finances.

The Society has a strong track record in supporting vulnerable customers with vulnerability experts in place across our teams, supported by a Vulnerability Working Group that regularly assesses the needs of vulnerable customers. The Society is fully committed to applying a 'human approach' across all of its channels and this will remain a key focus as digital services are developed.

Complaints and redress

We are pleased to report a reduction on complaint levels in 2024 compared to the previous year. The Society continues to keep positively encouraging members to identify poor outcomes or service, that do not meet their expectations and seeks to resolve complaints as soon as possible.

Key related improvements in 2024 include the savings maturity programme, streamlining elements of the bereavement process, enhancements to the power of attorney process, mortgage redemptions and telephone security.

Conduct risk outlook

Management of conduct risk at the Society will continue to seek alignment with the FCA's plans for 2025, which will focus on a firm's culture and controls in key areas, such as Consumer Duty, treatment of customers in financial difficulty, access to banking services, financial crime and fraud, operational resilience and sustainable (green) finance.

Key internal future developments evolve around the continued work on the embedding of Consumer Duty and the continued focus on supporting borrowers in financial difficulty, including ongoing support to the Mortgage Charter to provide short-term assistance to borrowers experiencing cost of living challenges.

Operational risk

(including technology and data risk)

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

Our operational risk appetite is driven internally by the Society's belief of Putting Members First and externally by consumer expectations and regulatory standards with a particular focus on resilience and Consumer Duty.

Management of operational risk

Operational risk is managed, reported and controlled across a number of categories, consistent with the Basel risk classifications, industry best practice and the Society's business model. Two of the most significant operational risk categories, technology (including information security) and data have been established as stand-alone principal risks to enable increased focus. Other key operational risk categories include: statutory, regulatory and internal financial reporting; financial crime; and change.

1. Source: Financial Ombudsman - complaints upheld in the Society's favour for the six months to 30 June 2024.
2. Source: Financial Ombudsman - complaints upheld in the banking and credit sector for the six months to 30 June 2024.

Risk Categories continued

The Operational, Technology and Data Risk Committees provide primary oversight of all operational risk categories, with further oversight provided by BRC and the Board.

Operational resilience

Ensuring the Society's operational resilience is a top priority. The Society aligns with the PRA and FCA's regulatory requirements and has defined its important business services (IBS), establishing impact tolerances for those IBS, mapping operational assets to these services, and testing resilience capabilities. Oversight of operational resilience is ultimately the responsibility of the Society's Board Risk Committee, with day-to-day management handled by the Resilience and Continuity Committee.

Technology

The Society aims to maintain the stability, security and resilience of its technology estate, and in doing so, avoid member disruption and reputational impacts arising from cyber attacks and IT outages.

During 2024, the Society continued to invest significantly in upgrading its IT estate and enhancing its digital capabilities, IT operations and security defences and will continue to do so in 2025.

Data

The data risk transformation programme completed during 2024, having laid foundations for effective risk management through enhanced risk appetite, board reporting, risk policies and the definition and implementation of key controls. The Society continues to invest to increase capabilities across both technology and our people.

Statutory, regulatory and internal financial reporting

The Society continues to deliver enhancements under its multi-year finance transformation programme to modernise, optimise and transform the finance operating model. In 2024 enhancements were made through a new regulatory reporting solution and treasury automation. Work will continue to further enhance both areas during 2025.

Financial crime

The Society and its members are exposed to an evolving and increasingly sophisticated threat of attack. Greater focus has been given to keeping our members safe from criminal activity through continuing to increase technological protection and by raising member awareness of threats they might face.

Change

The Society invests in a portfolio of change programmes to deliver strategic objectives and enhance risk management capabilities. During 2024 enhancements have been made to the Delivery Framework which have enhanced change performance. Managing the risks associated with change activity is a key focus for the Society as we move into 2025.

Summary of risk incidents

Operational, strategic, model and conduct risk incidents are reported in the Society's risk management system.

In 2024, the total cost of risk incidents was £0.4 million (2023: £1.5 million), as set out below.

	% of total volume		% of total losses	
Operational risk by Basel category[1] (Unaudited)	**2024**	2023	**2024**	2023
Execution, delivery and process management	**33**	23	**16**	45
Business disruption and system failure	**10**	–	**5**	–
External fraud	**57**	74	**79**	53
Damage to Physical Assets	**–**	3	**–**	2
Total	**100**	100	**100**	100
Value of losses (£m)			**0.4**	1.5

1. Losses less than £5,000 have been excluded.

Model risk

Model risk is defined as the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. These adverse consequences could lead to a deterioration in the prudential position, non-compliance with applicable laws and/or regulations, or damage to a firm's reputation. Model risk can also lead to financial loss, as well as qualitative limitations such as the imposition of restrictions on business activities.

Model risk profile

The Society is exposed to model risk in relation to its credit risk, financial and product models. Models are utilised in a range of contexts, including credit decisioning, calculation of regulatory capital requirements for credit risk, and the application of accounting standards such as IFRS 9. The relative simplicity of the Society's business model reduces the extent of the Society's exposure to model risk, however the Society still considers it important that robust model risk management practices are applied.

Management of model risk

The Society has a Board approved policy on model risk which defines the standards to be applied to mitigate model risk. This policy is supported by the Model Risk Framework (MRF), approved by the Board Risk Committee. The MRF defines key governance requirements and processes for the material models used throughout the Society. The Chief Financial Officer is accountable for managing model risk within the Society, with independent oversight being the responsibility of the Chief Risk Officer.

The Model Risk Committee (MRC), chaired by the Chief Financial Officer, oversees the management of model risk, and is responsible for ensuring the Society's exposure to model risk remains within the appetite prescribed by the Board. MRC is supported by two technical sub-committees, the Retail Credit Models Committee and the Financial Models Committee.

Risk Categories continued

The MRF prescribes requirements that must be met in order for the most critical models to be used within the Society.

These requirements are tailored to the potential impact of each model on the Society, with more extensive requirements for the most critical models.

Model risk management controls include:

- The requirement for all critical models to be approved for use by MRC.
- Independent model validation, with increased validation activity carried out for higher criticality models.
- Model risk standards in relation to model development, testing, validation, monitoring, documentation and use.
- Governance around model assumptions, overlays, compliance and data.
- Model overview statements which identify conditions when the models may fail.

For regulatory capital models, an annual self-assessment against Capital Requirements Regulations and applicable PRA Supervisory Statements is undertaken in order to attest to the models' compliance with prevailing regulations.

Model risk outlook

The PRA supervisory statement SS1/23 'Model risk management principles for banks' came into effect in May 2024. It sets out the PRA's expectations in relation to banks' and building societies' model risk management practices. Whilst many of the expectations align to the Society's existing practices, we have undertaken a self-assessment of our model risk management practices against the supervisory statement, and are undertaking work to enhance the Society's model risk management practices where relevant.

The Society is currently awaiting regulatory approval of the revised IRB models it developed and submitted to meet regulatory changes brought in at the beginning of 2022. The models calculate regulatory capital requirements for credit risk. In the interim, adjustments are being made to existing model outputs such that they reflect the outputs of the updated models.

Strategic risk

Strategic risks are those that impact the growth, performance and sustainability of the Society's business model, its independent mutual status, or the delivery of its five-year strategic plan. This includes the following risks:

- Setting an overly ambitious or cautious plan with inappropriate goals or targets; the wrong risk/reward balance; and/or a lack of capability or investment to deliver.
- The undertaking of initiatives that undermine the business model or cause reputational damage. A failure to adapt to political, economic, industry consumer trends, regulation, or other external developments.
- Erosion of the Society's financial sustainability, including a decline in volumes or income relative to the Society's cost base.

Strategic risk also considers longer-term risks beyond its five-year strategic planning horizon, including the risks associated with population and climate.

Managing strategic risk

Strategic risks are identified and mitigated as part of the Society's strategic planning process and through regular performance and market updates to the Board, supported by the Board Risk and Executive Risk Committees. This activity is complemented by regular financial forecasting as well as a range of stress testing activity to consider the longer-term and tail risks to the Society.

These risks are assessed against Board risk appetite, ensuring the right balance between the distribution of value to members, investing in the business and maintaining operational and financial resilience. Strategic risk is mitigated through a range of activities which include:

Strategic planning and financial forecasting – The Society prepares annual forecasts of income and costs over a five year horizon with quarterly in year updates. These consider changes in the external market environment and identify key risks and sensitivities.

Monitoring of performance – Financial and non-financial performance is monitored monthly against forecasts and key indicators, including consideration of emerging risks and mitigating actions.

Stress testing and sensitivity analysis – Strategic risk, including climate risk, is regularly stress tested as part of internal management reporting as well as the annual Strategic Plan and Internal Capital and Liquidity Adequacy Assessment processes. To effectively manage more extreme events, the Society also maintains a Recovery Plan in line with regulatory guidance.

Strategic risk outlook

The strategic risk outlook is closely aligned to the top and emerging risks outlined on page 23. During 2024, we saw elevated political and economic uncertainty, persistent inflation, a small decrease in the Bank of England Base Rate and a modest increase in unemployment. As well as the annual strategic planning process, regular forecasts and sensitivity analysis are produced to ensure we respond to external developments and changing assumptions.

Although the currently modelled climate risks to our mortgage stock are limited, the transitional risk as the UK moves towards Net Zero emissions could be disruptive to our business model. This could include increased capital requirements or Energy Performance Certificate (EPC) requirements for landlords for example.

The acquisition and integration of The Co-operative Bank will bring increased change execution risks which have been carefully considered during the due diligence process. The Society has implemented a robust governance framework, with a dedicated integration management office to ensure strategic change is appropriately managed, and delivery risks are monitored and controlled. The Board will directly oversee the integration programme with support from the Society's risk and internal audit teams augmented by third party support and subject matter expertise.

Capital

Introduction

Capital risk is the risk that the Society has insufficient capital resources to absorb losses in benign or stressed conditions, fails to meet prudential regulations and expectations, or is unable to recapitalise in the event of resolution. It is a principal risk within the Enterprise Risk Management Framework (ERMF) and risk appetite limits are approved by the Board.

Management of capital

The primary governance forum for the management of capital is the Assets & Liabilities Committee (ALCO), with delegated authority from the Board Risk Committee (BRC) and supported by the Capital Management Committee (CMC), a sub-committee of ALCO. The first line risk owner is the Chief Financial Officer (CFO), with second line oversight owned by the Chief Risk Officer (CRO).

The Society regularly monitors its capital position against board approved risk appetite limits, recovery plan early warning indicators (R-EWIs), and prescribed regulatory minima. This monitoring is conducted against the current position as well as forecast values, with escalation procedures in place should any of these limits trigger.

The Society performs an Internal Capital Adequacy Assessment Process (ICAAP) annually in which it considers the key risks to which it is exposed and the capital required to mitigate such risks. As part of the ICAAP, the Society assesses its capital adequacy over the planning horizon under base case strategic plan assumptions, as well as severe but plausible stresses using scenarios provided either by the regulator or developed internally.

Stress testing is conducted to ensure the Society maintains sufficient capital to withstand a severe but plausible stress, and to identify mitigating management actions which can be taken.

Reverse stress testing is also conducted to identify extreme events that have the capacity to 'break' the Society. This process helps identify risks and control mechanisms which might otherwise be missed.

Capital adequacy

Risk weighted capital requirements

UK Capital Requirements Directive V (CRD V) requires the Society to maintain a CET 1 ratio of at least 4.5%, a Tier 1 capital ratio of at least 6% and a total minimum capital ratio of 8%. Taken together, these ratios are known as the Pillar 1 requirement.

The Pillar 2 capital requirement reflects wider risks within the Society's ICAAP assessment and any capital add-ons arising from the supervisory review of those assessments. The Society's combined Pillar 1 and Pillar 2 requirement is represented by its Total Capital Requirement (TCR), which is set by the PRA. The TCR for the Society equates to 10.6% of risk weighted assets (RWAs), or £994 million based on year end RWAs (2023: 10.7% of RWAs or £905 million). The Society comfortably meets this requirement out of its CET 1 capital resources. The TCR was updated in January 2025, reflecting the acquisition of The Co-operative Bank.

CRD V also requires lenders to hold supplementary capital buffers, to be met from CET 1 capital. As at 31 December 2024, these were:

- A Capital Conservation Buffer (CCoB) of 2.5%.
- A macro-prudential Countercyclical Buffer (CCyB) at 2%.

Lenders with a UK leverage exposure of less than £160 billion are subject to an Other Systematically Important Institutions (O-SII) Buffer of 0%.

In addition, a PRA buffer may be applied depending on the outcome of the severe but plausible stress tests.

The Society uses the IRB basis for the majority of its retail mortgage portfolios, following approval from the PRA in 2008.

IRB models are used to calculate capital requirements for prime owner-occupier and buy to let mortgage exposures, which accounted for around 99% of lending exposures throughout 2024 (2023: 99%). The remaining retail credit risk exposures are legacy closed products with capital requirements calculated via the regulatory prescribed standardised approach.

The Society follows the standardised approach for all other lending exposures and for operational risk. The standardised approach uses capital risk weighting percentages set by CRD V.

The Society also forecasts the impacts of the proposed standardised risk weighted floors that are part of the Basel 3.1 reform package discussed further in the Capital Outlook section.

Leverage ratio

The leverage ratio measures Tier 1 capital against total exposures, including off-balance sheet items. It is a non risk-based measure designed to act as a backstop to the risk-based capital ratios and therefore does not reflect features of the Society's low risk mortgage lending such as the low loan to value nature of the portfolio.

The UK leverage ratio framework regulatory requirement only applies to banks and building societies with either retail deposits of £50 billion or more, or non-UK assets equal to or greater than £10 billion. Neither of these applied to the Society at the reporting date, but will following the acquisition of The Co-operative Bank in January 2025. The UK leverage ratio framework is therefore expected to apply from 1 January 2026.

The PRA expects that a minimum ratio of 3.25% is maintained at all times by all firms, including those below the thresholds outlined above. This requirement, calculated on the basis that the exposure measure excludes any central bank exposure with a maturity less than three months and that no more than 25% is met by high quality AT 1 capital.

There are two additional buffers to be met from CET 1 capital: the Additional Leverage Ratio Buffer (ALRB), which is based on systemic buffers, and a macro-prudential Countercyclical Leverage Buffer (CCLB), which is based on the Countercyclical Capital Buffer. The levels of the additional leverage buffers are set at 35% of the corresponding CET 1 buffers. Only the CCLB is applicable

Capital continued

to the Society, as it is not a systemic firm and is not required to hold any systemic buffers.

The CCLB is currently 0.7%. The Society's Strategic Plan ensures that it will continue to meet leverage requirements on an ongoing basis and that internal risk appetite limits are in place above regulatory minima.

Minimum Requirement for own funds and Eligible Liabilities (MREL)

A Minimum Requirement for own funds and Eligible Liabilities (MREL) has been introduced by regulators to ensure that taxpayers no longer absorb losses when a bank or building society fails. MREL requirements are set to reflect how complex or important an institution is to the wider economy.

The Society meets an MREL requirement of twice the binding capital requirement (i.e. two times Pillar 1 plus Pillar 2a), which currently equates to 21.3% of RWAs. The Society is further required to meet capital buffers from CET 1, generating a total loss-absorbing requirement of 25.8%.

When leverage becomes the binding capital measure, this will significantly increase the MREL requirements to twice the binding leverage exposure measure, and the Society will continue to issue MREL eligible debt to stay compliant. The financial plan is cognisant of the £50 billion retail deposit threshold and provides for this outcome.

Regulatory capital analysis

The Society calculates and maintains regulatory capital ratios on both a Group consolidated (including all subsidiary entities) and Individual consolidated (or solo) basis.

The Individual consolidated basis includes only those subsidiaries meeting particular criteria contained within CRD V. For the Society, there are no significant differences between the Group and Individual bases, and the capital disclosures in this report are provided on a Group consolidated basis only.

IFRS 9 capital transitional arrangements remained in place at the reporting date, but their impact on the Society's regulatory capital ratios is not material. As a result, the CET 1 and leverage ratios disclosed in this report are shown on an 'end-point' basis, which does not include the transitional reliefs.

Further information on capital management is included in the Society's 2024 Pillar 3 Disclosures at www.thecoventry.co.uk.

Risk weighted capital

The Society's capital position on a CRD V end-point basis is set out below based on all CRD V requirements that were in force during 2024 excluding transitional provisions. Further information on CRD V disclosures on a transitional basis is included in the Society's 2024 Pillar 3 Disclosures at www.thecoventry.co.uk.

At 31 December 2024, and throughout the year, the Society complied in full with the capital requirements that were in force. The CET 1 ratio reduced to 28.0% (2023: 29.1%), whilst the total capital ratio increased to 35.5% (2023: 34.0%) as a result of the issuance of new AT 1 capital and the Society's PIBS becoming eligible for inclusion in Tier 2. In readiness for the acquisition of The Co-operative Bank, the Society held £725 million with independent paying agents at 31 December 2024, rather than being in its account with the Bank of England. As a result, this amount was risk weighted at 20% rather than 0%, adding £145 million to RWAs and reducing the CET1 ratio by 0.4%. Without this, the CET1 ratio would have been 28.4% and the Total capital ratio 36.1%.

Without considering the extra RWAs relating to the balances with paying agents, total risk weighted assets increased by 9.9%, most of which is related to mortgages on the IRB approach. The Society is currently awaiting regulatory approval of the revised IRB models which it has developed and submitted to meet regulatory changes that were brought in at the beginning of 2022. Until such time as the models are approved, and in common with many other IRB institutions, the Society has agreed to hold additional RWAs that represent its best view of the change in capital requirements that will result from the new models once they are implemented. This has resulted in a 31.9% increase over the IRB RWAs calculated using current models. With regard to the RWAs calculated using current models, the impact of 3.0% growth in the mortgage book is combined with the effects of less favourable credit conditions and the increase in LTV discussed in the credit risk section.

The Individual consolidated CET 1 ratio on an end-point basis at 31 December 2024 was 0.2% (2023: 0.2%) higher than the Group ratio due to assets held by entities that sit outside of the individual consolidation.

Capital continued

Capital position	End-point 31 Dec 2024 £m	End-point 31 Dec 2023 £m
Common Equity Tier 1 (CET 1) (audited)		
General reserve	2,754.2	2,573.2
Fair value through other comprehensive income reserve	(0.7)	1.3
Cash flow hedge reserve	209.5	250.1
Common Equity Tier 1 prior to regulatory adjustments (audited)	2,963.0	2,824.6
Common Equity Tier 1 regulatory adjustments		
Prudent additional valuation adjustment[1]	(0.7)	(1.7)
Intangible assets[2]	(49.1)	(45.0)
Cash flow hedge reserve[2]	(209.5)	(250.1)
Pension fund surplus adjustment[2]	–	(2.6)
Excess of expected loss over impairment[3]	(67.3)	(39.4)
Foreseeable distributions[4]	(20.9)	(10.3)
Common Equity Tier 1 capital (audited)	2,615.5	2,475.5
Additional Tier 1 (AT 1) capital		
Additional Tier 1 – Perpetual Capital Securities	665.0	415.0
Total Additional Tier 1 capital (audited)	665.0	415.0
Total Tier 1 capital (audited)	3,280.5	2,890.5
Total Tier 2 capital	40.0	–
Total capital (audited)	3,320.5	2,890.5
Risk weighted assets (unaudited)		
IRB approach		
Credit risk - retail exposures	7,833.1	7,208.3
Standardised approach		
Credit risk - retail exposures	82.1	90.7
Credit risk - liquidity book	244.8	143.5
Credit risk - other	80.0	80.5
Credit valuation adjustment risk	54.8	30.5
Operational risk	1,045.6	945.6
Total risk weighted assets (unaudited)	9,340.4	8,499.1
Common Equity Tier 1 ratio (unaudited)	28.0%	29.1%

1. A prudent valuation adjustment is applied in respect of assets and liabilities held at fair value.
2. Items do not form part of regulatory capital, net of associated deferred tax.
3. The expected loss over accounting provisions is deducted, gross of tax.
4. Foreseeable distributions in respect of AT 1 securities are deducted, net of tax.

Leverage ratio analysis (Unaudited)

The Society's UK leverage ratio position on an end-point basis is set out below.

The UK ratio includes a restriction on the amount of AT 1 capital that can be included in leverage capital and excludes central bank reserves from leverage exposures.

The UK leverage ratio has increased to 5.7%, 5.2% when including central bank reserves and full AT 1 capital amount (2023: 5.4% and 4.6% respectively), as the increase in eligible Tier 1 capital was ahead of the increase in leverage ratio exposures. This reflects the successful tender and issuance of £665 million AT 1 in 2024 ahead of the bank acquisition, and the Society's strategy to remain low risk while retaining only sufficient profits to support the leverage ratio at required levels. The impact of £725 million held with independent paying agents in readiness for the acquisition, rather than held in the Bank of England, reduced the UK leverage ratio by 0.1% from what would otherwise have been 5.8%.

Capital continued

Leverage ratio analysis (Unaudited) continued

Leverage ratio	End-point 31 Dec 2024 £m	End-point 31 Dec 2023 £m
Total Tier 1 capital	3,280.5	2,890.5
Adjustment for AT 1 restriction	(228.9)	–
Total Tier 1 capital - used in UK calculation	3,051.6	2,890.5
Leverage ratio exposures		
Total Balance Sheet assets	64,031.3	62,462.7
Mortgage pipeline[1]	383.0	377.8
Other committed facilities (undrawn lending)[1]	–	10.1
Repurchase agreements[2]	80.2	796.1
Netted derivative adjustments[3]	(905.2)	(1,331.8)
Other adjustments[4]	(137.2)	(98.1)
Total leverage ratio exposures	63,452.1	62,216.8
Adjustment to exclude central bank reserves	(9,787.5)	(8,306.7)
Total leverage ratio exposure - used in UK calculation	53,664.6	53,910.1
Leverage ratio including central bank reserves and full AT 1 capital amount	5.2%	4.6%
UK leverage ratio	5.7%	5.4%

1. Mortgage pipeline is assessed at 20% and other commitments at 50%.
2. Repurchase agreements represent the extent to which collateral provided on repurchase agreements exceeds the amount borrowed.
3. The netted derivative adjustment figure converts the accounting value of derivatives to an exposure measure.
4. Other adjustments predominantly relate to asset balances that have already been included in the capital calculation and these are therefore removed from the total Balance Sheet assets figure.

Additional capital disclosures are available in the Society's 2024 Pillar 3 Disclosures at www.thecoventry.co.uk.

Capital outlook

With the publication of PS9/24 – Implementation of the Basel 3.1 standards near-final part 2 in September 2024, the PRA published the second of its near-final policy statements prescribing the UK implementation of the Basel III finalisation package outlined by the Bank for International Settlements. Only once HM Treasury (HMT) revokes the relevant parts of CRR will the PRA commence replacing them in PRA rules subsequent to a single, final PS. Following consultation between the PRA and HMT, an additional implementation delay was announced in January 2025 to enable further consideration of the planned implementation of the Basel 3.1 framework in other jurisdictions.

Notwithstanding the increased uncertainty, the main impact for the Society is expected to be the introduction of an output floor which requires IRB firms to floor aggregate IRB outputs to a minimum of 72.5% of the corresponding RWA calculated under the revised standardised approach. This will be punitive for the Society as the equivalent risk weights under the standardised approach for owner-occupied and buy to let mortgages are much higher than under internal IRB models. The delayed implementation has resulted in a corresponding reduction in the transition period over which the output floor will be phased in, from an initial 55% to the final 72.5% from 1 January 2030.

As a result, the Society expects the full implementation of the Basel 3.1 standard to see a significant reduction in reported CET 1 measures.

Considerations and assumptions from the Basel 3.1 standards have been included within the Society's financial plan, which indicates that it will continue to have a surplus over all capital requirements, ensuring we remain financially resilient.

The leverage ratio and applicable buffers is expected to become a regulatory capital requirement and MREL determinant from 1 January 2026, as the Society exceeded the £50 billion of retail deposits threshold with the acquisition of The Co-operative Bank. Financial planning has incorporated this expectation to ensure that additional MREL issuances have been planned to maintain a surplus to requirements.

More information on the day one impact on the Society's capital position as a result of the acquisition is included on page 12.

Our approach to climate change

including climate-related financial disclosures

This section outlines how the Society is responding to climate change and includes its climate-related financial disclosures.

Climate Strategy and TCFD

Introduction

This section sets out our understanding of the impact of climate change on the Society and our members. It covers the activity we completed during 2024 and have planned for 2025 and beyond to achieve our climate change targets. It also captures how we are progressing our understanding of climate change and the impact it will have on our members and the Society in the future.

The Society supports the recommendations provided by the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD), which call on companies to disclose the impacts of climate-related risks and opportunities on their businesses. The information disclosed within this report is structured to demonstrate our understanding of the risks and opportunities associated with climate change, in a way that is transparent and in accordance with the TCFD, and also outlines how we have incorporated the requirements of the Prudential Regulation Authority's (PRA's) Supervisory Statement, SS3/19 – ' Enhancing banks' and insurers' approaches to managing the financial risks from climate change'.

We recognise that this is a complex, developing area of reporting, where our understanding continues to evolve. Further information is detailed within our Climate Action Plan and the Society's Sustainability Report, which is available at www.thecoventry.co.uk.

Strategy

This section outlines the Society's strategy and how we are adapting to the risks and opportunities of climate change.

Governance

This section describes how the Society has embedded climate change within its governance structure, including the role of the Board.

Risk management

This section outlines how the Society has incorporated climate risk within its Enterprise Risk Risk Management Framework (ERMF) and the risks identified.

Metrics and targets

This section describes the Society's short-, medium- and long-term climate targets and ambition, and provides an update on its emissions calculations.

Definitions

When writing this climate section of the Annual Report, we've tried to do so in a way that is transparent and accessible. However, this is a new and emerging area from a reporting perspective and we recognise some of the language in this report requires further defining. The glossary to this Annual Report includes definitions of key terminology used in this section.

The Society's definitions for emissions and climate risks are below and reflect industry standards:

Emissions	
Scope 1	Direct greenhouse gas (GHG) emissions that occur from our own operations (e.g. our company vehicles, gas usage and fugitive emissions).
Scope 2	Indirect GHG emissions associated with the purchase of our electricity.
Scope 3	The result of activities from assets not owned or controlled by the Society, but that the Society indirectly impacts in its value chain. Include all sources not within an organisation's Scope 1 and 2 boundary and can be separated into the following two categories:
- Scope 3 upstream	Business travel by means not owned or controlled by the Society, waste disposal, employee commuting, and purchased goods and services.
- Scope 3 downstream	The emissions from the properties financed through the Society's operations – i.e. our mortgage customers.
Risk Type	
Physical	The risks arising from the direct physical impacts of climate change. These risks arise from several factors and relate to specific weather events (such as heatwaves, floods, and storms) and longer-term shifts in the climate (such as in precipitation, extreme weather variability, sea level rise and rising mean temperatures).
Transition	The risks arising from the process of adjustments as we transition to a low carbon economy. The UK Government has set a target of achieving Net Zero greenhouse gas emissions by 2050 to respond to the challenge climate change poses. A range of factors influence this risk, including climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences, and the potential for 'stranded assets' to be created.

Climate Strategy and TCFD continued

The table below outlines the Society's progress on its climate journey with its achievements and future planned activity.

	Achievements	Future activity
Strategy	• Enhanced our assessment of the risks and opportunities of climate change to our business model. • Identified strategic partners who can help us to rise to the climate challenge. • Continued to offer our green mortgage product to eligible members. • Delivered Sustainability Reports in accordance with GRI standards. • Continued to deliver against our Climate Action Plan and Net Zero Transition Plan. • Continued supplier engagements, collecting actual supplier-specific emissions data, to support our move from spend-based emissions estimation to a hybrid approach.	• Develop further our green product propositions. • Engage with our members to support a green transition once we have greater clarity around government support and regulation.
Governance	• Maintained our B Corp Certification, demonstrating continued high standards in our ESG approach. • Continued oversight of climate change through the Board committee governance structures. • Designated Senior Management Function (SMF) with accountability for the financial risks arising from climate change. • A Non-Executive Director who is dedicated to championing ESG at the Board. • Continued oversight of external developments and trends across ESG.	• Ensure our Board and senior management continue to receive climate risk training and education. • Continue to evolve climate governance and drive positive outcomes.
Risk Management	• Maintained climate risk within our Enterprise Risk Management Framework. • Continued to review our data with respect to physical and transition risks to continue to grow our understanding of our potential exposure to climate risks. • Incorporated climate risk modelling and analysis within our ICAAP process. • Incorporated climate risk measures within our risk appetite statement.	• Continue to review lending policy to ensure it remains robust to potential climate risks. • Develop our data capabilities to further embed physical and transitional risk considerations in our modelling and decision making. • Enhance our scenario analysis capability.
Metrics and targets	• Continued to be carbon neutral for our own operations. • Continued to publish calculations for all of the Society's emissions (Scope 1, 2 and 3) since 2022. • Continued to improve the Society's Net Zero Transition Plan, which outlines our approach of how we intend to decarbonise.	• Continue to evolve and make progress against our Net Zero Transition Plan, monitoring internal and external scenarios to drive the required action. • Further define metrics and targets to capture physical and transition risks.

Our Climate Strategy

We recognise that climate change is a critical issue for our stakeholders as well as for wider society. The impact of climate change also poses potential material risks to our business which need to be effectively managed on behalf of our members.

Our climate strategy is consistent with our purpose-led approach to business, as a mutual committed to our members. Our Climate Action Plan sets out a range of activities designed to enable us to contribute to a Net Zero world. In 2024, the Society continued to take action to positively contribute to addressing this generational challenge as well as effectively managing the risks to our business.

We continued to update our Net Zero Transition Plan, setting and agreeing our plans to achieving our climate-related targets and ambition over the short-, medium- and long-term. We are carbon neutral for our own operations, and have been since 2021. Our Net Zero Transition Plan captures further actions to help deliver our ambition to be fully Net Zero by 2040. Further information on the Society's emissions can be found in the metrics and targets section on page 64.

Whilst we are focused on the positive actions we can take to support a just transition, the climate challenge for the UK's housing stock cannot be solved by the Society on its own. We recognise that we won't be able to achieve the reduction in emissions to deliver our 2040 Net Zero ambition without broader policy changes, significant cross-industry collaborative effort, and further government support focused on UK housing. We are working with several organisations such as the Green Finance Institute, E3G, and UK Finance, supporting cross-industry green homes action groups to drive sustainable and responsible solutions. We also work and partner with several specialist organisations to increase our expertise and member propositions around the areas where we can make the greatest impact in reducing our carbon footprint. This is a challenging objective, but one we think is important to aim for, as supporting our members is our purpose. Therefore we will continue to contribute to discussions during 2025 and beyond.

We also continued to enhance our understanding of climate risk exposures, which included obtaining quarterly updates on the physical and transition risks to our mortgage book. We have sought to understand the risks of climate change by performing scenario analysis. Further detail on this can be found in the Climate Risk Management section on page 62.

Risks and opportunities from climate change

Climate change presents both risks and opportunities for the Society's business model, impacting our balance sheet, operations, and broader strategy. As a cross-cutting risk, the impacts of climate change have been considered against the Society's principal risk categories, which are outlined in the Enterprise Risk Management Framework (ERMF) and informs our strategic decision-making. The Society remains committed to supporting a just and fair transition to a low-carbon economy while safeguarding our portfolio. This includes engaging with our members, developing innovative green financial products, and leveraging our data insights to proactively manage risks.

Below is a non-exhaustive summary of the opportunities and risks identified.

TCFD areas of opportunity	Climate opportunities	Description
Products and Services	Green finance	An emerging market and opportunity for the Society to offer innovative financial products which help borrowers to reduce their carbon emissions and improve energy efficiency.
Resilience	Educating and communicating with our members	Supporting our membership with the transition to Net Zero and leveraging partnerships and our B Corp network to attract more ESG conscious customers and funding.
Markets	Access to green funding	By supporting a fair transition to Net Zero, the Society can utilise opportunities to obtain green retail or wholesale funding.

Our Climate Strategy continued

Risk category		Risk description
Retail Credit Risk	Transitional	• Impacts on valuations of properties due to potential future governmental requirements for minimum efficiency standards (EPC). Metrics linked to this risk can be found under the heading 'Transition Risk' of the risk management climate section. • Borrower affordability declines leading to higher arrears and defaults, due to higher energy costs, structural changes in the economy, tax changes or, for buy to let specifically, other transitional impacts on borrowers' ability to repay.
	Physical	• Houses are damaged or become uninhabitable due to physical impacts such as flooding. • Properties become uninsurable or premiums increase dramatically, impacting affordability and property valuations.
Operational Risk	Transitional	• Reputational and financial impacts because of third-party providers not delivering climate commitments. • Potential for litigation from future impacts of climate change. • Increased regulatory compliance risk associated with climate change. • New area for potential mortgage fraud through transitional climate processes e.g. energy ratings for properties.
	Physical	• Adverse impact on business continuity because of damages to Society's premises and infrastructure, or failure of suppliers to provide critical services as a result of physical risks. • Risk to employee health and safety in extreme weather events.
Conduct Risk	Transitional	• Borrowers in lower EPC rated properties are subject to increasing energy bills and unable to afford retrofit costs, possibly resulting in 'mortgage prisoners' as lenders judge they do not meet affordability requirements. • Inadequate or misleading information about climate risks may lead to reputational damage and erode customer trust.
Market & Treasury Credit Risk	Physical & Transitional	• Impacts to markets arising from physical or transitional events. This could impact foreign exchange markets or interest rate movements and in turn impact the Society's value, or net income from its assets and liabilities. • Investor sentiment and preferences, as they increasingly consider ESG factors when making decisions. • ESG rating downgrades, and credit ratings downgrades because of climate risk, could impact the value of securities held and who we can operate with.
Liquidity & Funding Risk	Physical & Transitional	• Inability to access wholesale markets due to lack of ability to operate in green markets. • Retail funding is challenging as members suffer economic challenges of climate change.
Strategic Risk	Transitional	• Reputational impacts of the Society not delivering against its climate commitments. • Increased costs associated with transitional risks and emerging regulation and legislation. • Deterioration in book quality and mix if we are selected against by more climate conscious customers.
Capital risk	Physical & Transitional	• Assets depreciate due to physical or transitional impacts of climate change, especially in regions prone to extreme weather events. • Imposed regulatory capital allocation could lead to opportunity cost, as the capital may be utilised in other areas.
Technology & Data Risk	Physical & Transitional	• Climate events causing physical disruption to data infrastructure or the supply chain, leading to data loss, system downtime, or delays in processing. • Data governance frameworks and quality of data is reliable for models.

Climate Governance

Board oversight of climate risks and opportunities

Committee	Board Risk Committee	Board Audit Committee	Remuneration Committee	Nominations & Governance Committee
Responsibilities for climate change	Reviews and oversees the activities undertaken by the Society to respond to the financial risks arising from climate change. Receives annual updates on the management of financial risks arising from climate change.	Oversees external disclosures relating to the Society's management of the financial risks arising from climate change.	Oversees the application of climate and other ESG targets to remuneration.	Ensures that arrangements are in place to manage climate risks and opportunities at Board level.

The Board has ultimate accountability for the management of all risks and opportunities relating to climate change as well as our broader approach to sustainability. In fulfilling its role, the Board delegates some of its responsibilities in this area to the Board Risk Committee, Board Audit Committee, Remuneration Committee and the Nominations & Governance Committee, as described above. Details of how the Society approaches risk management more generally can be found on page 31.

The Board fulfils its responsibilities by receiving regular updates and quarterly reviews of a standardised ESG management information pack on climate-related issues.

As a part of the Board's annual strategy process material matters arising from the assessment of climate change risks and opportunities are considered and any actions identified to address such challenges are endorsed. Additionally, the Board approved the annual budget, endorsing any allocated amounts specifically designated for addressing climate change risks.

The Board receives support from a nominated Non-Executive Director, Shamira Mohammed, who serves as the Board ESG champion. In addition to participating in formal Board meetings addressing climate topics, her role extends to regular engagement with the Executive team and colleagues involved in this area, as well as the review of climate-related management information.

Management oversight of climate-related issues

The Chief Executive holds the ultimate responsibility for executive oversight of climate-related matters, with day-to-day responsibilities delegated to the Chief Risk Officer (CRO).

The responsibility for managing financial risks related to climate change is designated to the Society's Chief Risk Officer, under the Senior Management Function (SMF). This role includes ensuring that climate-related financial risks are appropriately integrated into the risk management frameworks, allowing the Society to identify, measure, monitor, and report its exposure to these risks.

Executive Committee meetings address climate-related matters, with material outputs reviewed by the Board. Climate topics are integral to strategic discussions within the Executive team, analysing opportunities for green lending and energy efficiency improvements.

In 2024, the Executive team extensively reviewed proposals on GHG emissions, climate performance, decarbonisation plans, and the Climate Action Plan, submitting the latter to the Board for approval.

The ESG Steering Group, chaired by the Chief People Officer, reviews and endorses materials to be considered by the Executive, playing a key role in setting and overseeing environmental targets. The group also endorses and oversees the annual ESG plan, guiding sustainability actions, including those related to climate matters.

The Executive Risk Committee (ERC), chaired by the CRO, oversees climate risk management, receiving monthly updates on risk appetite measures and relevant regulatory developments. The Climate Risk Forum (CRF), reporting to ERC, covers regulatory compliance, stress testing, risk management, and data capabilities related to climate change.

Other risk governance forums, including Retail Credit Risk Committee and Assets and Liabilities Committee, also receive periodic updates on climate risk related matters.

How ESG-related performance goals are linked to remuneration are outlined within the Directors' Remuneration Report on page 99.

Training

We continue to engage with colleagues across the Society on further embedding awareness of the climate agenda. This includes engaging with all new colleagues on our environmental ambitions as part of the corporate induction programme. We have also made use of tools such as carbon calculators to educate employees on their own personal carbon footprint and share techniques to reduce this. In 2025, we will continue to enhance learning opportunities across the organisation and plan to launch an e-learning module to support reduction of colleague's carbon footprints at work and at home.

The Board receive an update on sustainability twice a year, which includes a review of external trends and developments across ESG and sustainability.

Climate Risk Management

In line with the Enterprise Risk Management Framework (ERMF), the Society seeks to understand the climate risks relevant to its operations, and to monitor and mitigate these risks over time. The Society has continued to engage with third parties to enhance data capabilities, which has included quarterly assessments of the physical and transitional risks of climate change. The outputs of these assessments have been reviewed by the Society's Climate Risk Forum, with summaries provided to the ERC and BRC.

Risk categorisation and risk appetite

The Society's risk appetite statement includes measures and limits for managing climate risk, and is reflective of climate risk being a cross-cutting risk type with potential impacts across a number of risk categories including credit risk, operational risk, reputational risk and treasury credit risk. The approach to managing climate risk is documented within the Climate Risk Management Policy, which is overseen by the Board Risk Committee. Climate risk is categorised as a sub-category of strategic risk.

The risk appetite statement incorporates a methodology for rating the ESG credentials of its treasury wholesale funding counterparties, which includes minimum environmental standards.

During 2024, the Society continued to enhance its understanding of the physical and transitional risks which it is exposed to, over a range of time horizons reflecting the complex and short-, medium- and long-term impacts that climate risk poses to wider society and our business model. The physical and transition risks of climate change contribute to a structural change affecting the financial sector at large, and we have sought to understand these impacts by use of scenario analysis.

Approach to scenario analysis

The Society employs scenario analysis as a core component of its climate risk management strategy, enabling us to assess how varying levels of climate change could impact our portfolio. Using comprehensive property climate-related risk assessment data, we evaluate both physical risks, such as flooding, subsidence, and coastal erosion, and transition risks, including those related to Energy Performance Certificate (EPC) ratings. Our methodology aligns with internationally recognised frameworks, such as the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCPs), ensuring a robust and consistent approach to climate modelling.

The three emissions pathways[1,2] included in this scenario are:

- **Low Emissions Scenario:** This scenario assumes significant global action to curb greenhouse gas emissions, consistent with limiting warming to 1.5°C by 2100, mirroring the RCP 2.6 pathway. It reflects a world committed to a rapid transition to a low-carbon economy.
- **Medium Emissions scenario:** Representing moderate climate action, this pathway is akin to RCP 4.5, with global temperatures expected to increase by approximately 2.5-3°C by 2100. This scenario assumes balanced approaches in emission reductions.
- **High Emissions Scenario:** This pathway, comparable to RCP 8.5, assumes limited emissions control, with projected warming reaching or exceeding 4°C by the end of the century. It highlights the highest physical risks, especially in later years.

Overall, the results of the scenario analysis undertaken to date have confirmed we have not identified significant climate-related financial risk on our balance sheet. Scenario analysis has been used to enhance understanding of both the physical and transitional risks, with further detail provided on page 63. However, we recognise that climate risk and scenario analysis continues to evolve, and we will monitor the need to enhance our analysis and understanding of the risks in 2025 and beyond.

Physical risks

The Society modelled the impacts of a range of RCP levels on its portfolio, over short-, medium- and long-term horizons spanning from 2025 to 2080. RCPs provide a recognised methodology for assessing a range of climate impacts and temperature increases and have been used in global climate science since 2013. The Society's analysis included undertaking an assessment of the Society's mortgage book in line with the requirements of the Bank of England's Climate Biennial Exploratory Scenario (CBES), published in June 2021. The Society used RCP 8.5 for its physical risk analysis, which is the highest baseline scenario, and it should be noted that the CBES RCP range is less severe than the scenarios modelled by the Society.

This analysis looked at the value at risk, loss given default, probability of default and realised losses in the event of a downturn. Our analysis has concluded that the Society does not have a material exposure to the physical impacts of climate change, even under severe and long-term modelling. However, whilst we continue to monitor and enhance our approach to understanding the transitional risks, we believe that, in the medium-term this will have implications within the markets where we operate as the UK progresses towards a Net Zero 2050 target. The Society is therefore enhancing its understanding of energy performance certificate (EPC) ratings and the emissions of the mortgages within our portfolio and plans to engage with mortgage customers to help them understand what actions they can take, educate them on what support is available, as well as offering our Green Further Advance, subject to eligibility, which may help enable customers to improve their property's energy-efficiency or environmental impact. We will also inform customers, where relevant, of any legislation that may affect them or their property.

1. The Royal Society (2022): Climate change in the critical decade: A summary of the IPCC Sixth Assessment Report and its implications for the UK.
2. IPCC (2023) Sections. In: Climate Change 2023 Synthesis Report.

Climate Risk Management continued

Transition risk

Owner-occupier mortgages

Current EPC data	As at 31 December 2024			As at 31 December 2023		
	Number	Exposure £m	% of book[2]	Number	Exposure £m	% of book[2]
A	**518**	**131.9**	**0.4**	357	81.8	0.3
B	**13,367**	**2,805.2**	**8.7**	11,886	2,420.8	7.8
C	**39,398**	**7,150.3**	**22.1**	35,149	6,305.4	20.4
D	**65,049**	**11,897.6**	**36.7**	62,389	11,197.8	36.2
E	**23,627**	**4,548.3**	**14.0**	24,032	4,548.5	14.7
F	**5,199**	**1,019.7**	**3.1**	5,370	1,057.1	3.4
G	**1,107**	**203.7**	**0.6**	1,143	212.3	0.7
No EPC[1]	**37,379**	**4,655.3**	**14.4**	42,186	5,121.9	16.5

Buy to let mortgages

Current EPC data	As at 31 December 2024			As at 31 December 2023		
	Number	Exposure £m	% of book[2]	Number	Exposure £m	% of book[2]
A	**79**	**15.7**	**0.1**	62	12.4	0.1
B	**6,062**	**1,028.2**	**5.3**	6,173	1,046.3	5.4
C	**43,438**	**6,385.7**	**33.0**	39,760	5,860.1	30.3
D	**53,946**	**8,105.9**	**41.8**	53,326	8,025.8	41.4
E	**14,518**	**2,093.9**	**10.8**	15,743	2,300.2	11.9
F	**709**	**100.9**	**0.5**	914	128.7	0.7
G	**198**	**24.8**	**0.1**	248	30.6	0.2
No EPC[1]	**10,437**	**1,618.6**	**8.4**	13,182	1,947.0	10.0

1. No EPC means that at the time of searching the EPC register, the property in question did not have a valid EPC carried out within the previous ten years.
2. % of the book is based on the exposure value.

In 2024, our proxy for assessing transition risk was the EPC register which records the EPC for 14 million properties in England, Wales and Scotland, with a separate calculation for Northern Ireland. The tables above demonstrate that the EPC profile of the Society's mortgage portfolio remains broadly consistent year on year, with slight improvements to the exposures in both mortgage types to higher-rated properties with corresponding reduction in properties with no EPC data.

The Society holds an EPC against 82% of portfolio stock, with the remainder having a modelled EPC recorded against it. On a portfolio level, the Society is focused on improving the D-G range. If all properties were retrofitted to their potential, this figure would change materially. Taking this information together, the Society's provider modelled a range of scenarios relevant to transitional risk on the Society's portfolio, including the cost of upgrading all properties to their full potential using the Bank of England average cost of transitioning, as well as downgrading the value of all properties rating F-G to land value, as described under the Bank of England climate scenario. This activity is an inherent risk assessment based on what we now know. However, the residual position will be materially impacted in a positive direction by the Government bringing forward initiatives such as grants, subsidies and even innovation to bring down the costs of transitioning through the EPC grades. The Climate Risk Forum continues to monitor regulatory and governmental policy with a view to ensuring the Society is alert to any strategic implications, risks or opportunities and the need to respond accordingly.

Conclusions and future outlook

While the Society's scenario analysis highlights no significant exposure to physical risks, including coastal erosion, flooding and subsidence, we remain committed to proactive risk management. Our strategies focus on monitoring evolving risks, supporting resilience measures, and engaging with stakeholders to mitigate potential impacts. These efforts underscore our dedication to safeguarding the Society's portfolio and ensuring long-term sustainability.

The Society's climate risks scenario analysis aligns with the guidance set by the Task Force on Climate-related Financial Disclosures (TCFD) and the evolving requirements outlined by the UK Government. By adhering to these frameworks, we aim to address the critical need for identifying, measuring, and mitigating both physical and transition risks within our mortgage portfolio.

Our findings, which indicate relatively low exposure to significant financial risks even under severe climate scenarios, reflect the resilience of our strategy.

Looking ahead, the Society will continue to enhance its climate resilience by improving data quality, refining scenario modelling techniques, and deepening engagement with stakeholders. The Co-operative Bank acquisition in 2025 is expected to introduce new dynamics to our combined group portfolio and result in further refinement and a broadening of the scope of analysis.

Metrics and Targets

The Society's metrics are driven by our climate change targets within our Climate Action Plan. We are carbon neutral for our own business operations and have been since 2021. We continue to build on previous disclosures, integrating forward-looking targets and focusing on ongoing improvements in our sustainability practices. This commitment is central to our long-term strategy as we work towards a resilient, net-zero future.

In 2024, the Society achieved year-on-year reductions in Scope 1 and Scope 2 emissions against the prior year and continue a reducing trend since 2020.

The Society remains committed to reducing its carbon footprint by prioritising renewable energy and energy efficiency across operations. Our approach includes procuring 100% renewable electricity (through REGO backed certificates), focusing on electrifying our heating systems by installing air source heat pumps to meet our heating demands. We are transitioning all our business fleet to electric vehicles by 2030, currently 75% of our fleet are electric vehicles.

During 2025, we will work towards meeting ISO 50001 (Energy Management System) standards, by implementing structured energy management practices across our offices, by setting specific performance benchmarks to improve energy efficiency to continue to reduce consumption. We are also looking to achieve ISO 14001 (Environmental Management System) certification, which will reinforce our environmental management framework by embedding systematic practices to minimise environmental impacts and ensure compliance with environmental regulations.

While the Society does not currently have emissions intensity targets, we are committed to reducing emissions across our operations and financing activities. By measuring both operational and total carbon emissions intensities, we can better understand emissions relative to our financial performance, enabling more informed decision-making.

Scope 1 and 2 emissions data

Energy consumption		2024	2023
Scope 1: Combustion of fuel and operation of facilities	Natural gas (kWh)	1,223,360	2,314,556
	Direct transport (kWh)	301,626	361,194
	White diesel (kWh)	25,314	6,012
	Refrigerants (kg)	21	9
	Total Scope 1 energy (kWh) excl refrigerants	**1,550,300**	**2,681,762**
Scope 2: Electricity purchased	Total electricity (kWh)	4,067,441	4,877,523
Scope 3: Indirect transport	Indirect transport (incl only employee owned vehicles (kWh)	371,227	562,593
Total Scope 1, 2 and 3 energy consumption (kWh) excl refrigerants		**5,988,968**	**8,121,878**

Emissions assessment		2024	2023
Scope 1: Combustion of fuel and operation of facilities	Natural gas (tCO2e)	224	427
	Direct transport (tCO2e)	73	88
	White diesel (tCO2e)	7	2
	Refrigerants (tCO2e)	34	17
	Total Scope 1 energy (tCO_2e)	**338**	**534**
Scope 2: Electricity purchased, heat and steam generated	Location based (LB) (tCO2e)	842	1,010
	Total Scope 1 and 2 energy (tCO_2e)	**1,180**	**1,544**
Scope 3: Indirect emissions	Indirect emissions excluding mortgage (tCO2e)	22,630	25,181
	Mortgages (tCO2e)	677,302	683,256
Total Scope 1, 2 (LB) and 3 (indirect) emissions (tCO_2e)		**701,112**	**709,981**

Intensity metric assessment		2024	2023
Intensity ratio (total gross Scope 1 and 2)	**tCO_2e/ net interest income £m**	1.74	2.00
Intensity ratio (total gross Scope 1, 2 and partial 3)	**tCO_2e/ net interest income £m**	2.03	2.31

The above tables reflect estimates for the final two months of both 2023 and 2024, calculated in line with industry best practice. We have also included estimates for the emissions from our mortgage portfolio, which has remained stable in 2024, even with the higher mortgage portfolio balance. A full breakdown of our consumption and emissions data is available within our Sustainability Report.

Notes on the above table emissions data:
- No mandatory emissions have been excluded from this report.
- Emissions factors applied: Defra 2024.
- Methodology: the report is aligned with GHG Protocol and Environmental Reporting Guidelines including streamlined energy and carbon reporting guidance.
- Estimations: 18% of the energy data (kWh) and 14% of the emissions data (tCO2e) are based on extrapolated values.
- Scope 3 indirect emissions from mortgages is calculated based on 30 September position.
- A full breakdown of all our Scope 1, 2 and 3 emissions and the Society's environmental data can be found in our Sustainability Report.

Metrics and Targets continued

Scope 3 Financial Emissions Using the PCAF Methodology

One of the most significant components of the Society's carbon footprint arises from financed emissions (FE), specifically within our mortgage portfolio. Given the importance of capturing these emissions accurately, we have adopted the Partnership for Carbon Accounting Financials (PCAF) methodology, a recognised industry standard for calculating Scope 3 financed emissions. The PCAF methodology provides a consistent framework for measuring and disclosing emissions associated with financial assets, ensuring that our metrics are comparable with those of other financial institutions and are aligned with global best practices.

In accordance with PCAF guidelines, the Society's Scope 3 financed emissions have been weighted by the loan to value (LTV) ratios of the mortgages in our portfolio. This approach enables a precise calculation of the proportion of emissions financed by the Society, reflecting our financial exposure to carbon-intensive properties. The calculations are informed by property data, including Energy Performance Certificates (EPCs) sourced from publicly available government databases. These EPC ratings form the basis for modelling the greenhouse gas (GHG) emissions associated with the properties within the Society's mortgage portfolio.

The Society's 2024 PCAF score has remained stable at 3.15. By focusing on refining data collection methods and incorporating higher-quality data inputs over time, we are committed to improving our PCAF score and achieving a more accurate emissions profile. As we move forward, we will prioritise increased collaboration with external data providers and explore potential enhancements in data management to meet the evolving standards of emissions accounting.

Calculation outputs

	30 September 2024	30 September 2023
Total properties	310,121	308,039
Absolute finance emissions (FE) ($MTCO_2e$)[1]	0.68	0.68
Average FE per property (tCO_2e)	2.18	2.24
FE intensity ($KGCO_2e/m_2$)[2]	43.5	44.4
% EPC match	82%	81%
PCAF data score	3.15	3.15

1. MTCO2e represents metric tonnes of carbon dioxide equivalent.
2. KGCO2e/m2 represents the carbon dioxide equivalent emitted per square metre.

There have been modest improvements across all metrics, due to a combination of factors. Regulatory pressures, particularly for the buy to let sector, may be driving gradual progress toward energy efficiency. For owner-occupied properties, progress has been slower, as limited incentives to update EPC ratings continue to pose challenges. However, without active monitoring of EPC data, capturing the full extent of these efficiency gains remains a challenge. As the Society works to address these gaps, we anticipate further refinements in our emissions tracking and reporting.

Despite our portfolio growing by 0.7%, we have achieved improvements across some key metrics. Average financed emissions per property reduced to 2.18 tCO_2e per property. This metric allows us to assess the carbon footprint on a per-asset basis, helping to pinpoint where additional efficiency improvements are most needed. Similarly, financed emissions intensity per square metre (FE/m^2), which normalises emissions data for property size, reduced to 43.5 $KGCO_2e/m^2$ reflecting improved energy efficiency within the portfolio. Our EPC coverage has also improved slightly to 82%. Absolute financed emissions, representing the total emissions associated with all properties in our portfolio, offering a snapshot of the Society's overall mortgage-related emissions impact, remained steady at 0.68 $MTCO_2e$.

Caution in interpreting Scope 3 emission data

Whilst this data is key in driving change, and monitoring our progress against our climate ambitions, we would urge caution about its usefulness and reliability given the infancy of uniform Scope 3 disclosures, the data gaps that exist on energy efficiency data on UK properties, the lack of information on utility usage and the reliability of EPC bands. As outlined above, the Society will continue to enhance its understanding and maturity on this topic and will continue to report in line with PCAF and industry best practice to promote transparency. The Society will also look for opportunities to engage industry on considering how to make EPC ratings and the PCAF methodology more sophisticated, for example, considering the carbon intensive production of new homes versus retrofitting current ones.

Looking ahead

Looking ahead to 2025, we will continue to develop our capabilities to measure, report and mitigate the risks we face arising from climate change. We will continue to develop tools to assess the impacts of climate change on our business activities and ensure that we embed this within business management information. In 2025, we will continue to work to build a relationship with our mortgage borrowers and to help them understand energy efficiency improvements and how we can support them in making home improvements, by ensuring we have suitable green mortgage products available. The Co-operative Bank acquisition in 2025 is expected to introduce new dynamics to our emissions measurement and climate strategy, which will result in a recalibration of our emissions metrics and targets.

The report is consistent with the recommendations of TCFD and we will continue to enhance our reporting on climate and sustainability related issues as the area develops and additional recommendations are released.

Governance

This section outlines how the Society is managed in the interests of members and highlights the role, constitution and governance of the Board and its Committees.

Board of Directors

This section provides information about your Board of Directors as at 31 December 2024.

Changes to the Board

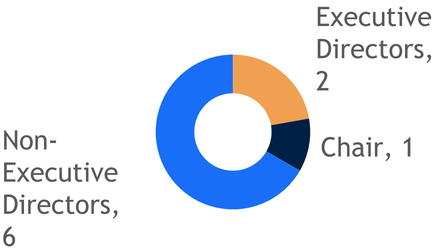
This section details the changes to the Board during 2024 and up to the date of signing the Annual Report & Accounts.

In February 2024, Vanessa Murden took the decision to resign from the Board in order to return to a full-time executive role in the financial services sector. We welcomed Iain Plunkett to the Board in July 2024, who has take on the role of Chair of the Board Technology Oversight Committee. Ewa Kerin was appointed to the Board in July 2024. Due to family reasons, Ewa took the decision to resign from the Board in November 2024.

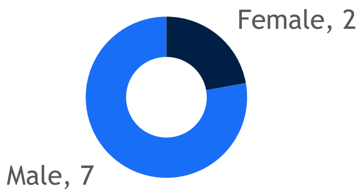
In January 2025, subsequent to the financial year end but before the date of signing the Annual Report & Accounts, Caroline Marsh and Mark Parker were appointed to the Board. Caroline became the Chair of the Remuneration Committee on appointment.

Board composition

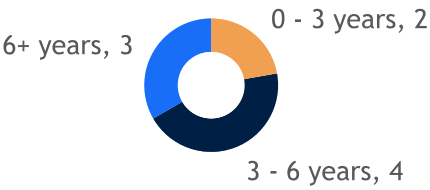
Executive and Non-Executive Director split



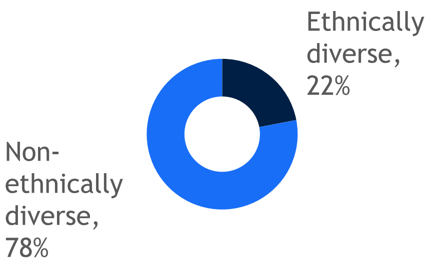
Gender split



Tenure of Board members



Ethnic diversity



The Board's calendar and commitments

The Board and its Committees have a regular cycle of meetings and will hold additional ad hoc meetings as required. The table below outlines the schedule for 2024.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
			Re			N&G					
			T			Re					N&G
Re	N&G	NDR	R			T			NDR	N&G	N&G
T	Re	N&G	A			R			N&G	T	Re
R	Re	R	B			A		NDR	Re	R	R
A	A	A	B			B		T	R	B	A
B	B	B	B	B	A	B		A	B	B	B

A	Audit	B	Board	N&G	Nominations & Governance
NDR	Non-Executive Directors' Remuneration	R	Risk	Re	Remuneration
T	Technology Oversight				

Board of Directors continued

David Thorburn

Chair of the Board

Appointed
April 2022

Committee membership

Chair of the Board and the Nominations & Governance Committee. Member of the Remuneration Committee and Non-Executive Directors' Remuneration Committee.

Experience

David has over 40 years' experience in the banking industry, including four years as Chief Executive of Clydesdale and Yorkshire Banks. Prior to joining the Society, David held a number of board positions including Non-Executive Director at Barclays Bank UK plc where he chaired the Board Risk Committee. David was an External Member of the Bank of England's Prudential Regulation Committee, a former board member of the British Bankers' Association, a former Chair of the Confederation of British Industry in Scotland and President of the Chartered Institute of Bankers in Scotland. David's previous roles also include Independent Non-Executive for the EY Global Network, member of its Global Governance Council and former Chair of Ernst & Young LLP Audit Board.

External appointments

None.

Stephen Hughes

Chief Executive and Executive Director

Appointed
April 2020

Committee membership

Chair of the Non-Executive Directors' Remuneration Committee.

Experience

Steve has broad transformation, financial and operational experience in senior and board level roles within financial services and consumer goods sectors. Before joining the Society, Steve had been Chief Executive of Principality Building Society, and Finance Director of the Lloyds Banking Group General Insurance businesses. Passionate about leadership, he has a strong belief in the benefit of the mutual model and is positive about the role a responsible business can have on society, as well as supporting colleagues to be the best they can be. Steve also held the role of Non-Executive Director on the main Board of UK Finance and Chair of the Audit and Risk Committee of UK Finance.

External appointments

Chair of the Audit Committee at the BSA council. Advisory Board Member of the Money and Pension Service, and Member of the Payments Advisory Board for the Pennies Foundation.

Iraj Amiri

Independent Non-Executive Director

Whistleblowing champion

Appointed
June 2018

Committee membership

Chair of the Board Audit Committee. Member of the Board Risk Committee and Board Technology Oversight Committee.

Experience

Iraj was a senior partner with Deloitte for over 20 years, leading its national internal audit group and serving clients in the financial, retail and public sectors. He spent 10 years as Global Head of Internal Audit for Schroders plc, carrying out numerous reviews of major financial institutions including banks, building societies and insurance companies. Iraj is a Fellow of the Institute of Chartered Accountants in England and Wales, a former Fellow of the Royal Statistical Society and was a Member of the Internal Audit Task Force of the Institute of Chartered Accountants in England and Wales for a number of years. Iraj was also member of the Regulatory Decisions Committee at the Financial Conduct Authority for six years.

External appointments

Chair of the Audit and Risk Committee at the Development Bank of Wales plc. Chair of the Audit Committee at Aon UK Limited and Chair of the Audit and Risk Committee at Eurocell plc.

Board of Directors continued

Jo Kenrick

Deputy Chair of the Board and Senior Independent Director

Board colleague engagement champion

Appointed
November 2017

Committee membership

Chair of the Remuneration Committee. Member of the Nominations & Governance Committee and Board Audit Committee.

Experience

Jo is an experienced Non-Executive Director who has worked across multiple sectors in her executive and non-executive careers. Her early career included roles at Mars confectionery, Pepsi, and Asda, followed by executive roles at Camelot Group plc, B&Q plc and Homebase Limited. She was also CEO of Start, a Prince of Wales charitable initiative. Jo has held previous non-executive roles at Principality Building Society and Safestore Self Storage Ltd and was the former Chair of PayM and of the Current Account Switch Service for Pay.UK.

External appointments

Senior Independent Director and Chair of the Remuneration Committee at Dŵr Cymru Welsh Water. Chair of Remuneration Committee at Sirius Real Estate. Non-Executive Director and Consumer Duty Champion at Vitality Health Limited.

Shamira Mohammed

Independent Non-Executive Director

Board ESG champion

Appointed
May 2019

Committee membership

Member of the Board Audit Committee and Remuneration Committee.

Skills and experience

Chartered Accountant with over 20 years' experience in the financial services sector. Currently, Group Chief Accounting Officer at Athora, an insurance and reinsurance group focused on the pensions and insurance market. Shamira held previous executive roles at Aviva plc and Phoenix Group plc including Finance Director for the Phoenix Life Division and Finance Acquisition Director.

External appointments

Group Chief Accounting Officer, Athora.

Brendan O'Connor

Independent Non-Executive Director

Board Consumer Duty and member champion

Appointed
January 2021

Committee membership

Member of the Remuneration Committee, Board Risk Committee and Board Technology Oversight Committee.

Experience

Brendan has over 35 years' experience at Allied Irish Bank, where is roles included Head of Global Treasury Services, Head of Corporate Banking International and Head of Business Banking. Brendan was most recently on the AIB Group leadership team as Head of Financial Solutions Group before becoming CEO of AIB UK plc in 2015.

External appointments

Chair of the Board Risk Committee at Ford Credit Europe Bank plc.

Board of Directors continued

Iain Plunkett

Independent Non-Executive Director

Appointed
July 2024

Committee membership
Chair of the Board Technology Oversight Committee and Member of the Board Risk Committee.

Experience
Iain began his career as an engineer and has since undertaken a number of senior appointments. Iain's executive career began at UBS Group where he held a number of positions, before moving to Barclays Group as Group Functions Global Chief Operating Officer. He later joined Aberdeen Asset Management as Group Chief Operating Officer and Group Information Officer, before moving to TP ICAP as Group Chief Operating Officer. His most recent executive role was with Santander UK as Chief Operating Officer and Chief Transformation Officer, where he successfully led a complex, whole business restructuring.

External appointments
Independent Non-Executive Director for Citi Group Global Markets Limited.

Lee Raybould

Chief Financial Officer and Executive Director

Appointed
April 2021

Committee membership
Member of the Non-Executive Directors' Remuneration Committee.

Experience
Lee qualified as a Chartered Certified Accountant in 1997 and has over 30 years' experience in the building society sector including 24 years at Nationwide Building Society, where his roles spanned finance, product and strategy, including his role as Chief Data Officer. Lee was also a Member of the Executive Committee.

External appointments
None.

Martin Stewart

Independent Non-Executive Director

Appointed
September 2018

Committee membership
Chair of the Board Risk Committee. Member of the Board Audit Committee and Board Technology Oversight Committee. Member of the Nominations & Governance Committee.

Experience
Martin has wide-ranging experience within the financial services sector. Director of Banks, Building Societies and Credit Unions at the Bank of England and Head of UK Banks and Mutuals at the Financial Services Authority (now Financial Conduct Authority). Martin also spent ten years in various senior roles at Yorkshire Building Society.

External appointments
Chair of Northern Bank Limited (Danske Bank UK).

Directors' Report on Corporate Governance

Dear Fellow Member

I am pleased to present to you the Society's Report on Corporate Governance for the financial year 2024, which sets out the role of the Board and its key activities during the year.

As Chair of Coventry Building Society, I am aware of the importance of good governance in being accountable to members of the Society. The Board is committed to maintaining high standards in the way that the Society is governed and managed and is guided by the principles of the UK Corporate Governance Code (the Code) in line with guidance from the Building Societies Association to ensure alignment with good practice and our mutual status. This report, together with the reports from the Board Committees, shows how we met this commitment in 2024.

Strategic priorities

The Board has remained focused on delivery of the Society's strategic priorities during the year. This included delivering the best mortgages and savings service for our members and continuing to invest in enhancing our technology capabilities in order to provide better digital service journeys for our members and customers.

This year the Board oversaw the launch of the Society's first mobile app. The Society has continued to improve functionality of the mobile app over the course of the year, allowing members to now open new savings products and submit savings maturity instructions digitally. The Board Technology Oversight Committee has played a critical role in overseeing delivery of the Society's key technology change programmes, including development of a new mortgage origination platform, which has enabled us to significantly reduce the time taken to offer a mortgage to our customers.

The Co-operative Bank Acquisition

In May this year, the Society confirmed its intention to acquire The Co-operative Bank. This decision came after conducting a thorough and detailed due diligence process and upon the Board being satisfied that it was in the best interests of the Society's current and future members and for the long-term sustainability of the Society.

AGM

Our belief of Putting Members First is deeply embedded in the organisation and as a Board we recognise the importance of prioritising our members in our decision making process. Good engagement with our members is vital to understanding their needs and I was delighted to be able to spend time with so many of our members at the 'meet and greet' session ahead of the 2024 AGM. I also joined member panel calls ahead of the AGM to gain member insights. We remain committed to enhancing our engagement with members and were thrilled to see that our hybrid facilities allowed so many of you to join our AGM online in 2024. During the 2024 AGM, the Board took the opportunity to have an in depth discussion with members about the potential acquisition of The Co-operative Bank. The Board valued the chance to have an open and transparent discussion with members on this important topic and to understand what matters most to you. In listening to our members, it is clear that while they see the potential benefits of the acquisition, their immediate priority is that we maintain the strength of the Society's existing proposition, and particularly the outstanding service, value and security that they receive today.

Sustainability

The Board is responsible for overseeing the delivery of the Society's sustainability strategy and it is a key theme of Board and Committee discussions. The Society has aligned to a number of global standards and continues to meet and report on those annually. The Board approves for publication each year, the Society's Sustainability Report, which will be published shortly after this report in 2025.

Consumer Duty

The Board continues to oversee the implementation of the Consumer Duty requirements across the business. The Society completed its review of closed book products and services by the July 2024 regulatory deadline, with no material issues identified. The Board places good customer outcomes, aligned to the FCA customer duty, at the heart of its decision making. This ethos is also embedded in the Society's daily operations, across its product design, services, people and communication strategies.

Board changes

There has continued to be a significant focus on Non-Executive Director succession planning for the Board during 2024 to ensure it remains effective now and in the future.

In February, Vanessa Murden took the decision to step down from the Board to return to a full-time executive role in financial services. We thank Vanessa for the valuable contribution she made in her time with us.

In July, we welcomed Iain Plunkett to the Board. Iain has over 30 years of leadership experience within financial services gained across business transformation, technology and operational roles. Iain was appointed as Chair of the Board Technology Oversight Committee upon joining and has already made significant progress on the development of the Society's technology and transformational change agenda.

In July this year, Ewa Kerin joined the Board as a Non-Executive Director, but unfortunately had to resign in November due to family reasons. In her short time with us, she made a strong contribution and we thank her for her hard work.

In January 2025, Caroline Marsh joined our Board as a Non-Executive Director. Caroline is a former financial services executive with extensive experience in UK retail banking and brings both product and operational expertise as well as Board experience. She will be chairing the Society's Remuneration Committee and will fulfil the same role at the Bank from April 2025. Mark Parker, an existing member of the Bank Board, also joins the Group Board with effect from January 2025.

Directors' Report on Corporate Governance continued

Looking forward

Looking forward to 2025, the Board will continue to oversee the integration of The Co-operative Bank with the Society. It is important that the benefits of the acquisition are delivered for our current and future members and that we remain committed to preserving the strength of the Society's existing proposition as well as the exceptional service, value and security our members rely on today.

David Thorburn

Chair of the Board
6 March 2025

Directors' Report on Corporate Governance continued

Governance framework

Maintaining the highest standards of governance is integral to the successful delivery of the Society's strategy. Our governance framework ensures that the Board is effective in both making decisions and maintaining oversight, whilst also adhering to our well-established purpose and values.

The Board

Purpose: Setting the Society's strategic objectives, and monitoring its overall financial performance, ensuring effective governance, controls and risk management.

Chair: David Thorburn

Members at 31 December 2024: Jo Kenrick, Martin Stewart, Iraj Amiri, Shamira Mohammed, Brendan O'Connor, Iain Plunkett, Stephen Hughes, Lee Raybould

The Board delegates certain matters to its Committees. Matters discussed at Committee meetings are reported to the Board at each meeting.

Remuneration Committee

Purpose: Determines the Society's remuneration policy and practices, ensuring they are effective, compliant, and reflect the Society's purpose and values. The Committee is also responsible for determining the remuneration framework for the remuneration of all employees, with particular scrutiny given to the remuneration of the Chair of the Board, executive directors and executive managers.

Nominations & Governance Committee

Purpose: Assists the Board in maintaining high standards of corporate governance and ensuring these are consistent with best practice. Oversees the implementation of the Society's diversity and inclusion objectives. Regularly reviews the composition of the Board and leads on the appointments process for nominations to the Board, and makes recommendations to the Board on succession planning of Board directors.

Board Risk Committee

Purpose: Provides oversight and advice to the Board in relation to current and potential future risk exposures of the Society and future risk strategy, including determination of risk appetite and tolerance and the effectiveness of the Society's framework for managing risk. Additionally, the Committee ensures the Executive team is held to account in ensuring risks are identified, assessed and managed effectively in accordance with the requirements of the Enterprise Risk Management Framework.

Board Audit Committee

Purpose: Assists the Board in discharging its responsibilities for the integrity of the Society's financial statements, ensuring they are fair, balanced and understandable. The Committee is also responsible for reviewing significant financial reporting judgements, and oversees the effectiveness of the system of internal control and the effectiveness of the Internal Audit function and external auditors.

Board Technology Oversight Committee

Purpose: Provides oversight and advice to the Board on matters relating to the Society's technology strategy, technology investment, strategic architectural direction, cyber security and strategy on data transformation. This includes oversight of the delivery and performance in respect of each of these matters. The Committee also monitors and evaluates existing and future trends in technology that may affect the Society's strategic plans, including monitoring of overall industry trends.

Information on the membership of each of the above committees can be found in the relevant committee report later in the governance section.

Directors' Report on Corporate Governance continued

In addition to the principal Board Committees outlined, the Board also has a Non-Executive Directors' Remuneration Committee to assist it in fulfilling its oversight responsibilities for the remuneration, expenses, gifts and hospitality of the Society's non-executive directors. This Committee typically meets once a year and its members comprise the Chair, Chief Executive, Chief Financial Officer and Chief People Officer.

Corporate Governance Statement

This Corporate Governance Statement has been prepared in accordance with the Principles of the UK Corporate Governance Code dated July 2018 (the Code) which applied to the 2024 financial year. The Society met the requirements of the Code throughout 2024 with the exception of the provisions relating to engagement with institutional shareholders, which is not relevant to the Society given its mutual ownership model. The Governance Report explains how the Society has applied the principles of the Code throughout 2024.

Role of the Board

The Board has a collective responsibility to secure the long-term sustainable success of the Society for the benefit of its members and wider stakeholders. It must ensure the delivery of the Society's strategy and that its strategic objectives remain aligned to the Society's purpose and values. Having a robust governance framework is integral to achieving this success. It enables the Board to reach decisions in a focused and balanced way, ensuring that full consideration is given to the impact on each of the Society's key stakeholders.

The Board derives its powers from the Society's Rules and Memorandum (the Rules) which can be found in the corporate governance section of the Society's website. The Rules are based on the provisions of the Building Societies Act 1986 and other applicable law and regulation that the Society must comply with. The responsibilities of the Board are set out in a formal schedule of matters reserved to the Board, which is located on the corporate governance section of the Society's website. The Board reviews its schedule of matters reserved at least annually to ensure they reflect good governance practice, any relevant regulatory changes and the requirements of the business. The Board last reviewed its schedule of matters reserved in December 2024. The Board delegates certain matters to Board Committees so that they can be considered in more detail by the directors who have the most relevant skills and experience to do so. A summary of the role of each of the Board's Committees can be found on page 73 of this report and a more detailed account of activities undertaken by the Board Committees can be found in their respective reports from page 84 onwards. Each of the Board Audit, Board Risk, Board Technology Oversight, Remuneration and Nominations & Governance Committees has terms of reference which set out their respective roles and responsibilities. These can be found on the corporate governance section of the Society's website.

The day-to-day running of the business is delegated to the Chief Executive who is supported by an Executive team with the remit of delivering the Society's strategic objectives.

Board responsibilities

The Board seeks to meet its legal and regulatory obligations as well as fulfilling its purpose to oversee the overall management of the Society. The Board has a number of important responsibilities designed to achieve this objective extending across a number of areas as summarised below. A full list of the Board's responsibilities are detailed in a document called the 'Matters Reserved to the Board' which can be found on the corporate governance section of the Society's website.

Board responsibilities

- Monitor the impact of the Society's operations on society and the environment
- Challenge and approve the Society's long-term strategy
- Monitor and review the Society's performance
- Set the right culture and values for the Society
- Determine and review the Society's risk appetite and the major risks faced by the Society
- Act in the best interest of the Society's stakeholders
- Assess the adequacy of capital and liquidity

Directors' Report on Corporate Governance continued

Board activities in 2024

Board meetings are an important mechanism through which the Board discharges its responsibilities, particularly in relation to the requirements of the Code and Section 172 of the Companies Act 2006. Some of the Board's responsibilities are discharged directly, whereas others will be delegated to the Committees of the Board.

The Board's activities are planned on a 12 month rolling basis to ensure the responsibilities detailed above are discharged effectively, with additional items coming to the Board as appropriate. Each Board meeting is structured using a carefully tailored agenda that is agreed in advance by the Chair, in conjunction with the Chief Executive and Society Secretary. The contents of the agenda are made up of a combination of standing items from the Board's 12 month planner and additional ad hoc items which fall within the remit of the Board's responsibilities.

The Board's activities are structured in a way to ensure that at each meeting the Board has an opportunity to review trading and financial performance, track the Society's progress against its strategic aims, assess the Society's risk position, review governance matters and oversee the work of its Committees. As relevant, the Board will also carry out in-depth reviews on matters of strategic importance, including material IT and change programmes, the Society's sustainability performance and new product proposals. Information on directors' attendance at the scheduled meetings that took place during the year can be found on page 76.

During 2024, the Board necessarily spent a significant amount of time discussing and considering options and implications relating to the acquisition of The Co-operative Bank. In December 2023, the Board established a Sub-Committee comprised of a number of Non-Executive Directors. This Sub-Committee met regularly throughout the first quarter of 2024 to support in the evaluation and oversight of the acquisition and make relevant recommendations to the Board.

The majority of Board meetings throughout the year were extended to allow time for these discussions and decision making as required. Extraordinary board meetings were also held in April and May, prior to the signing of the share purchase agreement.

The key activities considered by the Board during the year are summarised below.

Activities in 2024

At each meeting the following standing items are considered by the Board:

Chief Executive's report: providing an overview of the external competitive environment covering key trends across the lending and savings sectors, in addition to information on the status and progress of the Society's strategic change projects.

Management information: on the Society's trading and financial performance since the last meeting of the Board. Reporting on the Society's operations including people and customer service metrics and key developments across Society operations.

Chief Risk Officer's report: on the Society's risk position and assessment of the Society's key risks.

Board Committee updates: from the Chairs of the Board Committees to the Board on the key issues and topics raised at Committee meetings ensuring the Board is aware of key discussions and decisions made by the Committees.

January

Reviewed the results of the Society's annual employee opinion survey.

Reviewed the results of the Board and Board Committee's annual effectiveness assessments. Considered the results of the Society's first double materiality assessment.

February

Approved the Society's Annual Report & Accounts.

March

Reviewed the Society's annual Sustainability Report and approved its publication. Considered in detail, findings from the due diligence reviews in connection with the proposed acquisition of The Co-operative Bank.

April

Acquisition Heads of Terms agreed.

Reported to the membership on the activity of the Society at the Annual General Meeting.

May

Agreed to enter into a share purchase agreement to acquire The Co-operative Bank.

Approved two new NED appointments, with specialist skills and experience in audit and technology respectively.

July

Approved the submission of the Society's change in control application to the Regulator in respect of the proposed acquisition.

First of two annual board strategy days held with reflections on performance and future ambitions considered. Interim financial report reviewed and approved. Consumer Duty annual report approved.

October

Received an update on external developments in ESG and reviewed the Society's progress against its sustainability strategy.

Received an annual update on the activities of its Charitable Foundation.

Second board strategy day held focusing on formation of the strategic roadmap. Considered key areas of focus for the forthcoming plan period and future strategic ambitions.

November

Reviewed detailed plans on the integration strategy for the Society and The Co-operative Bank following acquisition.

December

Reviewed and approved key legal documentation to effect the completion of the acquisition.

Reviewed revised terms of reference for all Board Committees and matters reserved to the Board in readiness for operation of the new Group structure post acquisition.

Directors' Report on Corporate Governance continued

Operation of the Board

In 2024, there were 13 formal meetings of the Board. These included nine routine Board meetings where the Board reviewed a range of matters (as outlined on page 75) relating to the Society's business, strategy, culture and performance, and one meeting dedicated to a review of financial and operational performance only. As well as discussions and decision making in relation to the acquisition of The Co-operative Bank in their routine meetings, the Board also held additional meetings in April, May and July, where they considered key documentation specific to the proposed acquisition. Integration planning for post-acquisition activity has also been a key part of Board discussions throughout the year.

In addition to the scheduled board meetings, the Board also held two off-site strategy days in July and October where it considered the Society's business model and made choices about the future direction of the business.

Members of the Society's Executive and senior leadership team are invited to attend meetings as required to present and discuss matters relating to their business and subject matter areas. Where directors are unable to attend meetings, they are encouraged to give the Chair their views in advance on the matters to be discussed.

Board and Board Committee attendance 2024

The attendance record for Board members is shown in the table below. The table shows the actual number of meetings attended, together with the number of meetings which the directors were eligible to attend.

Name	Board	Board Risk Committee	Board Audit Committee	Nominations & Governance Committee	Remuneration Committee	Non-Executive Directors' Remuneration Committee	Board Technology Oversight Committee
David Thorburn[1]	13/13			7/7	7/7	3/3	
Jo Kenrick[2]	13/13		8/8	7/7	7/7		
Vanessa Murden[3]	1/1	1/1					1/1
Iraj Amiri[4]	13/13	7/7	8/8				5/5
Martin Stewart[5]	12/13	7/7	8/8	7/7			5/5
Shamira Mohammed	13/13		8/8		6/7		
Brendan O'Connor[6]	13/13	7/7			7/7		5/5
Ewa Kerin[7]	3/4	2/2	2/2				
Iain Plunkett[8]	6/6	3/4					2/3
Stephen Hughes[9]	13/13					3/3	
Lee Raybould	13/13					3/3	

1. Chair of the Board and Chair of the Nominations & Governance Committee.
2. Chair of the Remuneration Committee.
3. Served on the Board until 23 February 2024.
4. Chair of the Board Audit Committee.
5. Chair of the Board Risk Committee.
6. Interim Chair of the Board Technology Oversight Committee from 24 February to 30 June 2024.
7. Appointed to the Board on 1 July 2024, resigned 14 November 2024.
8. Appointed to the Board on 1 July 2024 and Chair of the Board Technology Oversight Committee from this date.
9. Chief Executive and Chair of the Non-Executive Directors' Remuneration Committee.

Division of responsibilities

The Board is comprised of the Chair, six non-executive directors and two executive directors. To ensure an effective working relationship, it is important that there is a clear division of roles and responsibilities, and that these are well understood and agreed between the individuals holding them as well as by other members of the Board and executive management.

The roles of Chair and Chief Executive are separately held and their responsibilities are well defined, set out in writing and regularly reviewed by the Nominations & Governance Committee, on behalf of the Board.

Each of these roles has a detailed role profile which identifies the areas of responsibility and accountability to the Board and/or Chief Executive, as appropriate, and a Statement of Responsibility, as required under the Senior Managers Regime.

Directors' Report on Corporate Governance continued

Division of responsibilities continued

The table below provides a summary of key responsibilities for each of these roles.

Role	Responsibilities
Chair David Thorburn	• Provide leadership to the Board and to safeguard and promote the long-term success and sustainability of the Society in the interests of past and future members. • Establish a programme of work for the Board, ensuring they are appropriately focused on strategy, performance, culture and risk management matters. • Empower Board members to challenge issues openly, and encourage and manage vigorous debate in order to reach effective decisions. • Demonstrate ethical leadership and uphold the highest standards of integrity and probity, setting clear expectations concerning the Society's culture, values and behaviour, including emphasising Putting Members First principles. • Build an effective and diverse Board reflecting an appropriate balance of skills and experience given the Society's current and future activities, including leading on policies for Board member training and development. • Ensure effective communication with all stakeholder groups and that the Society's obligations to and interests of its stakeholders are known and understood by the Board. • Facilitating the Chief Executive's relationship with the Board and providing support to the Chief Executive.
Deputy Chair and Senior Independent Director Jo Kenrick	• Deputise for the Chair where necessary. • Understand the views of employees of the Society and ensure that these are appropriately raised at Board meetings. • Work closely with the Chair, act as a sounding board and provide support in the delivery of the directors' objectives. • Serve as a trusted intermediary for the directors when necessary, including addressing any issues they feel have not been dealt with adequately. • Lead an annual process to review the Chair's performance and lead succession planning for the Chair of the Board's role, chairing the Nominations & Governance Committee when it considers Chair succession.
Independent non-executive directors Iraj Amiri Shamira Mohammed Brendan O'Connor Martin Stewart Iain Plunkett	• Safeguard and promote the long-term success and sustainability of the Society in the interests of past and future members. • Constructively challenge and help develop proposals on strategy and oversee the executive directors' implementation of the agreed strategy. • Scrutinise the performance of management in meeting agreed goals and objectives, and monitor ongoing performance against such goals. • Satisfy themselves that the integrity of financial information, financial controls and systems of risk management are robust and defensible. • Complement the skills and experience of the executive directors, in particular by providing to the Board a range of knowledge, experience and insight.

Directors' Report on Corporate Governance continued

Division of responsibilities continued

Role	Responsibilities
Chief Executive (CEO) Stephen Hughes	• Responsible for the day-to-day running of the business and accountable to the Board for the Society's financial and operational performance. • Responsible for providing leadership and direction to and developing the vision and strategy of the Society, having regard to the duty to promote the success of the Society in the interests of members, colleagues and key stakeholders. • Communicate the vision, strategy and performance of the Society to members, employees, regulators and other stakeholders. • Build and lead an effective Executive team to manage the Society in the longer-term interests of its members. • Ensure that effective succession and development plans are in place and implemented for all key executive roles. • Lead the Executive team to successfully deliver agreed plans, objectives and targets. • Monitor the effective implementation of policies and procedures for the induction, training and professional development of all persons performing designated senior management functions on behalf of the Society.
Chief Financial Officer (CFO) Lee Raybould	• With the Chief Executive and Executive team, ensure the development and implementation of the Society's corporate plans, strategies and policies. Approve the Society's strategic aims and ensure that the Society is appropriately resourced to meet its objectives, with regular reviews of performance against objectives. • Ensure the Society remains well funded and has sufficient liquidity to meet internal and regulatory limits. • Ensure that plans are in place to meet the financial performance targets agreed with the Chief Executive and the Board. • Ensure effective financial control, management and information are in place to support other business areas. • Manage the Society's capital effectively, ensuring capital is managed within agreed risk appetites. • Provide leadership of the Society, and the Finance function in particular, with a framework of prudent and effective controls which enable risk to be assessed and managed.

Independence

In January each year, Board reviews the independence of its non-executive directors. In line with the Code, it considered whether there were any relationships or circumstances that were likely to affect, or could appear to affect, a director's independence.

In the opinion of the Board, all of the Non-Executive Directors satisfy the requirements for independence and have demonstrated this in their character and judgement. The Chair of the Board, David Thorburn, is a non-executive director and, in accordance with the Code, was independent on appointment.

Letters of appointment for the Society's directors are available from the Society Secretary on request. Details of the directors' external appointments are set out in the Annual Business Statement.

Time commitment

Non-executive directors are not required to devote the whole of their time to the Society's affairs but must devote sufficient time to properly discharge their duties and regulatory obligations. The time that non-executive directors are expected to commit to their role at the Society is decided on an individual basis upon appointment and will depend on the director's role and responsibilities. In addition to that spent preparing for and attending Board and Board Committee meetings, the non-executive directors are also expected to dedicate sufficient time to understanding the business through meetings with management, engagement with members, attending call listening, undertaking a programme of branch and department visits, engaging with regulatory bodies and undertaking training. Each year, the Society's Nominations & Governance Committee assesses whether each of the directors is able to commit sufficient time to the Society to discharge their responsibilities effectively, taking into account any external commitments they may also have. The assessment undertaken in 2024 confirmed that all directors were considered to have sufficient time to properly discharge their duties as directors of the Society.

Directors' Report on Corporate Governance continued

Time commitment continued

Set out below are details of the average time commitment expected of the non-executive directors.

Role	Expected time commitment
Chair	Approximately 120 days per year.
Deputy Chair & Senior Independent Director	As is required to fulfil the role.
Non-Executive Director	Average time commitment of 35 days per year.
Committee Chair	**Board Risk Committee Chair:**
	Approximately 12 days per year in addition to the time spent on normal non-executive director responsibilities.
	Board Audit Committee Chair:
	Approximately 10-12 days per year in addition to the time spent on normal non-executive director responsibilities.
	Remuneration Committee Chair:
	Approximately 10 days per year in addition to the time spent on normal non-executive director responsibilities.
	Nominations & Governance Committee Chair:
	Approximately 6 days per year in addition to the overall time commitment required of the Chair.
	Board Technology Oversight Committee Chair:
	Approximately 10 days per year in addition to the time spent on normal non-executive director responsibilities.

Conflicts of interest

The Society's directors are subject to a Board Conflicts of Interest Policy which is reviewed regularly by the Nominations & Governance Committee. The policy gives effect to various legal and regulatory requirements on the Society in relation to conflicts of interest and in broad terms seeks to ensure the directors of the Society do not assume roles which would conflict with their obligations as a director of the Society. Prior to appointment, all potential directors are required to disclose any actual or potential conflicts of interest that may prevent them from taking on an appointment with the Society. In addition, all directors must seek approval from the Board before committing to any additional, external appointment. Where such approval is sought, the director must confirm the existence of any potential or actual conflicts and that the role will not exceed the maximum number of directorships permitted (in accordance with the Capital Requirements Directive V). The director must provide assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a director.

The Society's policy and processes for managing conflicts of interest seek to ensure that any actual or potential conflicts of interest are prevented and any associated risks to the organisation of an actual or potential conflict situation materialising are mitigated. In the event of an actual or potential conflict of interest arising, the matter would be dealt with in accordance with the process under the policy and impacted parties would be notified where required.

In accordance with their duties as directors, each director is also obliged to notify the Board of any actual or potential interest that they have in a matter to be transacted at a meeting. If any potential conflict does arise, the Board Conflicts of Interest Policy permits the Board to authorise a conflict, subject to any conditions or limitations as it may deem appropriate. The Board maintains a register of conflicts of interest which is reviewed at the start of every Board meeting and actual or potential conflicts of interest are managed by the Chair or Deputy Chair, as required, with advice from the Society Secretary.

Training and development

To enable the Board to be effective and discharge its duties, the Code specifies that each of the directors must be equipped with the necessary resources to update their knowledge and capabilities. This should be in a manner that is appropriate to the particular director, and which has the objective of enhancing that director's effectiveness in the Board or Committees. In addition to the requirements of the Code, the Society's approach to compliance with the Senior Managers Regime requires directors to undergo a 'fit and proper' assessment. The Society's Fit and Proper Policy sets out the various criteria that the Society will consider to determine if an individual is 'fit and proper', one element of which includes an assessment of competence. Accordingly, it is crucial that the right training topics are determined for members of the Board and Committees to enable the Society to meet these requirements. New directors receive formal induction training on joining the Board. This induction process is tailored to the needs of each director, given their existing knowledge and experience, and any Committees on which they will serve. Induction includes extensive engagement with directors and executives, updates on important commercial, regulatory and risk matters, and a particular focus on the culture of the Society.

Directors' Report on Corporate Governance continued

Training and development continued

Following appointment, all directors continue their professional development and maintain their knowledge of the Society's operations through branch and department visits, and formal training overseen by the Nominations & Governance Committee in line with the Board Training Policy. During 2024, Board members received training on the requirements and responsibilities of the Consumer Duty, a teach in session on the principles of accounting for acquisitions and on the development, use and impact of Artificial Intelligence.

Directors' skills and experience

An effective Board must comprise individuals with the right mix of knowledge, skills and experience. Ensuring this objective is achieved is one of the responsibilities of the Chair, supported by the Nominations & Governance Committee.

Each year the Nominations and Governance Committee agree a set of key skills and capabilities that provide a collective view of the Board's knowledge, experience and composition. These attributes are compiled by reference to the Society's Strategic Plan and in particular its purpose, values and principles and seek to define what skills, attributes and experience are needed to make the Society a success over the long term.

In 2024, there were two new members of the Board appointed. During the appointment process, the Nominations & Governance Committee considers the skills required and the succession planning needs of the Board. This then informs the potential candidates that are considered for any vacancies, to ensure the Board has the right composition of skills, experience and capabilities to meet the needs of the Society and its members.

The skills and capabilities of the Board are kept under review throughout the year, including during the annual appraisal of each Board member, which is carried out by the Chair. During the appraisal, the training needs of individuals, and the Board as a whole, are considered. This helps to shape the structured training provided to the Board throughout the year.

Composition, succession and evaluation

The Board delegates responsibility to the Nominations & Governance Committee to oversee:

- Matters relating to the composition of the Board.
- The development of a diverse pipeline for succession to the Board and executive positions.
- The results of the formal annual evaluation performance of the Board, its Committees, the Chair and individual directors.

For more information on the work of the Nominations & Governance Committee in respect of these matters, please see page 84 of this report.

In compliance with the Code, each director is required to submit themselves for election or re-election by members, annually, at the Society's Annual General Meeting. Before doing so, each director is subject to a formal evaluation in which the director must satisfy certain requirements regarding their fitness and propriety to undertake the role of a Board director.

These requirements are determined by the rules of the Senior Managers Regime, the Financial Conduct Authority and the Prudential Regulation Authority, and include amongst other things:

- Qualifications obtained.
- Training undertaken.
- Competence and capability.
- Honesty, integrity and reputation.

The competence of each non-executive director who served on the Board in 2024 was reviewed as part of the routine appraisal process undertaken by the Chair in respect of the non-executive directors and Chief Executive, the Deputy Chair in respect of the Chair of the Board and Chief Executive in respect of all executive directors. The assessment of fitness and propriety also took into account directors' independence (as outlined above) and an independent, third-party screening provider is used to carry out certain checks to confirm the honesty and integrity of each director.

Individual biographies of the directors are included in the Board of Directors section on page 68. These biographies detail the backgrounds and relevant skills of the directors. Further details on the roles and responsibilities of each of the Board directors can be found on pages 77 and 78. Details of those seeking election and re-election at the Society's 2025 Annual General Meeting can also be found in the Notice of the 2025 Annual General Meeting.

Directors' Report on Corporate Governance continued

Composition, succession and evaluation continued

The Society's Rules require that the Board comprises between six and 12 directors. As at 31 December, there are nine directors: the Chair of the Board, six independent non-executive directors (including the Senior Independent Director) and two executive directors. This was increased to eight non-executive directors in January 2025. The composition of our Board is consistent with the Code requirements, which specify that at least half of the directors, excluding the Chair of the Board, should be non-executive.

Changes to the Board during 2024 were as follows:

Name	Role	Change
Vanessa Murden	Non-Executive Director	Resigned February 2024.
Iain Plunkett	Non-Executive Director	Appointed July 2024.
Ewa Kerin	Non-Executive Director	Appointed July 2024. Resigned November 2024.

Board evaluation

Each year, the Board and each of its Committees undergo a process to assess the effectiveness of their performance during the year. This is a key mechanism for ensuring that the Board and its Committees continue to operate effectively and for setting objectives and development areas for the forthcoming year. The Code requires that the Board and each of its committees assess its effectiveness annually and undertake an externally facilitated review of effectiveness every three years. The Society had its last external review in 2021 with its next external review due in 2024. In light of the acquisition of The Co-operative Bank and the significant changes that were proposed to the governance and structure of the Society, Group and subsidiary boards in 2025, it was recommended by the Nominations and Governance Committee, and agreed by the Board, that the full externally facilitated review should be postponed. Instead, it was agreed that an enhanced desktop review would be undertaken in 2024, focusing on a quantitative assessment of the performance of the Board and its Committees in 2024. The table below sets out the process undertaken by the Board and its Committees in 2024 to assess their effectiveness.

October 2024

Following review by the Nominations & Governance Committee, the decision was taken to appoint Halex Consulting to undertake a review of the Board and Board Committees effectiveness for 2024.

November 2024

Halex Consulting issued a board benchmarking survey to Board and committee members as well as members of the Society's leadership team who are regular attendees at Board and Board Committee meetings.

December 2024 - January 2025

A report of the findings and feedback from the effectiveness review was considered by each committee.

The Board reviewed the effectiveness reports from each committee and considered the results of its own effectiveness assessment.

2024 Board Evaluation Outcome

A report of the findings and feedback from the review of the Board was presented and discussed at the Board meeting in January 2025. The review concluded that the Board has operated effectively in discharging its responsibilities in 2024 with a number of positive feedback points including the breadth of experience and skills of members on the Board, the level of constructive challenge provided by Board members and the ability to respond quickly to changing dynamics of the business. The results of the assessment also concluded that:

- The Board scored well against a peer group of 79 financial sector for-profit member organisations, achieving an aggregate score marginally outside the top quartile.
- The board benchmarking survey uses an academically robust framework of 20 factors that influence board effectiveness. Of these 20 factors, the Society Board scored in the top quartile for 12 factors, with none scoring in the bottom quartile.

Directors' Report on Corporate Governance continued

Board evaluation continued

2024 Board Evaluation Outcome continued

It was recognised that a key priority for the Board in 2025 would be overseeing the successful integration of The Co-operative Bank and the Society as well as the development of the strategy for the combined business. The assessment also identified other potential areas for focus for 2025, including finding opportunities to bring more industry insight into board debates and achieving the right balance between focusing on near-term performance and the longer-term strategic direction of the organisation. The findings of the Board committees' effectiveness reviews was also discussed at the Board and each relevant committee meeting and it was concluded that the Board committees operated effectively in discharging their duties in 2024.

Directors' performance

The Chair of the Board appraised the performance of the non-executive directors and the Chief Executive. The Chair of the Board's performance review was led by the Deputy Chair and Senior Independent Director, and took into account the views of the rest of the Board members and certain members of the Executive team. The executive directors' performance was appraised by the Chief Executive. The conclusions of the appraisal process confirmed that all directors were fulfilling their duties and responsibilities effectively.

The Board and its culture

The Board is also responsible for providing leadership to the Society on culture, values and ethics which are central to supporting the organisation's purpose, and the delivery of its strategic ambitions. The UK Corporate Governance Code Principle B sets out the need for the Board to lead by example in promoting the desired culture of the Society. As such, the Matters Reserved to the Board retains this responsibility to the Society Board of Directors as a key part of their responsibilities and activities. The Financial Reporting Council has also published guidance emphasising the importance of culture and the role of the Board in establishing and maintaining this, with particular prominence given to the need to recognise, continually assess and embed cultural leadership across organisations. The Board demonstrates these key pillars via a variety of formal Board discussion and decisions, but also through more informal activities such as department and branch visits. The Board receives regular updates through its reviews of the Society's people strategy, the results of Great Place to Work Survey and other specific employee surveys, which take place each quarter, which help provide the Board with a good understanding of the Society's current culture and give them a basis on which to analyse trends and undertake deep dives into any areas requiring further work to improve upon.

By reviewing qualitative and quantitative information from a range of sources, the Board is able to track progress and ensure that the culture reflects the shared set of values, beliefs and behaviours which are central to the Society's values. The Board last considered culture as part of their strategic discussions and planning in October 2024, when determining the strategy for the forthcoming year, with the values of the organisation being a pivotal focus point for decision making. They also receive regular reporting on various other aspects of culture, such as bi-annual customer and member experience updates, reports on whistleblowing, diversity, equity and inclusion, and through engagement with My Society. Further detail on this can be found in the below sections on stakeholders and whistleblowing.

Iraj Amiri has continued in his role as a permanent member of the D&I Thinktank, our colleague D&I forum, to help shape what we do on the topic at the Society. His role is key in ensuring there is ongoing Board support for the forum. Executive Board members present and engage with colleagues at 'Coventry Conversations', providing opportunity for open dialogue and issues that are important to colleagues to be raised. Where relevant, this can then be discussed more broadly with the Board and help to inform their decision making. The colleague Code of Conduct also clearly sets out the expectations of the Board in relation to their values and behaviours that colleagues should seek to maintain in order that the Society can operate in a fair and honest way, recognising that openness and trust are essential to creating and maintaining mutually rewarding relationships and delivering high standards of customer service.

As part of their considerations in the lead up to the acquisition of The Co-operative Bank, the Board frequently discussed the importance of preserving and developing the existing culture of the Society. They have also given a great deal of consideration to how to integrate the two organisations from a cultural perspective. As a result, this has formed an integral part of the integration planning process and the resulting strategic plans. This will remain a key part of the ongoing work during the integration process.

The Board and stakeholders

As a purpose-led building society, the Board understands the importance of engaging with the Society's stakeholders to understand how its decisions impact this wider group.

The Board takes into consideration the interests of these stakeholders as part of its discussion and decision making processes, ensuring that they continue to act in the best interest of members, colleagues and the wider stakeholder group.

Directors' Report on Corporate Governance continued

The Board and stakeholders continued

One of the key ways our Board members engage with members is through our Annual General Meeting. This year over 1,000 members attended and heard from our Board about their work and the achievements of the Society during the last 12 months. Members also had the opportunity to ask the Board questions about the things that matter the most to them. These questions covered a broad range of topics, including the services and rates we deliver, the resilience of the Society in turbulent economic times, our branches and technological plans and the acquisition of The Co-operative Bank. The number of attendees and the depth of questions demonstrated how engaged our membership are and the importance the Board places on listening to them.

Our Deputy Chair, Jo Kenrick, attends 'My Society', the elected forum of employee representatives, and uses this as an opportunity to understand the views of employees on key matters as well as updating forum members on issues that the Board is considering. My Society members are also invited to attend and contribute directly in certain Board sessions. These meetings, alongside insight shared from our wider listening approach, inform conversations and provide qualitative insights to inform decisions made by the Board.

Throughout the year, members of My Society have attended meetings of the Board. This has proven valuable for both colleagues and Board members. Employee engagement activities will continue in 2025 to ensure that the Board has direct mechanisms for engaging throughout the year to understand what employees really value.

In addition, to the engagement through the My Society forum, there is a facilitated programme of branch and department visits where non-executive directors meet colleagues across the organisation. This has included things such as call listening, where Board members observe colleagues supporting members directly, branch visits and meeting with various teams within our head office. Board members participate in Member Talkback sessions, where members are invited to ask questions and engage on a variety of topics. The latest of these sessions was held in November 2024. Members were also invited to various forums throughout the year to discuss areas of interest and ask questions of Board members, such as Member Panels and Customer Research Groups. Board members have also attended Better Connections and Tea and Tech events in branches, to meet members and support local initiatives. The Board also receives detailed updates on the results of the Society's employee opinion survey which provides granular insight into the views of the Society's employees.

The Society's 2024 strategy process also included engagement with My Society which gave the Board a perspective from colleagues as it formulated and agreed the 2024 Strategic Plan. The views of colleagues also helped to inform the Society's ESG Strategy and Climate Action Plan, which the Board approved in March 2024. On pages 16 and 17 of the Strategic Report you will find more information on the Society’s stakeholders and how they influence the decisions that the Board makes. This section also forms part of our disclosure under Section 172(1) of the Companies Act 2006. Although, as a building society, we are not required to follow the Companies Act 2006, we seek to voluntarily apply its requirements where appropriate.

Whistleblowing

The Society has in place arrangements to ensure that those who work for us speak up about concerns so that colleagues can raise concerns in confidence and anonymously if they prefer, and that these can be investigated and properly dealt with.

The Society is committed to ensuring that no one will be at risk of detrimental treatment from the Society or its employees as a result of raising a concern. Iraj Amiri, Non-Executive Director, has been appointed by the Board as the Whistleblowers Champion, demonstrating the Society's commitment to upholding the Whistleblowing standards at the highest level. The Whistleblowers Champion has overall responsibility for ensuring and overseeing the integrity, independence and effectiveness of the Society’s whistleblowing policies and procedures, including arrangements for protecting whistleblowers against detrimental treatment. The Whistleblowers Champion ensures that a report is presented to the Society’s Board annually regarding the effectiveness of whistleblowing systems and controls. The Society provides training on whistleblowing annually and has a specific reporting channel for its colleagues to report concerns via an independent third party.

The Society remains committed to continually evaluating its approach to whistleblowing and its effectiveness. The Board plays an active role in overseeing the Society’s procedures and policies for whistleblowing and reviews a report on the effectiveness of the Society’s whistleblowing procedures on an annual basis. The Society also has a designated Enterprise Leader with responsibility for this area who meets regularly with the Whistleblowers Champion and the members of the Board Audit Committee, without other management present, to discuss the Society’s whistleblowing arrangements.

Nominations & Governance Committee report

Dear Member

As Chair of the Nominations & Governance Committee (the Committee), I am pleased to present a report to you which outlines the matters that we, as a Committee, have focused on in 2024.

Operation of the Committee

The Committee is chaired by the Chair of the Board and the members are independent non-executive directors. Details of the skills and experience of the Committee members can be found in their biographies on pages 68 to 70. The Committee meets at least four times a year and otherwise as required. The number of meetings held in the year can be found in the table on page 76 along with the attendance record of Committee members. In addition to the members, regular attendees of the Committee include: the Chief Executive, Chief People Officer, General Counsel and the Society Secretary.

Following each meeting, the Chair of the Committee provides an update to the Board, summarising the matters reviewed by the Committee, and key decisions made.

Governance

One of the principal responsibilities of the Committee is to oversee the Society's governance arrangements on behalf of the Board, ensuring that these are consistent with relevant corporate governance standards and consistent with best practice. This is a key factor to the overall success of the Society and ensures that the decisions made are in the best interests of our members, customers and wider stakeholders as well as being consistent with our values and culture. During 2024, the Committee has continued to monitor developments in connection with the implementation of the 2024 Corporate Governance code.

Board composition and succession planning

As a part of its remit, the Committee is responsible for reviewing and making recommendations on matters relating to the structure, size, composition and ways of working of the Board.

This includes Board succession planning and overseeing the appointment of non-executive and executive directors to the Board and Board Committees. The Committee reviews the succession plans for the Board and Executive team annually, focusing on enhancing the composition of the Board, taking into account the skills, knowledge, experience and diversity of the existing members of the Board and the capabilities needed for it to be effective in delivering its responsibilities to provide oversight and governance of the Society and to safeguard the interests of its members. Through discussions on Board succession and composition and following the resignation of Vanessa Murden, the Committee oversaw a search for a new Non-Executive Director with IT and change transformation experience to appoint as Chair of the Board Technology Oversight Committee. A specialist search firm, Carbon, was appointed to facilitate the external search process. Carbon has no connection with the Society or individual directors of the Society. Supported by the search firm, a candidate specification was prepared based on objective criteria, setting out the knowledge, skills, experience and attributes required. From the candidate specification, a shortlist was compiled and following a series of interviews with the Chair and other members of the Board, Iain Plunkett was appointed to the role and as Chair of the Board Technology Oversight Committee. Iain has an extensive track record of delivering technology change in the context of financial services and has led on global transformation programmes as well as large scale integration activity following mergers. The Committee and Board agreed that Iain would be an invaluable addition to the Board having regard to the direction of the Society's strategy and transformational change agenda.

Throughout 2024 the Committee spent time reviewing the proposed composition for the Group governance structure in anticipation of the completion of the acquisition of The Co-operative Bank. This included developing recommendations for the planned Group Board and Committee structures, assessing the skills and experience required for each of the proposed roles and considering the regulatory requirements that must be met for each respective banking entity. In connection with this review and subject to completion of the acquisition of The Co-operative Bank, it was proposed that Jo Kenrick would be appointed as Chair of the Bank Board and would step down from her role as Chair of the Society's Remuneration Committee. A search for a successor was commissioned by the Committee with support from specialist search firm, Odgers Berndston. Odgers Berndston has no connection with the Society or individual directors of the Society. Interviews with the shortlisted candidates were carried out by the Chair and members of the Board, following which the Board approved the appointment of Caroline Marsh to the role of Chair of the Society's Remuneration Committee effective from 3 January 2025. Caroline brings a breadth of experience to the Society from her executive career within financial services and her role as Chair of the Remuneration Committee for a leading European credit management company.

Time commitment

For all Board vacancies, the Committee must assess whether the proposed candidate has sufficient time to discharge their duties as a director of the Society, having regard to their other commitments. This assessment is carried out at least annually for all existing Board members and also upon any current Board member seeking additional external appointments.

The Committee considers that the directors currently comply with Article 91 of the Capital Requirements Directive and the Code, since all directors are able to commit sufficient time to perform their duties at the Society and none of the directors has more than the maximum number of directorships, when taking into account the provisions relating to group directorships and non-commercial organisations.

Nominations & Governance Committee report continued

Committee membership

The Code requires the majority of members of the Nominations & Governance Committee to be independent non-executive directors. The Committee complies with this requirement and is comprised solely of independent non-executive directors.

The members of the Committee in 2024 are:

Membership	Member since
David Thorburn	2022
Jo Kenrick	2018
Martin Stewart	2020

Iain Plunkett and Caroline Marsh joined the Committee on 1 and 3 January 2025 respectively.

Diversity

Diversity and inclusion are intrinsic to the Society's values and purpose. A key strategic priority for the Society is to create an inspiring place to work which better reflects the diversity of its city and communities. The Society's approach to gender and diversity will continue to be a key factor in achieving this. As part of its remit, the Committee oversees the implementation of the Society's diversity and inclusion strategy and objectives, and carried out a detailed review of this area during the year. One key area of focus for the Committee is the gender balance of the Board and Executive team and their direct reports. Clear succession planning is in place and takes account of the current and future diversity of senior leaders within the Society. This planning also looks closely at the external market opportunities to support achievement of our diversity and inclusion aspirations.The Committee has engaged with the Executive team to ensure accountability for progress on the Society's diversity and inclusion agenda.

The Society set a target to achieve 50% female membership on its Board by the end of 2024. Progress against this target has been closely monitored by the Committee, reviewing the actions taken to enhance the diversity of the Board. The Committee acknowledged that this would be a challenging target to achieve and that any appointment or departure from the Board could have a significant impact on the achievement of its targets. Due to changes to the Board's composition in recent years, the Board has not been able to achieve this target by the intended date with 27% female membership at the reporting date.

Progress in this area remains a priority for the Committee and following review in 2024, it was agreed that the Society would retain this ambition for 50% gender balance on the Board with a restated target date of 2028. The Committee will continue to keep the Board and Board committee composition under review during 2025 as part of its succession planning activity, ensuring that appointments and succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social and ethnic background, cognitive and personal strengths, alongside professional experience. Board appointments will continue to ensure diverse shortlists as standard.

The Committee also considered gender balance across the Society generally, particularly in respect of improving the number of females in senior manager roles and above at the Society, which in 2024 was 38% against a 40% target.

Effectiveness

The Committee is responsible for overseeing the effectiveness assessment of the Board. During the year, the Committee oversaw the approach for the 2024 Board and Board committee effectiveness evaluation. Following recommendation by the Committee, it was agreed by the Board that an enhanced desktop review would be undertaken focusing on a quantitative assessment of the performance of the Board and its Committees in 2024.

Following review by the Committee, the decision was taken to appoint Halex Consulting. Halex performed this review through running a board benchmarking survey issued to Board members and selective executives.

Overall the findings of the 2024 Board effectiveness assessment concluded that the Board had operated effectively in discharging its responsibilities in 2024. More information on the Board and Committee evaluation process can be found on page 81 of this report.

Halex Consulting also assisted in the assessment of the Committee's effectiveness. The Committee reviewed the results of the assessment in December 2024 and determined that a report could be made to the Board that it operated effectively in discharging its responsibilities during 2024.

Other key activities in 2024

In addition to the points already covered, the Committee also considered the following key matters during 2024:

- Approved and oversaw the completion of induction plans of the two new Non-Executive Directors appointed to the Board.
- Reviewed the Board succession plan with particular reference to executive succession and securing a pipeline of non-executive directors.
- Oversaw the application of the various policies designed to ensure the Society's governance arrangements are effective.
- Reviewed the matters reserved for the Board to ensure matters were considered or delegated appropriately.
- Reviewed directors' proposed external appointments to ensure they did not represent a conflict of interest or exceed the number of permitted directorships or prevent directors devoting sufficient time to the Society.
- Received updates on corporate governance developments, including the review and publication of the new UK Corporate Governance Code 2024, and the Building Societies Act 1986 (Amendment) Act 2024.
- Reviewed arrangements for the Society's Annual General Meeting of members.

David Thorburn

Chair of the Nominations & Governance Committee
6 March 2025

Board Risk Committee Report

Dear Member

I am pleased to present the Board Risk Committee (the Committee) report for the year ended 31 December 2024. During the year, the Committee continued to focus on the current and emerging risks to the Society's business model, including those relating to the macroeconomic, commercial and regulatory landscape. The Committee, together with management, has continued to proactively identify, manage, monitor and mitigate the key risks facing the Society, ensuring it remains robust and resilient. The Enterprise Risk Management Framework (ERMF) remains suitably embedded within the Society's operations and decision making, with a strong culture of risk awareness. Further enhancements to the EMRF are also being made to ensure it remains in line with industry best practice. The Committee has continued to provide challenge and influence regarding the Society's strategic goals and initiatives, and to ensure good outcomes for our members.

The Committee has performed oversight across all of the Society's principal risk categories during the year, with performance against risk appetite reviewed on an ongoing basis. Despite the challenging external environment, the Society's risk profile has remained broadly stable versus the prior year.

During 2024, the Committee reviewed the adequacy of the Society's future and forward-looking capital and liquidity position via the ICAAP and ILAAP, which subjected the Society's Strategic Plan to severe but plausible stress scenarios. It was determined that the Society continues to have sufficient capital and liquidity resources to support the Strategic Plan.

The impact of climate change and regulatory standards on climate risk were reviewed, along with the proposed Society response to the climate risks identified on its loans and advances to customers and operations.

The Committee has continued to challenge management on the planning and delivery of key transformational change projects, and has been kept abreast of the Society's engagement with regulators, ongoing and future regulatory change, including Consumer Duty, new capital regulation and relevant policy decisions.

In order to ensure the Society risk tolerance remains appropriate, during 2024, the Committee reviewed the risk appetite statements and policies for all principal risk categories. Both data risk and technology risk have now been fully embedded as principal risk categories recognising the prominence they already had at the Society.

In addition to a focus on the Society, the Committee were actively involved in the assessment of the acquisition of The Co-operative Bank. This included overseeing the due diligence process and the risks identified, and the continued monitoring of these in the lead up to the transaction. The committee also reviewed proposals on the Group Risk Appetite and Group ERMF prior to the completion of the transaction.

To ensure sufficient oversight and governance of the integration activity, change risk will be elevated to a principal risk category in 2025.

During the 2025 financial year, the Committee will oversee further development and integration of both Group risk appetite and the Group ERMF. It will review the Group's risk appetite statements, board limits and policies for principal risk categories. In addition, the Committee will continue to review the Group's future and forward-looking capital and liquidity adequacy via the annual ICAAP and ILAAP, along with focusing on overseeing current and new regulatory expectations and monitoring the financial and operational resilience of the Group. The Committee will also oversee the programme of enhancements to risk capability and maturity.

Martin Stewart

Chair of the Board Risk Committee
6 March 2025

Board Risk Committee Report continued

Committee role and responsibility

The Committee is a sub-committee of the Board and the most senior risk committee within the Society. It has delegated authority from the Board and assists the Board in fulfilling its oversight responsibilities for risk management across the Society.

Its responsibilities include the following:

- Providing oversight and advice to the Board in relation to current and potential future risk exposures of the Society and risk strategy, including determination of risk appetite and the effectiveness of the Society's framework for managing risk.
- Promoting a risk culture that puts Members First within the Society and overseeing implementation and maintenance of the Society's Enterprise Risk Management Framework (ERMF).
- Reviewing key risk policies and frameworks, including key risk appetite statements.
- Ensuring the Executive team is held to account to identify, assess and manage risks in accordance with the requirements of the ERMF.
- Monitoring risks on behalf of the Board.

Committee meetings

During 2024, the Committee met on seven separate occasions. The Committee continues to operate in a flexible manner with a mixture of meetings held remotely and in person throughout the year to ensure that the Committee could appropriately oversee the Society's risk profile. Details on meeting attendance can be viewed in the Directors' Report on Corporate Governance.

Committee membership

The members of the Committee in 2024 are:

Membership	Member since
Martin Stewart	2018
Iraj Amiri	2018
Ewa Kerin[1]	2024
Vanessa Murden[2]	2023
Brendan O'Connor	2021
Iain Plunkett[3]	2024

1. Member from 1 July 2024 until 14 November 2024.
2. Member until 23 February 2024.
3. Member from 1 July 2024.

Key matters considered by the Committee

At each meeting, the Committee considered a consolidated risk report prepared by the Society's Risk function. These reports highlighted key and emerging risks for consideration by the Committee. In addition, during 2024, among other things, the Committee:

- Reviewed the strategic and emerging risks relating to the Society's 2025-2029 Strategic Plan.
- Reviewed the Society's risk appetite framework, including risk limits and risk indicators for each of the principal risk categories.
- Reviewed risk policies for principal risk categories.
- Agreed a risk oversight plan and monitored second line risk oversight and progress in delivering a programme of thematic reviews.
- Reviewed the Society's ICAAP, ILAAP, Recovery Plan and Resolution Pack.
- Reviewed the Model Risk Framework.
- Reviewed the Committee's terms of reference.
- Undertook a review regarding the financial risks arising from climate change.
- Reviewed the Operational Resilience Framework.
- Reviewed the Regulatory Reporting Framework.
- Reviewed an update on progress in delivering the Consumer Duty.
- Received updates relating to technology and data and security risks.
- Undertook reviews of people, change and remuneration risk.
- Reviewed the Operational Continuity in Resolution (OCIR) Framework and received updates on outsourcing and third-party risk management.
- Reviewed an assessment by the Internal Audit function of the independence and performance of the Risk function.
- Received updates on regulatory change.
- Oversaw progress on Internal Ratings Based (IRB) model remediation.

A private session was also held between Committee members, the Society's Chief Risk Officer (CRO) and the CRO's direct reports to provide an opportunity for discussion about risk matters without management presence.

Please refer to the Risk Management Report for the principal risks facing the Society, and the Strategic Report for a summary of the inherent risks in the Society's business model. The Risk Management Report contains information relating to how risk is managed across the Society.

Committee effectiveness

This year, the Board and Board effectiveness assessments were conducted by a desktop survey issued by Halex Consulting. The survey was issued to Committee members and regular attendees. The results of the assessment were reviewed by the Committee and the Board in January 2025, which concluded that the Committee had operated effectively in discharging its responsibilities in 2024. Positive feedback was received in relation to the effective challenge from the Committee to management across a range of risk topics and areas.

Looking forward

During 2025, the Committee will provide oversight of risk management across the Group, including overseeing the further development and integration of both Group risk appetite and the Group ERMF overseeing integration risks and overseeing the programme on enhancement to risk capability and maturity. Oversight will continue to include the risks emerging from a volatile macroeconomic environment and cost of living challenges. In addition, ensuring good outcomes for our members and the focus on climate change risk will continue to be important priorities for the year ahead.

Board Audit Committee Report

Dear Member

As Chair of the Board Audit Committee (the Committee), I am pleased to present our report for 2024, which sets out the work carried out by the Committee throughout the year. My role continues to be to direct the Committee's oversight responsibilities relating to accounting, financial reporting and internal control matters through what has been another busy year.

Key impacts on the Society's accounting and financial reporting matters, including but not limited to mortgage provisions, continued to demand specific consideration by the Committee.

The acquisition of The Co-operative Bank and its impacts on financial reporting and accounting judgements for the future combined group have been considered by the Committee during the year. A training session on the principles of IFRS 3 'Business combinations' was also held for members of the Committee and the wider Board to support with technical understanding and preparation for future discussions.

The Committee continued to monitor the integrity of the Society's external reporting and reviewed the significant financial reporting judgements and estimates which underpin the financial statements. More information on these judgements is included in this report. The Committee also presided over matters related to climate change standards and disclosures aligned to the Task Force on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI) standards, as presented within the Society's Sustainability Report.

As a result of the work performed, the Committee has been able to provide assurance to the Board that the Annual Report & Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for members and other stakeholders to assess the Society's position and performance, business model and strategy.

The effectiveness of the Society's internal controls and risk management systems also continued to be a core consideration of the Committee during the year. The Committee reviewed the activities, findings and performance of the Internal Audit function during the year, including the outcome of the external review of the effectiveness of the function, its departmental financial budget and the remuneration of the Chief Internal Auditor.

The Committee also provided oversight of the Society's procedures and policies for maintaining probity during the year, including whistleblowing, assessed their overall efficacy and reviewed an annual report on the effectiveness of whistleblowing procedures prior to submission to the Board.

We monitored the external auditors' independence and objectivity, and assessed the effectiveness of the external audit process, in addition to recommending the appointment and approving the remuneration and terms of engagement of the external auditors.

More information on each of the above items is included in the report.

Iraj Amiri

Chair of the Board Audit Committee
6 March 2025

Board Audit Committee Report continued

Role and membership of the Committee

The role of the Committee is to review and assess the integrity of the Society's financial reporting and statements, in addition to monitoring the effectiveness of internal controls and risk management systems, and overseeing the work of the Internal Audit function and external auditors.

The Committee's members are independent non-executive directors who are able to draw on their experience to review and challenge the work of management in these areas.

The Committee advises the Board on matters which are set out in its terms of reference, which are included on our website at www.thecoventry.co.uk. The Committee reviews its terms of reference and its roles and responsibilities annually against the Financial Reporting Council's (FRC) Guidance on Audit Committees. This review was completed during 2024 and no material changes were made to the Committee's responsibilities.

The Board is satisfied that all Committee members have recent and relevant financial services sector experience and that both Iraj Amiri and Shamira Mohammed are professionally qualified accountants.

The members of the Committee in 2024 are:

Membership	Member since
Iraj Amiri	2018
Jo Kenrick	2017
Ewa Kerin[1]	2024
Shamira Mohammed	2019
Martin Stewart	2018

1. Member from 1 July 2024 until 14 November 2024.

More information on the Society's committee structure is included in the Corporate Governance Report.

Committee attendance

The Committee met eight times during 2024. All Committee meetings are routinely attended by the Chief Executive, Chief Financial Officer, Chief Risk Officer, General Counsel, Chief Internal Auditor and the external auditor. Other senior managers are invited to attend meetings as required.

The Committee meets both the Chief Internal Auditor and the external auditor without management present at least once during the year to enable issues to be raised privately if necessary. The Committee Chair also meets privately with the Chief Internal Auditor and the external auditor on a regular basis.

The effectiveness of the Committee

This year, the Board and Board Committee effectiveness assessments were conducted by a desktop survey issued by Halex Consulting. This survey was issued to Committee members and regular attendees. The results of the assessment were reviewed by the Committee and th Board in January 2025, which concluded that the Committee had operated effectively in discharging its responsibilities in 2024. Positive feedback was received in relation to the robust exploration of committee matters facilitated by the Chair and thorough review process carried out in connection with the year end and interim financial results. In respect of potential focus areas for 2025, the committee have considered more in depth reviews into changes in the regulatory reporting landscape and enhancements to the control environment.

Key areas of focus during 2024

Significant matters that were considered by the Committee during the year, working closely with the Board Risk Committee, the Society's Risk function and Internal Audit, are set out in the following sections.

Preparation of financial statements and key areas of judgement

When assessing both the interim and full year 2024 financial statements, the Committee carefully considered areas subject to management judgement, which included the following:

Accounting for the acquisition of The Co-operative Bank

The Committee considered the impacts on financial reporting and application of IFRS 3 'business combinations' on both the Society's existing external reporting basis during 2024 as well as the future impact post completion of the acquisition. This included determination of the acquirer and acquisition date (including change of control), as well as consideration of the indicative day one purchase price allocation and key assumption judgements which inform the calculation. The key judgements considered are cost of debt on the fair value of loans and advances to customers; determination of intangible assets arising on acquisition; and the cost and mix of funding on the identified Core Deposit Intangible.

The impacts on the 2024 Annual Report & Accounts for the Society and the content requirements for the post balance sheet event disclosure note were also considered.

Calculation of expected credit loss provisions under IFRS 9

The Committee continued to review the Society's IFRS 9 accounting policies during 2024 to ensure that they remain appropriate.

The Committee reviewed the basis of calculating ECLs, including the method for identifying a significant increase in credit risk and the application of post model adjustments to the overall ECL provision, and the potential impact of climate change on the Society's mortgage portfolio.

The calculation of ECLs for loans and advances to customers has continued to require management judgement as the economic environment stabilises somewhat after the pressures on affordability through a higher interest rate and inflationary environment, which have been key considerations in recent years. The Committee's role is to make sure that appropriate judgements are applied. The ECL provision has decreased to £24.3 million (2023: £42.5 million) including post model adjustments of £6.4 million (2023: £24.4 million).

Board Audit Committee Report continued

The Committee challenged management on the calculation methodology and is satisfied with the rationale and method for determining the required post model adjustments and for recognising or releasing post model adjustments as required.

The Committee also reviewed the alternative economic scenarios that have been used in the provision calculation and the weightings that have been assigned to them along with sensitivity of the provision to different weightings and other key assumptions. The Committee considered the range of sensitivities, which are more positive compared to the prior year, given the reducing interest rate forecast and improved house price assumptions.

The financial statements disclosures were also reviewed to ensure that sufficient information on the judgements applied is included in the Society's financial statements. The Committee was satisfied with the adequacy of the provisions and the appropriateness of the disclosures made.

Revenue recognition and EIR methodology

The Society recognises income on its mortgage loans using the Effective Interest Rate (EIR) method. This applies a rate of return that reflects a constant income yield over the expected life of the mortgage loan based on expectations of future loan redemption and interest rates. The EIR calculation is most sensitive to assumptions on loan redemption and the difference between fixed rates and Standard Variable Rates in the future.

The Committee considered the key assumptions of EIR methodology and expectations of future changes. The Committee concluded that the accounting treatment was appropriate.

Defined benefit pension scheme position

The Committee also considered the calculation of the Society's defined benefit pension obligation including the valuation of the Scheme's assets and the assumptions that are used to calculate the Scheme's liabilities. The balance moved to a deficit of £4.8 million from a surplus of £3.7 million in 2023 as a result of market movements during the year. The Committee is satisfied that it is appropriately stated.

Going concern and long-term viability

The Committee evaluated whether adopting the going concern basis of accounting was appropriate and separately considered the Society's long-term viability, taking account of the principal risks facing the Society, including those that could threaten the Society's business model, future performance, solvency and liquidity. The range of macroeconomic scenarios on the Society's business continued to be reviewed, including revisions to stress testing and forecasts as a result of updated forward-looking assumptions. For interim reporting, the impact of the potential acquisition of The Co-operative Bank was also considered as part of the assessment.

In particular, the Committee considered the periods over which the Society's prospects and long-term viability should be assessed, along with the basis of these assessments.

It was concluded that a three year statement on long-term viability remained appropriate taking into account the planning and stress testing carried out by the Society, combined with increased and inherent uncertainty in the outer years of the Strategic Plan resulting from economic and market conditions and predictions. The Committee concluded that the going concern and long-term viability assessment were appropriate and statements on these matters are included in the Directors' Report.

Fair, balanced and understandable

The Committee considered whether the Annual Report & Accounts, taken as a whole, were fair, balanced and understandable. The Committee satisfied itself that there was a robust process of review and challenge at different levels within the Society, to ensure balance and consistency, and that this is reflected in the Annual Report & Accounts. Its review included:

- Providing guidance on drafting.
- Making sure all messages are communicated as simply as possible and that the Strategic Report is comprehensive.
- Ensuring factual content and statements have been verified.
- Central coordination and thorough review including review by a non-specialist.
- Comprehensive review by senior executives including the Board committees' Chairs prior to wider Committee consideration.

The Committee also considered other information regarding the Society's performance presented to the Board during the year. After consideration of all relevant information, the Committee concluded that it could report to the Board that the Annual Report & Accounts were fair, balanced and understandable.

Disclosure preparation

The Committee was briefed on the Annual Report & Accounts disclosure preparation process and control environment supporting the activity, concluding that it remained robust.

New disclosures and requirements

Regular updates and training on financial reporting developments and disclosures were provided to the Committee during the year. This included training on the requirements of IFRS 3 'business combinations'.

The Society's internal control and risk management arrangements

The Committee reviewed the effectiveness of internal control and risk management arrangements through regular reporting from Internal Audit, the Risk function and the external auditor. In addition, the Committee reviewed the assurance statements received from the Chief Internal Auditor on internal control and from the Chief Risk Officer on risk management.

Board Audit Committee Report continued

During 2024, Internal Audit continued to assess internal control and risk management systems associated with the functions and activities undertaken by the Society that are impacted by changes in external economic conditions, with a focus on impacts on the Society and its member servicing. The Committee received the results of formal assessments related to the key change initiatives as well as functional control improvement plans related to areas including information security management, technology risk management and data governance and management.

The Committee received regular reports during the year on whistleblowing and concluded that the arrangements were operating effectively and there were no material matters of concern.

Further information on the Society's approach to internal control and risk management is included in the Risk Management Report.

The activities of Internal Audit

The role and responsibilities of Internal Audit are set out in the Internal Audit Charter that was reviewed and revalidated by the Committee during the year. A copy of this Charter is available on the Society's website www.thecoventry.co.uk/InternalAudit.

In addition to approving the annual Internal Audit Plan and budget, the Committee reviewed and approved amendments to the Plan and resources throughout the year.

The Committee received regular reports from the Chief Internal Auditor setting out the results of assurance activity related to Society operations and strategic change initiatives, progress in delivery of the annual Internal Audit Plan and the adequacy of resources.

Internal Audit's assessments also considered the Society's progress with delivering multiple, complex change initiatives directed at replacing or updating critical information technology infrastructure, including continuing work to digitise the mortgage and savings channels. Change assurance work also included the continued assessment of the finance transformation programme, which commenced during 2021, with 2024 assurance work focused on the progression of work with a new regulatory reporting system.

Significant findings and thematic issues identified were considered by the Committee, together with management's response and completion of remedial action commitments made in respect of previously issued audit reports.

During the year, Internal Audit supported the Committee by ensuring that there was appropriate consistency and rigour in the process of preparing and reporting of climate and other sustainability-related disclosures as well as well as completing an independent review of the Annual Report & Accounts disclosure preparation assessment.

The Committee oversaw an external review of the effectiveness of the Internal Audit function during the year, with presentation of the final report at the July 2024 Committee meeting. The review considered the quality of work, the appropriateness of skills and resources within the team and compliance with the Chartered Institute of Internal Auditors' 'Guidance on Effective Internal Audit in the Financial Services Sector'. Whilst a number of improvements were recommended, the report confirmed that the Internal Audit function was effective. The Committee is monitoring implementation of actions following the review.

External auditor

As well as discussing external audit findings, the Committee is responsible for overseeing the relationship with the external auditor and the quality of the audit process. During the year this included the following:

Audit plan

Prior to the annual audit commencing, the Committee considered PwC's audit plan including materiality levels, areas of audit focus, terms of engagement and fees payable for the audit. As part of the review of the 2024 Interim Financial Report and audit of the annual financial statements, the Committee received a report setting out: the work performed in areas of significant risk and management judgement and conclusions for each area; a summary of adjustments and differences; and internal control recommendations. In recommending approval of the interim and annual financial statements, the Committee considered the matters set out in these reports.

Auditor consideration of acquisition

The external auditor has considered the impacts of the acquisition of The Co-operative Bank within its audit plan presented to the Committee during the year. Extensive updates have also been provided with regards the accounting for the acquisition and consideration of key judgments as the work progresses in parallel to the core annual reporting cycle.

Audit quality

The Committee oversees external audit quality. Committee meetings consider factors that impact external audit quality, and conclusions on external audit effectiveness are formalised and assessed by the Committee each March, as part of the year end reporting process. The factors considered included:

- The technical skills and industry experience of the audit engagement partner and wider audit team.
- The appropriateness of the proposed Audit Plan, the identification of significant risk areas and the effective performance of the audit in line with the agreed plan.
- The quality of communication between the external auditor and the Committee, and the effectiveness of interaction between management and the external auditor.
- The quality of reports to the Committee on accounting matters, governance and internal control.
- The reputation and standing of the external auditor.
- The independence and objectivity of the external auditor.

The Committee also considers any Financial Reporting Council Audit Quality Inspection and Supervision Reports on PwC.

Board Audit Committee Report continued

The Committee concluded that the external audit process was effective in March 2024, and it was satisfied that there were no matters of concern with respect to the external auditor's independence or objectivity.

The results of the next assessment will be considered by the Committee in March 2025, at the conclusion of the year end reporting process, with any areas for improvement shared with the lead audit partner for consideration.

The appointment of the external audit firm to undertake non-audit services

The Committee regularly reviews and monitors the Society's relationship with the external auditor to ensure that auditor independence and objectivity are maintained at all times. The Committee has developed a policy and framework which defines the approach to non-audit engagements and reflect the guidance in the FRC's Revised Ethical Standard from 2020. At no time does the external auditor audit its own work, make management decisions for the Society, create a conflict of interest or find itself in the role of advocate for the Society. The Committee keeps non-audit engagements under review and receives regular reports from the external audit partner confirming that adequate safeguards for independence remain in place.

During 2024, the Society engaged the external audit firm to provide certain non-audit services, including assurance engagements in relation to the Society's debt issuances and Additional Tier 1 notes update. All engagements complied with the Society's policy.

The Committee received regular updates on the nature and cost of the engagements, seeking to ensure that they were appropriate. Details of the fees paid to the external auditor for audit and non-audit services are set out in note 9 to the accounts.

Board Technology Oversight Committee Report

Dear Member

I am pleased to present to you the first report of the Society's Board Technology Oversight Committee (the Committee). This is my first report as Chair of the Committee and it is my pleasure to update you on the important work that the Committee has carried out throughout 2024.

This is our first full year in operation as a committee of the Board, having been established part way through 2023. An independent review, commissioned by the Board in 2021, recommended that digital transformation should be a key area of focus for the Board. In 2022, through discussions on Board succession and during its annual assessment of board members; skills and expertise, it was recognised that there was a gap on the Board in respect of digital, IT and change transformation experience. As such, the Board approved a recommendation from the Nominations and Governance Committee to establish a Board Technology Oversight Committee to provide the right level of oversight of this key strategic area of investment.

Since then, the Committee has worked hard to assist the Board in overseeing and challenging the development of the Society's technology strategy as well as monitoring delivery of major technology change programmes. The remit of the Committee is broad, covering areas from the Technology Strategy to Cyber Security, all of which support the Society's overall transformational change agenda that seeks to deliver value for money, security and high quality service to our members.

Iain Plunkett

Chair of the Board Technology Oversight Committee
6 March 2025

Board Technology Oversight Committee Report continued

Role of the Committee

The role of the Committee is to provide oversight to the Board on matters relating to the Society's technology strategy, technology investment, strategic architectural direction and cyber security. This includes oversight of both delivery and performance in each of these areas. The Committee is also responsible for approving and monitoring spend for transformational change projects, in line with the Society's overall budget.

The Committee advises the Board on matters set out in its terms of reference, which are included on the Society's website at www.thecoventry.co.uk. The Committee reviews its terms of reference and its roles and responsibilities annually, with its terms of reference last being approved by the Board in December 2024.

Committee membership and attendance

The Committee met four times during 2024. The Committee consists exclusively of independent non-executive directors.

The members of the Committee in 2024 are:

Membership	Member since
Iraj Amiri	2023
Vanessa Murden[1]	2023
Brendan O'Connor[2]	2023
Iain Plunkett[3]	2024
Martin Stewart	2023

1. Chair and member of the Committee until 23 February 2024
2. Interim Chair from 24 February to 30 June 2024
3. Chair and member since 1 July 2024

The Committee is supported by several members of the Executive Committee who regularly attend its meetings including the Chief Information and Digital Officer, the Chief Executive, Chief Financial Officer, Chief Risk Officer and Chief Internal Auditor.

The effectiveness of the Committee

In line with the requirements of the Code, the Society's Board and Committees carry out an annual review assessing their effectiveness. In 2024, this review was supported by a desktop survey issued by Halex Consulting. This survey was issued to Committee members and members of the Executive who are regular contributors to the Committee. The Committee reviewed the results of the assessment in December 2024 and determined that a report could be made to the Board that it operated effectively in discharging its responsibilities during the course of the year.

Key areas of focus during 2024

The Society remains focused on delivering the best mortgages and savings service for its members. Investing in improving technology capabilities for our members and customers is one of the ways we seek to achieve this. During 2024, the Committee oversaw the launch of the Society's first mobile app and the building of new functionality throughout the year, including the ability to open new savings products and submit maturity instructions digitally for the first time too.

Maintaining a stable, secure and resilient technology estate is a key priority for the Society. During 2024, the Committee has overseen work done to upgrade the Society's IT estate and its operations.

Other key matters overseen by the Committee during 2024 include:

- Receiving regular updates on the Society's change portfolio of work, including delivery of key projects and approving budgetary draw downs for this each quarter.
- Overseeing the rollout of the Microsoft 365 project.
- Reviewing the Society's current architectural landscape and its cloud transformation journey.
- Monitoring and reviewing external cyber threats and overseeing the work undertaken by the Society to manage these threats to protect its members.
- Reviewing the Enterprise Data Strategy and monitoring its implementation across the Society.
- Reviewing the 2025 Society Portfolio prioritisation process and budget for Portfolio delivery, ensuring alignment to the Society's strategic objectives.

Looking forward

During the coming year, the Committee will be heavily involved with the work required to integrate The Co-operative Bank and the Society. It will particularly focus on the integration of technology and seeking the best solutions for the combined group and its members and customers.

The Committee will also continue to have oversight of the overall technology transformation programme and will continue to receive reports on monitoring and actions taken in response to external threats to the Society, to ensure the protection of members.

Directors' Remuneration Report

Report of the Remuneration Committee to members

Dear Member

As Chair of the Remuneration Committee (the Committee) until 31 December 2024, I am pleased to present this report, which outlines for members how the Society's purpose, values and strategy shape our approach to remuneration and reward.

The report details how the Remuneration Policy for directors (that was approved by members at the 2023 Annual General Meeting (AGM)) has been applied during the year and also explains our new forward-looking directors' Remuneration Policy and how the Society intends to implement the policy during 2025.

We will be seeking an advisory vote on both the Annual directors' Remuneration Report for the year ended 31 December 2024 and the new director's Remuneration Policy at the 2025 AGM.

A transformational time

In 2024, we celebrated the Society's 140th anniversary, a remarkable achievement when you take a moment to think about the extraordinary events and developments that have shaped the lives of members throughout this time.

I believe that the Society's ability to succeed through economic boom and bust, conflicts and political upheaval, technological and societal change is built on our mutual foundations and the values that come from these roots. Most importantly, our clear focus on members and our ability to take decisions that benefit them over the long term.

The last ten years demonstrate this very well. Despite the uncertainties of Brexit and the impact of the global pandemic, the Society has grown its balance sheet from £31 billion on 1 January 2015 to £64 billion on 31 December 2024. During this time we have delivered the profitability to build and maintain the Society's capital reserves (the source of financial strength), consistently achieved levels of service that stand out in the industry, and provided the competitive value that members expect. Despite this significant growth, our variable pay structures have remained unchanged.

Our 2024 results show that we have increased the member saving premium to a new record level of £401 million and our overall Net Promoter Score is outstanding at +79. These performances are underpinned by a working environment that is amongst the best in the UK, with record levels of colleague engagement showing that our commitment to members begins with a commitment to colleagues and their development, engagement, welfare and remuneration.

This reflects the challenge that lies at the heart of all decisions made by the Society's Remuneration Committee. We must create an environment that attracts and retains the people best able to deliver the sustained performance that our members expect, across all aspects of the business that our members value. My strong belief is that this is not an 'either/or' scenario, but one in which the Society's commitment to take decisions in the interests of its members, drives the right remuneration decisions too.

The reality of a competitive, highly remunerated and highly regulated industry means that our decisions must take account of what people are being paid in other organisations and the rules we must adhere to. This applies equally to attracting and retaining the talented people we need. We do not and cannot operate in isolation within a very transparent and open market. If anything this is the real challenge we face, as other organisations drive an increasing expectation regarding remuneration that we must reflect in our own policy and decision-making.

In last year's Remuneration Report I made it clear that the time had come to review our pay structures, and this is further reinforced by the transformational acquisition of The Co-operative Bank.

Whilst we remain a mutual building society, the increase in scale brings significant additional responsibilities and requirements to our leadership roles. This includes the level of assets, the number of members, customers and colleagues, as well as the products and services offered by the new combined group with all the implications for operational complexity, regulatory reporting, funding requirements and technological and operational integration.

This is why, at a time of transformation for the Society, we have taken the decision to review the policy out of our normal three-yearly cycle. By doing so, we are supporting the ambition enabled by the acquisition to secure the long-term future of the Society for the long-term benefit of current and future members and customers. The Policy lays out what has changed as well as what is unchanged.

Review of the Remuneration Policy

Our detailed review of the Remuneration Policy was undertaken in the context of:

- The anticipated acquisition of The Co-operative Bank (the Bank) and the increased size and scope of executive roles.
- The need to ensure our remuneration arrangements support the Society's strategic priorities and are appropriately positioned to recruit, motivate and retain executives of the calibre required to manage the enlarged and more complex Group.
- A core principle that our approach to pay is aligned with the Society's purpose, values and our members' interests, enhancing a focus on long-term performance.
- Maintaining a consistency of approach between colleagues and executive directors in setting salaries, relative to the market, and in provision of benefits.
- Retaining elements of the policy that work well.

The Committee also reviewed a range of market data and the positioning of our total remuneration relative to UK banking and building society peers and other firms (both listed and private) of a similar size and complexity. This showed that total remuneration, both base salary and variable pay, was substantially below market practice in the peer group and there was a need to increase each element for the executive directors and executive managers of the Society.

Directors' Remuneration Report continued

Report of the Remuneration Committee to members continued

Given the context for the review outlined above, the key changes to variable pay under the new Remuneration Policy are:

- Executive directors and executive managers will no longer be eligible for the Success Share bonus and Executive Variable Pay Plan (ExVPP) which will be replaced by a new Annual Incentive Plan (AIP) and Long-Term Incentive Plan (LTIP).
- The maximum variable pay awarded for executive directors will increase to 200% of base salary.
- We will continue to measure business performance through a balanced scorecard and use this same scorecard to determine variable pay, both the AIP and the all colleague Success Share bonus.
- All other terms and conditions are unchanged.

The Committee feels that the proposed changes to the Remuneration Policy address the gap highlighted by the review relative to our UK banking and building society competitors, and ensure that we continue to recruit, engage and retain the great people we need to sustain the performance our members expect.

The Committee has also considered the importance of stable leadership and strong delivery of the integration of the Bank into the Society. Therefore in addition, for 2025 only, an Integration and Retention Award of up to 100% of salary has been introduced to retain and reward critical roles during a period of substantial change and in delivering the Society's strategy. The Society will measure the performance of the Award against the delivery of integration targets for each participant during 2025.

These changes mean that the Society's leadership has the potential to earn more. However, we are asking them to deliver more, with their roles expanding considerably in size, scope and complexity. The new combined Group is significantly larger, with approximately 6,000 colleagues and a balance sheet of around £90 billion.

It is not just the scale that matters. The demands of integration are significant and the ongoing services, particularly in developing the current account, related savings and business banking propositions, bring additional challenges in how we operate, in how we protect customers and members, and in meeting expectations for new functionality. I described the acquisition of The Co-operative Bank as transformative, and our ambition is to deliver a genuinely different choice for UK consumers. To do this. we need to attract, retain and engage talented people with the ability to deliver this long-term vision that has current and future members at its core.

Building on success

I mentioned earlier the Society's successful track record and the Remuneration Committee was pleased to review another strong year's performance in 2024.

You will have read in the Strategic Report section how this was achieved, with the Society outperforming in six of the nine measures in the balanced scorecard is used to underpin both the all-colleague Success Share scheme and the Executive Variable Pay Plan (ExVPP). The scorecard enables the full range of business performance to be assessed against stretching targets. We reflect our mutual culture and values by giving equal weight to all elements of the scorecard - so measures for customer, sustainability and colleague outcomes have the same significance as financial and risk measures. The 2024 performance reflects the strength of our proposition to borrowers and savers and the service that underpins this. We continue to report growth in lending and exceptional service to mortgage brokers and customers.

We launched our first ever mobile app in 2024 and it's gone from strength to strength with over 920,000 members now registered to use either our online services or the app itself. Our investment in customer-facing channels is making a tangible improvement to our members' experience. We are also making significant progress with other aspects of technical investment, enhancing the security and resilience of our operations. It is the Society's strong and disciplined performance that enables these important investments for members and the Remuneration Committee tracks progress against these key deliverables through the balanced scorecard.

Stakeholder engagement

As a mutual organisation, we believe it is also right to understand and be guided by the views of our members. Voting arrangements for the Directors Remuneration Report and Remuneration Policy are advisory and the directors' remuneration is not conditional upon them, however, the Committee intends to take account of your feedback in its decision making.

Remuneration regulations

The regulatory landscape for remuneration continues to evolve and regulatory changes are expected with the recent announcement of the Bank of England's regulatory consultation on remuneration reform which was issued at the end of November 2024. This includes a proposed simplification of and reduction in the deferral time horizons for variable pay. The Committee will await the final policy position and keep the potential impact for the Society under review.

Conclusion

The Committee will continue to pay close attention to changes in the wider market, whilst making decisions which are aligned with and support members' interests.

Finally, I'd like to express my appreciation to the Society and the Committee for its support during the last seven years as Chair of the Remuneration Committee. I have thoroughly enjoyed my role. I'm stepping down as Chair of this Committee in order to become Chair of The Co-operative Bank, however I will remain a member of this Committee. I would also like to welcome Caroline Marsh as the new Chair of the Committee from January 2025. She brings very relevant experience as well a passion for the customer and values which align well with the Society. I wish her well in the role and she will have my full support.

Jo Kenrick

As Chair of the Remuneration Committee
(until 31 December 2024)
06 March 2025

Directors' Remuneration Report continued

The Remuneration Committee

This section of the report provides more detail about the Remuneration Committee; its membership, its governance structures and the principal activities of the Committee during 2024.

Committee membership and attendees

The Committee consists exclusively of independent non-executive directors and the Chair of the Board.

The members of the Committee in 2024 are:

Membership	Member since
Jo Kenrick[1]	2017
Shamira Mohammed	2023
Brendan O'Connor	2021
David Thorburn	2022

1. Chair of the Committee from April 2018 to 31 December 2024.

Caroline Marsh joined the Committee as Chair on 3 January 2025.

The Committee seeks input from the Chief People Officer, the Head of Reward and People Services and the Chief Executive, who are invited to attend meetings. The Chief Risk Officer and the Company Secretary are invitees where appropriate. The Committee also benefits from specialist advice from its independent remuneration advisor (Deloitte LLP).

Governance and the role of the Remuneration Committee

The Committee has overall responsibility for remuneration matters delegated to it by the Board. The Committee's role is to consider the Society's Remuneration Policy and the specific remuneration packages for the Society Chair, executive directors and executive managers and any other employees who are deemed to fall within the scope of the PRA/FCA Remuneration Codes. The Committee also provides oversight of the pay practices for the workforce across the Society.

All decisions about remuneration reflect the Society's purpose, values and 'Putting Members First' belief. Decisions align with the approach taken for all employees and take account of the long-term sustainable success of the Society.

The Society follows the PRA's Code on Remuneration Practices and Disclosure Requirements, and in addition, aligns the Policy with the PRA's best practice guidelines and the UK Corporate Governance Code where applicable. These include ensuring clarity and transparency of policy and arrangements. The Committee has also considered and mitigated any risks to ensure that the Society does not incentivise the wrong type of behaviour.

The Committee's work has involved ensuring predictability in the remuneration structure; considering proportionate variable pay awards for colleagues and executive directors that reward good performance and are not excessive, and aligning policy and practice to the Society's purpose, values and belief.

The Committee considers that the Remuneration Policy has operated as intended in terms of the performance of the Society and the quantum of awards.

Activities during 2024

During 2024, the Committee undertook activity in these areas:

Variable pay

- Considered the outturn of the 2023 balanced scorecard to determine the 2023 Success Share scheme payment and the 2023 Executive Variable Pay Plan (ExVPP) payment.
- Approved the performance measures for the 2024 balanced scorecard.
- Approved deferred and retained payments from in-flight executive variable pay plans, ensuring these are in line with the Society's Remuneration Policy.
- Considered the Risk function's annual review of any grounds to recover or withhold variable pay awards.

Fixed pay

- Assessed external benchmarking data as an input to ensure remuneration remains competitive and appropriate.
- Approved remuneration packages for executive directors and executive managers.
- Approved the Chair of the Board fee.
- Approved the Society's salary review approach and received analysis of its application.

Governance

- Approved updates to the Society's Remuneration Policy.
- Received a report from the Risk function that gave assurance that the Society's remuneration framework had not encouraged excessive risk taking.
- Oversaw an assessment of employees whose responsibilities could impact the Society's risk profile.
- Approved the Society's Prudential Regulation Authority (PRA) Remuneration Policy Statement and Material Risk Taker (MRT) disclosures.
- Approved the Directors' Remuneration Report.
- Considered the Society's gender and ethnicity pay ratios and CEO pay ratio and, in response, committed to future diversity and inclusion actions.
- Received an update on the regulatory consultation on remuneration reform.

The Committee also engaged with the workforce through My Society, the Society's colleague forum, to explain the work of the Committee and to take feedback from representatives.

Directors' Remuneration Report continued

Annual Remuneration Report

This section of the report details how the Remuneration Policy, approved by an advisory vote at the Annual General Meeting in 2023, was applied during 2024. Remuneration awarded to executive and non-executive directors for 2024 is set out and all is in accordance with the Policy.

The total pay package that was earned by each executive director for 2024 and 2023 is shown below:

Total remuneration earned by executive director

	Fixed remuneration				Variable remuneration			
(Audited)	Base salary[1] £000	Taxable benefit £000	Pension allowance[2] £000	Total fixed £000	Success Share £000	ExVPP £000	Total variable £000	Total remuneration £000
2024								
Stephen Hughes	**671**	**10**	**67**	**748**	**107**	**361**	**468**	**1,216**
Lee Raybould	**464**	**12**	**46**	**522**	**74**	**245**	**319**	**841**
Total	**1,135**	**22**	**113**	**1,270**	**181**	**606**	**787**	**2,057**

	Fixed remuneration				Variable remuneration			
(Audited)	Base salary[1] £000	Taxable benefit £000	Pension allowance[2] £000	Total fixed £000	Success Share £000	ExVPP £000	Total variable £000	Total remuneration £000
2023								
Stephen Hughes	572	10	57	639	109	338	447	1,086
Lee Raybould	424	11	42	477	81	245	326	803
Peter Frost[3]	103	8	16	127	20	51	71	198
Total	1,099	29	115	1,243	210	634	844	2,087

1. Base salary is the actual salary earned in the year and will differ from the current salary effective from 1 April.
2. Pension allowance includes both contributions to the Group's defined contribution pension scheme and cash payments in lieu of contributions.
3. The remuneration shown for Peter Frost is up to the date he stepped down from the Board on 27 April 2023.

Further information on individual remuneration elements: executive directors

Base salary 2024

As discussed in the Remuneration Committee Chair's letter, during the year the Committee reviewed competitive market data and the positioning of our executive directors' total remuneration relative to our peer group. This highlighted that the total remuneration, both base salary and variable pay, currently sits substantially below market practice in the peer group.

Consequently, it was acknowledged that the base salary increases detailed in the table below for the executive directors would be required to start to close this gap to market. These increases also took into account the performance and growth of the Society. In anticipation of the acquisition of The Co-operative Bank and the increased size and scope of executive roles, a further base salary increase was agreed for 2025 as detailed later it this report.

Executive director	Effective 1 April 2024 £	Effective 1 April 2023 £	% increase
Stephen Hughes	700,000	583,200	20.0%
Lee Raybould	475,000	430,000	10.5%

Benefits and pension 2024

Executive directors received benefits including a fully expensed Society car or a cash alternative, personal membership of a private medical insurance scheme, permanent health insurance and life assurance.

Executive directors were eligible to participate in the Society's defined contribution pension scheme, which is offered to all employees.

The Chief Executive and Chief Financial Officer received cash alternatives in lieu of pension contributions equivalent to 10% of base salary as they have exceeded the lifetime allowance. This is in line with the approach for all employees who are eligible to join the Society's defined contribution pension scheme, receiving contributions of up to 10%.

Variable pay 2024

Variable pay for executive directors in 2024 consists of a Success Share bonus and an Executive Variable Pay Plan (ExVPP).

Success Share is a discretionary variable pay scheme that enables all eligible employees to share in the Society's success in delivering against its strategy. The Scheme is reviewed each year to ensure that it is aligned to the Society's business plans and any changes in regulation.

Directors' Remuneration Report continued

Annual Remuneration Report continued

Variable pay 2024 continued

The maximum award for all employees (including executive directors) is 20% of base salary for exceptional performance and 10% of base salary for on target performance. The Society measures annual performance against a number of stretching financial and non-financial targets detailed in the balanced scorecard, which is aligned to its strategic priorities.

The ExVPP rewards performance over the longer term in delivering the Society's strategy. Awards to executive directors are made in cash (as opposed to shares) and are subject to deferral and retention as described on the following pages. The plan is reviewed each year to ensure alignment to the strategic priorities and changes in regulation.

If the Society performs in line with its plans, the ExVPP scheme provides for an award of up to 30% of salary for executive directors. The maximum award is up to 60% of base salary at the date of grant for executive directors and can only be achieved by exceeding stretching upper targets for all measures.

The balanced scorecard reflects the measures used by the executive team and the Board to assess the Society's performance. This ensures alignment of remuneration with the Society's objectives. All measures are deemed to be equally weighted. Further information on the Society's performance can be found in the Strategic Report. Performance against the balanced scorecard measures is summarised in the table below.

Despite the challenging market conditions in 2024, the Society delivered a strong and disciplined performance. The Society exceeded against six of the nine performance targets which determine variable pay, achieved in line with three measures and did not perform below target against any measures.

A scoring matrix provides guidance to the Committee as to potential outturn based on performance against the balanced scorecard. The number of objectives that were deemed to be above or below target determines the range of award that could be considered.

For recipients of the ExVPP, the performance metrics are split 70:30 between collective performance, as determined by the outturn of the balanced scorecard, and individual performance, as determined by the achievement of up to three strategically aligned individual goals. The balanced scorecard ensures alignment between remuneration and the long term, sustainable goals of the Society. The individual goals are used to increase personal accountability for the delivery of key strategic targets and are agreed with the Committee. Performance against these goals, together with conduct and behaviours are considered by the Committee when assessing individual performance.

Balanced Scorecard - 2024 Plan	Performance target range	Performance result	Performance relative to target range
People and societal impact			
Employee Engagement[1]	76% - 80% Trust (Recognised)	83% Trust (Recognised)	Exceeded Target
Environmental, Social and Governance measures	Qualitative and quantitative assessment[2]		Assessment against these outcome measures rated overall as Achieved Target
Best at mortgages and savings			
Mortgage balance growth	Par share (1.6% / £0.8bn) +/- 0.25%	3.0% / £1.5bn	Exceeded Target
Net Promoter Score[3]	+73 - +77	+79	Exceeded Target
Savings Rate Premium	0.6% - 0.70%	0.88%	Exceeded Target
Key capability delivery			
Programme initiatives and key capability delivery[4]	Qualitative and quantitative assessment		Assessment against these outcome measures rated overall as Exceeded Target
Risk maturity and resilience			
Financial plan delivery			
Cost / Income ratio[5]	48% - 54%	50%	Achieved Target
Profit before tax £m[5]	£275m - £325m	£349m	Exceeded Target
% Mortgage balances >2.5% in arrears[6]	0.20% - 0.25%	0.25%	Achieved Target
Individual objectives:			
3 Main Individual Objectives	Chair of Board/Chief Executive assessment		

1. The 2024 engagement survey was provided by Great Place to Work (GPTW) and measures the Trust index. The GPTW employee engagement score reflects the assessment as a large sized company.
2. More detail can be found in the sustainability section within the Strategic Report.
3. Net Promoter Score (NPS) is a measure of customer advocacy that ranges between -100 and +100, which represents how likely a customer is to recommend our products and services.
4. Programme initiatives and key capability delivery are assessed against delivery and financial measures by the Board Technology Oversight Committee.
5. Calculated excluding acquisition and integration related costs.
6. Percentage of mortgage balances where arrears are more than 2.5% of the balance.

Directors' Remuneration Report continued

Annual Remuneration Report continued

Variable pay 2024 continued

Stephen Hughes individual goals

Delivery of Board agreed critical strategic initiatives.	Delivery of The Co-operative Bank acquisition with extensive regulatory engagement. Focus on customers, colleagues and wider stakeholder communication.	Exceeded target performance
Strong business plan delivery, aligned to strategic scorecard.	Leadership has enabled a cohesive and high performing executive team delivery across all areas.	
Capability evolved for Board agreed priorities, including risk, technology risk and digital.	Strong change delivery, including app launch. Technology risk within appetite, continued investment in Risk and Data teams and infrastructure.	

Lee Raybould individual goals

Lead the evaluation of merger & acquisition opportunities, enabling strong Board and stakeholder engagement.	The Co-operative Bank transaction successfully completed. Led the negotiation and engagement with regulators and credit rating agencies.	Exceeded target performance
Progress the transformation of Finance to time, scope and cost. Realise the savings commitments and building diversity and capability in the function.	Ongoing optimisation of Workday. Strong culture of continuous improvement. Progress in gender and ethnic diversity	
Execute against and evolve the data strategy, lowering risk and driving commercial benefits.	Data strategy approved. Good progress on data governance supporting model risk and regulatory reporting.	

Given the performance outlined above, the Committee considered the vesting outcomes reflected in the underlying business performance and risk appetite of the Society with an appropriate level of variable awards and determined:

- An annual Success Share bonus for all eligible employees, including executive directors, equivalent to 16% of base salary from a potential maximum of 20%.
- An ExVPP award to executive directors of 51.6% of base salary from a potential maximum of 60%. Awards made reflect individual performance, which was assessed as "exceeded target".

Long-term incentive plan (LTIP)

LTIP awards in respect of the 2024 pre-grant performance period will be granted in April 2025. This ensures that the granting of LTIP awards is sustainable based on the Society's performance and justified on the basis of individual performance, conduct and behaviours.

The LTIP awards will be subject to performance against a LTIP scorecard with a balance of financial and non-financial measures linked to the Society's long-term goals. Details of the measures will be disclosed in the 2025 Remuneration Report.

Taking account of individual conduct and performance and Society performance during 2024, the first LTIP awards - equivalent to 100% of base salary - will be granted to the executive directors in April 2025. These will vest on the third anniversary of their grant, subject to meeting performance conditions measured over three years to 31 December 2027.

The impact of deferral

Variable remuneration is subject to regulatory deferral. All executive directors are deemed to be Higher Paid Material Risk Takers under the CRD V regulations; as a result, 60% of their total variable pay in respect of any year is deferred and paid in instalments over an 'extended deferral period' of between three and seven years. For regulatory purposes, variable pay in respect of 2024 includes the annual Success Share bonus and ExVPP and the first LTIP award to be granted in 2025. The percentage which is paid in each year is set out in the following table, which shows he percentage of variable remuneration that will be paid each year. For each annual payment, half is made in cash with the other half retained in an equivalent share-like instrument for a further 12 months. All payments are subject to malus and clawback reductions.

Directors' Remuneration Report continued

Annual Remuneration Report continued

Variable pay 2024 continued

The impact of deferral continued

Variable Pay Scheme		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
2024 Success Share	Cash	Performance Period	50%								
	Share-like instrument			50%							
2024 ExVPP	Cash	Performance Period	50%								
	Share-like instrument			50%							
2025 LTIP	Cash	1 Year Performance Look Back Period	Performance Period			10%	10%	10%	10%	10%	
	Share-like instrument						10%	10%	10%	10%	10%

Payments to former Directors

The Committee may determine that retirees or redundancies should be treated as good leavers and any in-flight deferred variable pay will be released at the normal time in line with the Remuneration Policy. The following payments relating to deferred variable pay were made to former directors in 2024: £108,000 to M Parsons, former Chief Executive, £56,000 to M Faull, former Chief Financial Officer, and £72,000 to P Frost, former Chief Customer Officer. All of these payments were subject to performance and risk review by the Committee in line with the Remuneration Policy.

Remuneration Policy implementation in 2025

Base salary 2025

As discussed in the Committee Chair's letter, the Committee considered the base salary increases for the executive directors for 2025 in the context of:

- the anticipated acquisition of The Co-operative Bank, and the increased size and scope of executive roles; and
- ensuring base salaries and total remuneration are appropriately positioned to recruit, motivate and retain executives of the calibre required to manage the enlarged and more complex combined Group.

Consequently, the Committee agreed base salaries effective from 1 January 2025 of:

Executive director	Effective 1January 2025 £	Effective 1 April 2024 £	% increase
Stephen Hughes	800,000	700,000	14.3%
Lee Raybould	575,000	475,000	21.1%

Benefits including pension 2025

No changes to the Society's approach to benefits are anticipated.

Variable pay 2025

As outlined on p96, executive directors will participate in the following variable pay plans for 2025:

- Annual Incentive Plan (AIP) – up to 100% of salary
- Long-Term Incentive Plan (LTIP) – up to 100% of salary
- Integration and Retention Award – up to 100% of salary.

Details of the performance metrics for all variable pay plans will be provided in the 2025 Directors' Remuneration Report.

Relative importance of spend on pay

The following table sets out the changes in profit after tax in 2024 and 2023, and compares these with the overall spend on remuneration over the two years. As a mutual organisation, the Society only seeks to retain sufficient profit to maintain capital ratios and allow for investment in the business, returning any surplus above this to members through superior pricing. A better measure of the Society's activity is the level of growth in mortgage and savings balances and so the percentage change in total assets has been included to give an appropriate indication of this.

	2024 £m	2023 £m	Change %
Total assets	**64,031.3**	62,462.7	2.5
Total employee remuneration costs paid	**169.1**	157.0	7.7
Profit after tax	**246.7**	351.1	(29.7)

The higher employee remuneration costs reflects the increase in salaries following the annual salary and variable pay reviews and an increase to additional full time equivalent headcount to support the growth of the business, and investment in our technology, infrastructure and resilience.

The Chief Financial Officer's review on page 25 provides a financial review of the year.

Directors' Remuneration Report continued

Annual Remuneration Report continued

Change in remuneration of Chief Executive

The historical levels of the Chief Executive's variable pay awards as a percentage of the maximum payable are shown below:

	2024 %	2023 %	2022 %	2021 %	2020 %	2019 %	2018 %	2017 %	2016 %	2015 %
Annual Success Share bonus as a percentage of maximum	**80**	95	90	75	40	50	55	60	70	60
LTIP as a percentage of maximum	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	63	63	–
ExVPP as a percentage of maximum	**86**	96.5	85.5	75	40	45	50	60	65	n/a

CEO pay ratio

The Companies (Miscellaneous Reporting) Regulations 2018 require UK quoted companies with more than 250 UK employees to publish their CEO pay ratio figures and supporting information in their annual reports. The regulations require that the pay ratio figures are calculated using the single total figure of remuneration methodology used above, which includes total salary, variable pay, pension benefits and taxable benefits.

The Society has elected to publish its CEO pay ratios using the Government's preferred methodology (Option A) which is based on actual full time equivalent pay and benefit values for all employees for the financial year. It is calculated by identifying the median total remuneration as well as the total remuneration at the 25th percentile and 75th percentile points. For 31 December 2024, these were as set out in the table below. In calculating these figures, leavers were excluded but all other employees who started partway through the year or who were on extended leave for some or all of the year have been included on the basis of a full year's salary.

Remuneration element

	25th percentile £	Median £	75th percentile £
Total pay and benefits	32,326	43,389	64,120
Salary	26,931	34,859	52,581

On the basis of these numbers the ratio of CEO pay to employee pay at the median and 25th and 75th percentiles is as follows:

Year	Method	25th percentile £	Median £	75th percentile £
2024	Option A	38:1	28:1	19:1
2023	Option A	35:1	26:1	17:1
2022	Option A	32:1	25:1	16:1
2021	Option A	32:1	24:1	16:1

The median pay ratio increased over the last year due to the Society's strong and disciplined scorecard performance and the CEO's base salary increase as detailed earlier in the report. The Society believes it is consistent with the principles of its Remuneration Policy.

This concludes the Committee's annual Remuneration Report, which members will be asked to approve through an advisory vote at the 2025 AGM.

Directors' Remuneration Report continued

Society's Remuneration Policy

This section of the report explains the new forward-looking directors' Remuneration Policy and how the Society intends to implement the Policy during 2025.

In the introduction to the Remuneration Report, Jo Kenrick as Chair of the Committee during 2024, outlined that the decision had been taken to review the Remuneration Policy out of our three-yearly cycle. This review has sought to reflect the material growth and transformation in the Society as well as the employment market within which we operate. The changes proposed support the ambition of the Society to continue to attract and retain the best talent to lead the Society for the long-term benefit of current and future members and customers.

The Society’s Remuneration Policy is determined by the Remuneration Committee and confirms the principles that underpin its approach to remuneration across the Society. The full policy can be found at www.coventrybuildingsociety.co.uk and applies to all employees.

The Society's Remuneration Policy is designed to reward all employees for their skills, knowledge, responsibilities and performance. When making any decisions about pay and benefits, the Society must strike a balance between the needs of employees, the needs of members to ensure cost efficiency and the requirements of its regulators. The Society’s ultimate objective is to offer a remuneration package (pay, benefits and non-financial rewards) that is competitive when compared with similar financial services organisations and that is also fair and appropriate for the size and type of organisation we are. The principles of the Society's Remuneration Policy apply to all employees, including executives, across the whole Society. All fixed and variable remuneration (with the exception of benefits in kind such as cars, where applicable) are paid through the payroll.

In determining the remuneration approach, the Society works with its colleague forum, My Society, and the trade union, UNITE, to ensure that colleagues views are understood and represented.

The Society's Remuneration Policy is consistent with the Society’s risk appetite and is designed to support the overall financial stability of the Society and its strategic priorities, by promoting sound and effective risk management and not encouraging excessive risk taking.

2025 Policy Changes

The current Remuneration Policy for directors who sit on the Board was approved by our members at the 2023 Annual General Meeting. As discussed in the Remuneration Committee Chair's letter, in anticipation of the acquisition of The Co-operative Bank and the increased size and scope of executive roles, the Committee undertook a detailed review of the Remuneration Policy. The approach to this review reflected the following principles:

- The anticipated acquisition of The Co-operative Bank (the Bank) and the increased size and scope of executive roles.
- The need to ensure our remuneration arrangements support the Society's strategic priorities and are appropriately positioned to recruit, motivate and retain executives of the calibre required to maintain the enlarged and more complex group.
- A core principle that our approach to pay is aligned with the Society's purpose, values and our members' interests, enhancing a focus on long-term performance.
- Maintaining a consistency of approach between colleagues and executive directors in setting salaries, relative to the market, and in provision of benefits.
- Retaining elements of the policy that work well.

Under the new Policy the maximum variable pay that may be awarded for executive directors increases from 80% to 200%. As part of this, executive directors will no longer be eligible for the Success Share bonus and Executive Variable Pay Plan (ExVPP) which will be replaced by an Annual Incentive Plan (AIP) and Long-Term Incentive Plan (LTIP).

The increased opportunity takes account of the competitive talent market and that our executive directors’ total remuneration, sits substantially below our peer group. This change will go some way to addressing this competitive gap to market. This will also enhance the alignment of reward with the Society’s long-term performance goals.

In addition, for 2025 only, an Integration and Retention Award has been introduced to retain and reward critical roles during a period of substantial change and in anticipation of the acquisition of The Co-operative Bank and in delivering the Society’s strategy.

In line with regulatory requirements, the payment, deferral and retention of all variable pay awards are determined at the time of award. For executive directors this currently requires that at least 60% of total variable remuneration in respect of any year is deferred and paid in instalments over a period of between three and seven years. A further 12 month retention period also currently applies to each payment, with 50% of variable pay to be paid in shares or, in the case of a non-listed business like the Society, an equivalent share-like instrument.

The Committee asked its advisors, Deloitte LLP, to contribute to the review to ensure that the Society aligns with current best practice and regulatory requirements and anticipated future regulatory changes.

We are asking our members to approve the new policy through an advisory vote at the 2025 Annual General Meeting. The Committee believes that the Policy as set out aligns with members interests in seeking to ensure that the approach to remuneration, which has resulted in the success of the Society to date, is sustained into the future. The Policy will apply until the next planned review of the Remuneration Policy at the 2028 Annual General Meeting, in line with the normal three year cycle.

Directors' Remuneration Report continued

Society's Remuneration Policy continued

New Remuneration Policy for executive directors

The main elements of remuneration in place for the executive directors who sit on the Board of the Society are set out below with an explanation of how each element links to our overall business strategy. All elements of remuneration structures remain unchanged other than variable pay (Annual Incentive Plan and Long Term Incentive Plan) and the exceptional provision of a one-off Integration and Retention Award for 2025 only.

Base salary	
Purpose and link to strategy	Salaries are set with reference to market rates of pay to enable the Society to recruit, retain and motivate high calibre leaders.
Operation	Executive director salaries are normally reviewed annually, with any increases usually taking effect from 1 April, taking into account a number of factors, including but not limited to: • The scope and size of role. • The skills, experience and responsibility of the role holder. • The position of the role holder's salary against wider market rates of pay and their individual performance. • Equal pay principles, the Society's financial performance and the economic environment. • Increases awarded to the Society's employees. Where an executive director is to be promoted or where their role is to be expanded, the Society will review the salary and decide whether an adjustment is appropriate.
Risk mitigation	Executive director salaries are benchmarked against comparable financial services organisations to ensure they are not excessive. No executive director is involved in setting their own remuneration or exercising discretion over judgements that could influence their own remuneration.
Maximum potential	Any increases will generally be no higher than the average increases applied to the Society's employees (in percentage terms). Increases may be made either above or below that level in exceptional circumstances, taking into account the factors outlined above.
Performance metrics	Individual performance is considered when setting salaries.
Consistency with other employees	The Society uses the same approach when setting salaries for all its employees and executive directors.

Benefits (excluding pension)	
Purpose and link to strategy	The Society provides a competitive benefits package to all its employees to support their physical, mental and financial wellbeing.
Operation	Each executive director receives benefits that are in line with the external market. These may include a company car or cash alternative, private medical insurance, health screening, permanent health insurance and life insurance.
Risk mitigation	Not applicable.
Maximum potential	Not applicable.
Performance metrics	Not applicable.
Consistency with other employees	All employees receive permanent health insurance and life insurance, and many also receive private medical insurance. Executive directors do not receive any benefits that are unavailable to other employees within the Society.

Pension	
Purpose and link to strategy	The Society provides post-retirement financial security for all its employees at a cost that is sustainable for the Society over the long term and in line with market practice.
Operation	Executive directors are eligible to participate in the defined contribution pension plan. If their contributions exceed the annual or lifetime allowance, they may be permitted to take a cash alternative in place of contributions.
Risk mitigation	No executive director is involved in exercising discretion over judgements that could influence their level of pension contribution.
Maximum potential	Executive directors receive a pension contribution or cash alternative. This is 10% of base salary in line with the maximum potential for all employees.
Performance metrics	Not applicable.
Consistency with other employees	All employees are eligible to join the Society's defined contribution pension scheme, receiving contributions of up to 10%.

Directors' Remuneration Report continued

Society's Remuneration Policy continued

New Remuneration Policy for executive directors continued

Annual Incentive Plan (AIP)	
Purpose and link to strategy	The AIP will replace the annual Success Share bonus for executives from 2025 onwards. The AIP is a discretionary variable pay scheme that enables executive directors to share in the Society's success in delivering against its strategy. It helps the Society to be competitive in attracting and retaining high calibre executives and ensures their alignment with strategic priorities.
Operation	Awards are determined by the Committee following the end of a one year performance period. Awards to executive directors are made in cash (as opposed to shares) and are subject to deferral and retention in line with regulatory requirements. Alongside awards made under the LTIP (and for 2025 the Integration and Retention Award), the payment, deferral and retention of all variable pay awards are determined at the time of award in compliance with regulatory requirements. To the extent that the minimum level of deferral is not met via the LTIP award, a proportion of the AIP may be deferred in line with regulatory requirements. Any non-deferred portion is normally paid upfront following the end of the performance year. The Remuneration Code currently requires that 50% of variable pay is made in shares or, in the case of a non-listed business like the Society, an equivalent share-like instrument, subject to a 12 month retention period. The Society's share-like instrument is currently based on leverage ratio and provides for both uplift and reduction of awards. The AIP is reviewed each year to ensure alignment to the strategic priorities and changes in regulation.
Risk mitigation	The Committee has absolute discretion to reduce any variable pay award if it decides that acceptable standards or performance levels have not been met. The Committee can also adjust, withhold or recover any vested awards using 'malus' and 'clawback' arrangements for executive directors. In addition, the AIP ensures that executive director remuneration packages are strongly linked to the delivery of the Society's strategy and members' interests.
Maximum potential	If the Society performs in line with its plans, the AIP scheme provides for an award of up to 50% of salary for executive directors. The maximum award of up to 100% of base salary at the date of grant can only be achieved by exceeding stretching upper targets for all measures.
Performance metrics	The Society measures annual performance of the AIP against a mix of collective performance targets in the balanced scorecard that normally account for 70% of the total award, and up to three individual objectives that account for 30% of the total award. These goals are agreed with the Committee at the outset of the scheme year.
Consistency with other employees	The plan is only available to executive directors and executive managers. To ensure alignment across the Society, the balanced scorecard behind the all-employee Success Share bonus will continue to determine the performance of the AIP.

Directors' Remuneration Report continued

Society's Remuneration Policy continued

New Remuneration Policy for executive directors continued

Long Term Incentive Plan (LTIP)	
Purpose and link to strategy	The LTIP helps to recruit and retain high calibre executives. Its design brings a long-term focus to reward sustained performance in delivering the Society's strategy. Awards are made annually and only pay-out where appropriately stretching performance measures are met, normally measured over a three year period.
Operation	LTIP awards are normally granted subject to the achievement of satisfactory performance over the year prior to grant and are then normally subject to a forward-looking three year performance period from the start of the financial year in which the grant is made. For each forward-looking performance measure, the Committee determines targets by reference to the Society's long-term goals and sets a 'threshold', 'target' and 'maximum' level of award. Subject to the satisfaction of the performance conditions, payment of LTIP awards will not start until the end of the three year performance period. LTIP awards to executive directors are made in cash (as opposed to shares) and are subject to deferral and retention in line with regulatory requirements. The Remuneration Code currently requires that 50% of variable pay is made in shares or, in the case of a non-listed business like the Society, an equivalent share-like instrument, subject to a 12 month retention period. The Society's share-like instrument is currently based on leverage ratio and provides for both uplift and reduction of awards. The plan is reviewed each year to ensure alignment to the strategic priorities and changes in regulation.
Risk mitigation	The Committee has absolute discretion to reduce any variable pay award if it decides that acceptable standards or performance levels have not been met. The Committee can also adjust, withhold or recover any vested awards using 'malus' and 'clawback' arrangements for executive directors. In addition, the LTIP ensures that executive director remuneration packages are strongly linked to the Society's long-term performance and members' interests.
Maximum potential	The LTIP scheme provides for an award of up to 50% of salary for executive directors for target performance and 25% at the threshold level of performance. The maximum award (up to 100% of base salary at the date of grant for executive directors) can only be achieved by exceeding stretching upper targets for all measures.
Performance metrics	The LTIP incentivises sustainable long-term performance and alignment with member interests. The Committee will usually consider both Society and individual performance over the pre-grant performance period when determining the level of LTIP awards that may be granted. This ensures that the granting of awards is sustainable based on the Society's performance and justified on the basis of individual performance, conduct and behaviours. Forward-looking performance will be measured normally over a three year period against a long-term scorecard set to align with the long-term objectives of the Society. The performance metrics will normally reflect a balance of financial and non-financial measures linked to the Society's long-term goals and be subject to the satisfaction of risk and individual performance and regulatory obligations. The measures are agreed with the Committee at the outset of the scheme year and will be disclosed in the Remuneration Report for the relevant year.
Consistency with other employees	The LTIP is only available to executive directors and executive managers.

Directors' Remuneration Report continued

Society's Remuneration Policy continued

New Remuneration Policy for executive directors continued

Integration and Retention Award - 2025 only	
Purpose and link to strategy	The Integration and Retention Award helps to retain high calibre executives during a period of substantial change in anticipation of the acquisition of The Co-operative Bank and in delivering the Society's strategy.
Operation	Awards are determined by the Committee based on performance to 31 December 2025. Awards are made in cash (as opposed to shares) and are subject to deferral and retention in line with regulatory requirements. Alongside awards made under the AIP and LTIP the payment, deferral and retention of all variable pay awards are determined at the time of award in compliance with regulatory requirements. To the extent that the minimum level of deferral is not met via the LTIP award, a proportion of the Integration and Retention Award may be deferred in line with regulatory requirements. Any non-deferred portion is normally paid upfront following the end of the performance year. The Remuneration Code currently requires that 50% of variable pay is made in shares or, in the case of a non-listed business like the Society, an equivalent share-like instrument, subject to a 12 month retention period. The Society's share-like instrument is currently based on leverage ratio and provides for both uplift and reduction of awards.
Risk mitigation	The Committee has absolute discretion to reduce any variable pay award if it decides that acceptable standards or performance levels have not been met. The Committee can also adjust, withhold or recover any vested awards using 'malus' and 'clawback' arrangements for executive directors. In addition, the plan ensures that executive director remuneration packages are strongly linked to the delivery of integration targets and the Society's strategy and members' interests.
Maximum potential	If the Society performs in line with its integration plans, the Integration and Retention Award provides for an award of up to 100% of salary for participants.
Performance metrics	The Society will measure the performance of the Integration and Retention Award against the delivery of financial and non-financial integration targets for each participant during 2025. No further grants of this award will be made.
Consistency with other employees	The plan is only available to executives.

Performance measures for variable pay

Performance metrics for all variable pay awards are set by the Committee and reflect the Society's strategic priorities, providing a clear link with members' interests and our short and long-term goals, as well as our regulatory obligations.

Appropriately stretching performance targets are set each year taking into account a number of different reference points which may include the Society's business plans and strategy, and the market environment.

The Committee retains the discretion to adjust or set different performance measures or targets if the measures are no longer appropriate, such as in the case of a significant change in prevailing market conditions, and amendment is required so that the measures achieve their original purpose. The Committee does not expect to make such changes during a performance period.

Differences between the executive directors' and wider employees' remuneration policies

The remuneration for our executive directors is designed to align with the remuneration philosophy and principles that underpin remuneration for the wider Society. Performance related variable pay makes up a higher proportion of remuneration for the executive directors than for employees generally, reflecting the role of these individuals in leading the business to achieve the Society's strategic objectives.

Executive directors participate in the AIP and LTIP, which provides a clear link between remuneration outcomes and the long-term performance of our most senior population in the stewardship of the Society and delivering the Society's strategy. All other employees participate in all-employee Success Share bonus. A consistent scorecard for the AIP and all-employee Success Share bonus ensures alignment across the Society.

Malus and clawback

Malus, clawback, deferral and retention arrangements are in place. The Committee ensures that an objective assessment of business risk, long-term sustainability and individual performance, conduct and behaviours is included with any assessment of variable pay awards and it may decide to exercise its discretion and adjust payments made under any or our variable pay plans. Further details about malus and clawback arrangements are set out as follows:

Directors' Remuneration Report continued

Society's Remuneration Policy continued

New Remuneration Policy for executive directors continued

Malus and clawback continued

	Malus	Clawback
What is it?	The Committee can decide to reduce or cancel any variable pay award, before the payment has been made.	The Committee may decide that an individual must repay part or all of a variable pay award after the payment has been made.
Which awards does it apply to?	Malus applies to any payments under all our variable pay plans.	Clawback applies to payments under all our variable pay plans, for up to seven years even if an individual leaves the Society's employment.
When would this be used?	Can be applied in circumstances including, but not limited to: • Reasonable evidence of misbehaviour or material error. • The Society suffering a material downturn in its financial performance. • The Society suffering a material failure of risk management.	Can be applied in circumstances including, but not limited to: • Reasonable evidence of misbehaviour or material error. • The Society or function suffering a material failure of risk management. • A material misstatement of the Society's financial results, such that the payment made under the variable pay arrangement was greater than it would have been.

Approach to recruitment remuneration

Ongoing remuneration

When agreeing the remuneration package for a new executive director, the Committee considers:

- Whether the overall package is sufficient to recruit a high calibre executive with the right level of experience, capability and potential required for the role, noting external benchmarks.
- The remuneration packages of other executive directors in the Society and maximum variable pay limits.

The Committee retains discretion to include other elements of remuneration which are not included in the provisions of the Remuneration Policy set out above should business needs require. However, this discretion is subject to the following principles and limitations.

The maximum level of variable remuneration which may be granted to a new executive director on appointment (excluding any award to take account of remuneration relinquished when leaving the former employer) will be 200% of salary in line with the Policy tables set out previously.

Other elements may be included in the following circumstances:

- An interim appointment being made to fill an executive director role on a short-term basis.
- If exceptional circumstances require that the Chair of the Board or a non-executive director takes an executive function on a short-term basis.

Buy-out awards

When hiring an external candidate, the Committee may decide to compensate them for any remuneration arrangements from their previous employer or engagement that they will forfeit as a result of joining the Society, known as 'buy-out'. In determining any buy-out, the Committee will conduct rigorous due diligence and consider all relevant factors, including the likelihood of the awards vesting, the form in which they were awarded and the time over which they would have vested. If they would not have vested then no awards will be made. Any buy-out will be made in line with the Remuneration Policy wherever possible. The Society will always comply with the regulatory requirements in effect at the time of making any awards of this nature.

Internal appointments

For an internal executive director appointment, any variable pay element awarded in respect of the prior role will be paid according to its terms.

Approach to payment for loss of office

If an individual ceases to be an executive director, the Society may take a different approach to paying them for the loss of office, depending on the circumstance of their leaving.

In all circumstances, termination payments will include any base salary or other contractual benefits due for the notice period, although these may be reduced if the executive director finds alternative employment during the notice period.

If an individual ceases to be an executive director due to: retirement, redundancy, death, ill-health, injury/disability or certain reasons as determined by the Committee, they are considered to be a 'good leaver'.

Directors' Remuneration Report continued

Society's Remuneration Policy continued

New Remuneration Policy for executive directors continued

Approach to payment for loss of office continued

Under good leaver circumstances, variable pay awards will normally be paid on a pro rata basis, depending on the time served during the performance period. Any deferred and retained awards will be subject to any necessary performance or malus adjustments and paid at the same time as awards for executive directors remaining in employment. Clawback rules will continue to apply.

If an individual ceases to be an executive director under any circumstance not covered by the good leaver provisions, no payments will be made under the variable pay awards and any unvested awards will be forfeited.

The Committee reserves the right to make any other payments in connection with an executive director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the director's legal and/or professional advice fees in connection with their cessation of office or employment.

Other considerations when setting executive director remuneration

When approving executive director pay, the Committee will take decisions aligned to the Society's Remuneration Policy and will consider wider market benchmarking across financial services and remuneration paid to other employees across the Society.

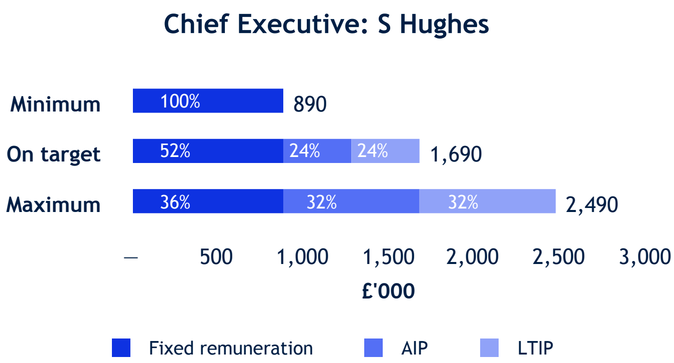
Application of the Remuneration Policy

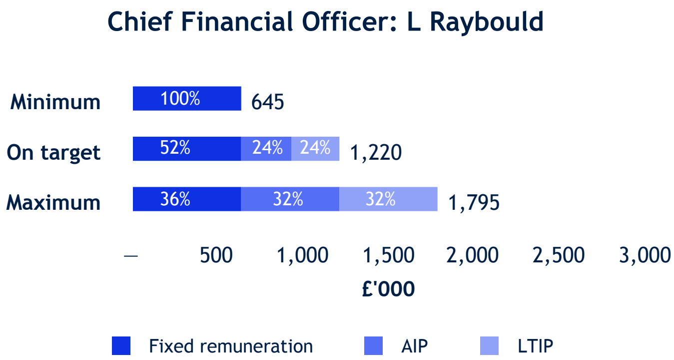
The following table shows the maximum variable pay for executive directors, as a percentage of base salary:

2025 performance scenarios	As a percentage of base salary		
	AIP %	LTIP %	Total variable pay %
Minimum	–	–	–
On target	50	50	100
Maximum	100	100	200

The following charts illustrate what executive directors could earn, based on the Remuneration Policy in three potential performance scenarios – minimum, on target and maximum variable payments. The Society has never paid at maximum.

In applying these performance scenarios, the following assumptions apply: fixed remuneration is the 2025 base salary with effect from 1 January 2025, pension and benefits. Benefits figures are the same as those disclosed in the Annual Remuneration Report on page 98.





Service contracts

Executive directors' terms and conditions of employment are detailed in their individual service contracts, which are available at the Principal Office. All of the Society's executive directors must voluntarily stand for re-election by its members each year. An executive director's contract can be terminated by the director or the Society giving six months' notice for the Chief Financial Officer and 12 months' notice for the Chief Executive. The dates that current executive directors were appointed are shown in the table below:

Executive director	Date of appointment
Chief Executive - Stephen Hughes	20.04.2020
Chief Financial Officer - Lee Raybould	06.04.2021

This concludes the new Remuneration Policy section of the Committee's annual report, which members will be asked to approve through an advisory vote at the 2025 AGM.

Directors' Remuneration Report continued

Non-executive directors

This section of the report provides more detail about the Non-Executive Directors' Remuneration Committee membership and governance alongside details of the non-executive directors' fees.

Details of the Non-Executive Directors' Remuneration (NEDR) Committee

The members of the NEDR Committee are:

Current membership	Member since
Stephen Hughes[1]	2020
Lee Raybould	2021
David Thorburn	2022

1. Chair of the Committee.

The NEDR Committee is responsible for reviewing and recommending the remuneration of the non-executive directors, other than for the Chair of the Board, for the Board's approval and they met three times during the year.

Non-executive directors' letters of appointment

Non-executive directors are appointed for an initial term of three years, which can be terminated by the director, or at the discretion of the Board with a notice period of three months. Non-executive directors must voluntarily stand for re-election each year.

Approach for non-executive directors' fees

The approach for non-executive directors is in line with the objectives of the Remuneration Policy for the whole Society, which is to offer fees that are competitive when compared with similar financial services firms of a similar size and complexity. The time commitment for the role at the Society is also taken into account.

The NEDR Committee recommends the remuneration of the non-executive directors, other than the Chair of the Board, to the Board for approval. Recommendations for the remuneration of the Chair of the Board are made by the Remuneration Committee and approved by the full Board without the participation of the Chair. No director takes part in the discussion of their own remuneration. Non-executive directors matters are dealt with separately from the wider employee base and further details are shown in the table below.

Fees for non-executive directors were reviewed and increased with effect from April 2024, as shown on page 111. Non-executive director fees are made up of a base fee, plus fees for additional roles or responsibilities or time commitments including chairing a Committee, Senior Independent Director, and Deputy Chair. The Chair of the Board does not receive additional fees for roles carried out other than that of Chair.

In determining the appropriate fees for our non-executive directors and Chair of Board, consideration was given to:

- competitive market data which shows that the fees for our non-executive directors and Chair of the Board are significantly lower than our peer group;
- given the size and scale of the Society and regulatory oversight, our non-executive directors and Chair of the Board are expected to commit more time to the role so that they can contribute to the success of the Society both at Board meetings and throughout the year;
- our ability to continue to attract and retain the right calibre of people.

Non-executive directors fees	
Purpose and link to strategy	Non-executive director fees are set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience.
Operation	Fees are usually reviewed annually and amended to reflect market positioning and any change in responsibilities, with any increases usually taking effect from 1 April. Non-executive director fees are made up of a base fee, plus an additional supplement paid for additional roles or responsibilities or time commitments including chairing a Committee, Senior Independent Director and Deputy Chair. The Chair of the Board does not receive additional fees for roles carried out other than that of Chair. Non-executive directors may be eligible to receive reimbursement of expenses for travel and accommodation costs and tax thereof.
Risk mitigation	Benchmarking non-executive director salaries against comparable financial services organisations ensures they are not excessive. Fees paid to non-executive directors are recommended by the NEDR Committee and approved by the Board as a whole. Non-executive directors do not participate in any variable pay.
Maximum potential	Fees are based on the level of fees paid to non-executive directors serving on boards of similar-sized UK companies and the time commitment and contribution expected for the role. Non-executive directors receive a basic fee and an additional fee for further duties (for example, Chair of a Committee or Senior Independent Director responsibilities).
Performance metrics	Not applicable.

Directors' Remuneration Report continued

Non-executive directors continued

The non-executive directors remuneration is detailed below.

Audited information	Base fees 2024 £000	Committee Chair and other fees 2024 £000	Expense payments 2024 £000	Total fees and expense payments 2024 £000	Base fees 2023 £000	Committee Chair and other fees 2023 £000	Expense payments 2023 £000	Total fees and expense payments 2023 £000
Non-executive directors:								
David Thorburn[1]	**242**	**–**	**16**	**258**	199	–	3	202
Iraj Amiri[2]	**66**	**19**	**5**	**90**	55	16	2	73
Catherine Doran[3]	**–**	**–**	**–**	**–**	18	–	1	19
Jo Kenrick[4]	**66**	**38**	**2**	**106**	55	27	1	83
Ewa Kerin[5]	**25**	**–**	**1**	**26**	–	–	–	–
Shamira Mohammed[6]	**66**	**–**	**1**	**67**	55	–	1	56
Vanessa Murden[7]	**9**	**2**	**–**	**11**	51	12	–	63
Brendan O'Connor[8]	**66**	**8**	**5**	**79**	55	–	2	57
Iain Plunkett[9]	**35**	**10**	**1**	**46**	–	–	–	–
Martin Stewart[10]	**66**	**19**	**6**	**91**	55	16	3	74
Total	**641**	**96**	**37**	**774**	543	71	13	627

1. Chair of the Board from 28.04.22.
2. Non-executive director from 28.06.18 and Chair of the Board Audit Committee from 18.09.18.
3. Non-executive director from 01.08.16 until 27.04.23.
4. Deputy Chair of the Board from 22.04.21, Senior Independent Director from 24.04.19 and Chair of the Remuneration Committee from 26.04.18 to 31.12.24.
5. Non-executive director from 01.07.24 to 14.11.24
6. Non-executive director from 01.05.19.
7. Non-executive director from 30.01.23 to 23.02.24. Chair of the Board Technology Oversight Committee from 30.01.23 to 23.02.24
8. Non-executive director from 18.01.21.Chair of the Board Technology Oversight Committee from 24.02.24 to 30.06.24
9. Non-executive director from 01.07.24. Chair of the Board Technology Oversight Committee from 01.07.24
10. Non-executive director from 01.09.18 and Chair of the Board Risk Committee from 25.09.18.

A further review of fee levels was undertaken during 2024 in anticipation of the acquisition of The Co-operative Bank and the increased size, scope and time requirements of non-executive roles. Consequently, it was acknowledged that the following fee increases would be required to maintain the strength of the Board and to ensure fees are appropriately positioned to reflect the enlarged and more complex Group.

Non-executive director fees	2025 £000	2024 £000
Chair of the Board	**420**	255
Base fee	**90**	70
Deputy Chair of the Board[1]	**21**	21
Senior Independent Director[1]	**21**	21
Chair of Remuneration Committee	**25**	21
Chair of Board Audit Committee	**25**	21
Chair of Board Risk Committee	**25**	21
Chair of Board Technology Oversight Committee	**25**	21

1. If both the Deputy Chair and Senior Independent Director roles are held by the same person, the fees are combined at £20,500.

Non-executive directors are reimbursed reasonable travel and accommodation expenses in relation to attending meetings but do not participate in any Society pension, benefits or bonus arrangements.

Other matters

Remuneration committee advisor

The Committee agreed to retain Deloitte LLP (Deloitte) to provide independent advice to the Committee as required during 2024, after an annual review of its fees and services. Deloitte voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice received is objective and independent. The Society also engages Deloitte to provide other assurance services, consultancy and specialist advice to other departments.

Consideration of members' views

The Society welcomes feedback on executive and non-executive directors' remuneration. Member approval of the Directors' Remuneration Report is voted on at each Annual General Meeting and, every three years, the Committee asks members for a non-binding vote on the Remuneration Policy.

Statement of member vote at Annual General Meeting

At the 2024 Annual General Meeting, an ordinary resolution (advisory vote) was proposed to members to approve the Annual Remuneration Report for the year ended 31 December 2023 for which the following votes were received:

	Number of votes	% votes cast
	Annual Remuneration Report	
Votes cast for	60,729	92.2
Votes cast against	5,131	7.8
Total votes cast	65,860	100.0

At the 2023 AGM, an ordinary resolution (advisory vote) was proposed to members to approve the current Remuneration Policy for which the following votes were received:

	Number of votes	% votes cast
	Remuneration Policy	
Votes cast for	74,672	92.3
Votes cast against	6,207	7.7
Total votes cast	80,879	100.0

Directors' Report

The directors have pleasure in presenting their Annual Report & Accounts for 2024.

Business objectives, future developments and key performance indicators

The Society's objectives and future plans are set out in the Strategic Report, together with the Society's key performance indicators. The Strategic Report is incorporated by reference within this Directors' Report.

Profit and capital

Profit before tax for the year ended 31 December 2024 was £323 million (2023: £474 million). The profit after tax transferred to the general reserve was £247 million (2023: £351 million).

Total Group reserves and equity at 31 December 2024 were £3,628 million (2023: £3,240 million). Further details on the movements on reserves and equity are given in the Group Statement of Changes in Members' Interests and Equity.

Gross capital at 31 December 2024 was £3,685 million (2023: £3,297 million), including £15 million (2023: £15 million) of subordinated debt, £42 million (2023: £42 million) of subscribed capital and £665 million (2023: £415 million) of Perpetual Capital Securities.

The ratio of gross capital as a percentage of savings and borrowings at 31 December 2024 was 6.16% (2023: 5.65%) and the free capital ratio was 5.99% (2023: 5.48%).

The Annual Business Statement gives an explanation of these ratios.

Mortgage arrears

At 31 December 2024, there were 284 mortgage accounts more than 12 months in arrears (including those in possession) (2023: 164). The balance on these accounts totalled £48.19 million (2023: £24.4 million) and the value of these arrears was £5 million (2023: £2.5 million) or 0.010% (2023: 0.005%) of total mortgage balances.

Mortgage arrears disclosures are based on the UK Finance definition, which calculates months in arrears by dividing the arrears balance outstanding by the latest contractual payment.

Charitable and political donations

The Society made donations of £3.5 million (2023: £2.4 million) to charitable organisations during the year.

No contributions were made for political purposes. However, employees are permitted time off to carry out civic duties and political activity, which can amount to an effective political donation. The Society supports a small number of employees in this way.

Employees are also supported in volunteering and fundraising in the local community. More information in relation to this is included in the Strategic Report.

Creditor payment policy

The Society's policy is to agree the terms of payment at the start of trading with suppliers and to pay in accordance with its contractual and other legal obligations. The Society's creditor days were 17 days as at 31 December 2024 (2023: 13 days).

Country-by-country reporting

The nature of the Society's activities is set out in the Strategic Report and for each of the Society's subsidiaries in note 16 to the accounts. All of the activities of the Society and its subsidiaries are conducted in the United Kingdom, and therefore 100% of the total income, profit before tax and tax shown in the Income Statement, as well as employee figures disclosed in note 10 to the accounts, are related to the United Kingdom. The Society and its subsidiaries have not received any public subsidies.

Risk management

As a result of its normal business activities, the Group is exposed to a variety of risks, including credit, market, liquidity and funding, conduct, operational, model and strategic risk. The Group seeks to manage all the risks that arise from its activities and has established a number of committees and policies to do so. Details of these are set out in the Strategic Report, Risk Management Report and the Directors' Report on Corporate Governance.

Colleagues

Information on colleague engagement, development, equality, diversity and inclusion is included the Strategic Report and is incorporated by reference into this Directors' Report.

The Society complies with the UK Equality Act 2010 and has processes in place to help train, develop and promote employees with disabilities. If someone has a disability, the Society makes appropriate adjustments during the recruitment process.

Similarly, if someone becomes disabled during their employment, the Society provides support relevant to individual's needs. This may include retraining and redeployment within the workforce. Partnerships are also in place with specialist organisations in order to make our workplace more accessible to people with a disability.

Board of directors

The names of the directors of the Society who served during the year and up to the date of signing the financial statements, are set out on pages 67 to 70. No director has any beneficial interest in equity shares, or debentures of, any connected undertaking of the Society as at 31 December 2024.

The Board has agreed that in accordance with the UK Corporate Governance Code, all the directors will stand for election or re-election on an annual basis.

Events after the balance sheet date

On 1 January 2025, subsequent to the reporting date, the Society completed its acquisition of The Co-operative Bank. Further details are outlined on page 12 and in note 36 to the accounts.

Directors' Report continued

Directors' responsibilities in respect of the preparation of the Annual Report & Accounts

The following statement, which should be read in conjunction with the Statement of the auditors' responsibilities on page 124, is made by the directors to explain their responsibilities in relation to the preparation of the Annual Accounts, the Directors' Remuneration Report, the Annual Business Statement and this Directors' Report.

The Building Societies Act 1986 (the Act) requires the directors to prepare Group and Society Annual Accounts for each financial year. Under that law, they are required to prepare the Group Annual Accounts in accordance with UK adopted International Accounting Standards and applicable law, and have elected to prepare the Society Accounts on the same basis.

The Group and Society Annual Accounts are required by law and by accounting standards to present fairly the financial position and the performance of the Group and the Society. The Act provides that references to Annual Accounts giving a true and fair view are references to their achieving a fair presentation. The Act also requires the Annual Accounts to provide details of directors' emoluments in accordance with Part VIII of the Act and regulations made thereunder.

In preparing each of the Group and Society Annual Accounts, the directors are required to:

- Select suitable accounting policies and apply them consistently.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- State whether applicable accounting standards have been followed.
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and Society will continue in business.

In addition to the Annual Accounts, the Act requires the directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Group.

Directors' responsibilities in respect of accounting records and internal control

The directors are responsible for ensuring that the Group:

- Keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Society.
- Establishes and maintains systems for control of its business, records, inspection and reports.

The directors have responsibility for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors who held office at the date of approval of this Directors' Report confirm that, so far as each of them is aware, there is no relevant audit information of which the Group's auditor is unaware, and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant information and to establish that the Group's auditor is aware of that information.

Directors' statement pursuant to the Disclosure and Transparency Rules

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the directors have included a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group. This information is contained principally in the Strategic Report and the Risk Management Report.

The directors confirm that to the best of each of their knowledge and belief:

- The financial statements, prepared in accordance with UK adopted International Accounting Standards, present fairly the assets, liabilities, financial position and profit of the Group and Society.
- The management report contained in the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Society, and the Risk Management Report includes a description of the principal risks and uncertainties that they face.

Directors' statement of compliance with the UK Corporate Governance Code

As required by the UK Corporate Governance Code, the directors confirm their opinion that the 2024 Annual Report & Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for members to assess the performance, strategy and business model of the Society.

Directors' responsibilities in respect of going concern and long-term viability

The UK Corporate Governance Code (the Code) requires that the directors state whether they consider it appropriate to adopt the going concern basis of accounting and identify any material uncertainties to the Society's ability to continue as a going concern for a period for at least 12 months from the reporting date.

In addition, the Code requires that the directors explain how the prospects of the Society have been assessed and whether there is a reasonable expectation that the Society will continue in operation and meet its liabilities as they fall due over the period of assessment. Details of this long-term viability assessment are set out below.

Directors' Report continued

Going concern

In preparing the financial statements, the directors are required to satisfy themselves that it is appropriate to adopt the going concern basis of accounting in accordance with guidance from the Financial Reporting Council and IAS 1 Presentation of Financial Statements.

The Society's business activities, together with the factors likely to affect its future development, performance, position, liquidity and capital structure, are set out in the Strategic Report. The Risk Management Report includes further information on the Society's objectives, policies and processes for managing its exposure to credit, market, liquidity and funding, conduct, operational, model and strategic risks, along with details of its financial instruments and hedging activities. In addition, top and emerging risks are disclosed in the Strategic Report.

The Group's forecasts and projections include the expected impact of these risks together with a new combined group view following the acquisition of The Co-operative Bank on 1 January 2025. Together with stress testing and scenario analysis, this shows that the Society will be able to operate at adequate levels of both liquidity and capital for at least the next 12 months while meeting all relevant regulatory requirements.

After making enquiries, the directors are therefore satisfied that the Society has adequate resources to continue in business for at least the next 12 months with no material uncertainties and, therefore, it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

Long-term viability

In accordance with the UK Corporate Governance Code, the directors are required to explain how, taking account of the Society's current position and principal risks, they have assessed the prospects of the Society and to confirm that they believe the Society will be able to continue in operation and meet its liabilities as they fall due over a specified period determined by the directors.

Assessment of long-term viability

The directors have assessed the viability of the Society over the three year period to December 2027. The directors consider a three year period appropriate as it is within the period covered by the Strategic Plan and the stress testing activities undertaken by the Society. In addition, using a period of three years eliminates the inherent uncertainties in the assumptions underpinning the outer years of the Society's Strategic Plan.

The directors considered the Society's strategy and the key threats to its delivery. The directors also considered broader risks to the prospects of the Society including the adequacy of risk management arrangements, performance of the Society against the Board's risk appetite and the risk outlook for the Society.

In making the assessment, the directors considered the financial projections of the Society, including profitability, capital and funding positions, and the wide range of stress testing of those projections to ensure the viability of the Society even in times of severe stress. The directors considered the impact of the macroeconomic environment, including the impact of inflationary pressures, the impact to the labour market, the credit environment, the interest rate outlook and the potential impact on wholesale funding markets.

The most significant stress scenario which was considered included an increase in unemployment to 8.5% during the first year of the stress and house price falls of 31% over the first half of the stress period.

The review considered emerging regulation where there is sufficient clarity over future standards to inform the analysis. This review includes assessments of the Society's capital position and reflects current understanding of capital buffer and leverage requirements likely to be imposed on the Society. The review also considered the longer-term impacts of climate change and new regulatory standards on climate risk, along with the proposed Society response to the climate risks identified on its loans and advances to customers and operations.

Impact of The Co-operative Bank acquisition on 1 January 2025

As part of The Co-operative Bank acquisition, the expected financial performance of the new combined group was considered based on the economic and market assumptions used in the Society's Financial Plan 2025 - 2029. A number of prudent sensitivities to this forecast were also considered, in addition to an assessment of the combined group performance in a low stress scenario. Management believe that the analysis performed represents an appropriately prudent assessment.

Conclusion on viability

Based upon the assessment set out above, the directors have a reasonable expectation that the Society will continue in operation and meet its liabilities as they fall due over the period to December 2027.

Directors

The directors who served during the year are set out in the Directors' Report on Corporate Governance.

The auditor

A resolution to reappoint PricewaterhouseCoopers LLP auditor of the Society will be proposed at the 2025 Annual General Meeting.

Approved by the Board of directors and signed on its behalf by

David Thorburn

Chair of the Board
6 March 2025

Financial Statements

In this section, you will find our primary statements and related notes.

Independent auditors' report to the members of Coventry Building Society

Report on the audit of the financial statements

Opinion

In our opinion, Coventry Building Society's Group financial statements and Society financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 December 2024 and of the Group's and the Society's income and expenditure and the Group's and the Society's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Society Balance Sheets as at 31 December 2024; the Group and Society Income Statements and Statements of Comprehensive Income, the Group and Society Statements of Cash Flows, and the Group and Society Statements of Changes in Members' Interest and Equity for the year then ended; and the Notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 9 to the financial statements, we have provided no non-audit services to the Group in the period from 1 January 2024 to 31 December 2024.

Our audit approach

Overview

Materiality	• Overall Group materiality: £16.2 million (2023: £23.8 million), based on 5% of Profit before tax from continuing operations. • Overall Society materiality: £9.3 million (2023: £20.0 million), based on 5% of Profit before tax from continuing operations. • Performance materiality: £12.1 million (2023: £17.8 million) (Group) and £7.0 million (2023: £15.0 million) (Society).
Scoping	• We performed audit procedures over all material account balances and financial information of the Society, Godiva Mortgages Limited and ITL Mortgages Limited due to their size and significance to the Group; • For three further reporting units, namely Coventry Building Society Covered Bonds LLP, Coventry Godiva Covered Bonds LLP and Economic Master Issuer plc, specific audit procedures were performed over selected balances; and • We performed audit procedures over the acquisition balance sheet of The Co-operative Bank Holdings plc. We performed audit procedures over the purchase price allocation performed by management as part of our audit of the IFRS 3 business combination disclosures.
Key audit matters	• The application of key judgements and estimates in relation to applying expected credit loss provisioning on loans and advances to customers (Group & Society); • The application of hedge accounting in accordance with accounting standards (Group & Society); and • Disclosure of the acquisition of The Co-operative Bank Holdings plc (Group).

Independent auditors' report to the members of Coventry Building Society continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's ('FCA') regulations, the Prudential Regulation Authority's ('PRA') regulations and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Building Societies Act 1986. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate manual journal entries that could be used to manipulate financial performance and the potential for management bias in accounting estimates. Audit procedures performed included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of internal audit and compliance monitoring findings throughout the year;
- Reading key correspondence with the Financial Conduct Authority and Prudential Regulation Authority;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted by senior management, posted to unusual account combinations based on our understanding of usual business operations, and material late adjustments.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

The disclosure of the acquisition of The Co-operative Bank Holdings plc (Group only) is a new key audit matter this year. The appropriateness of assumptions used to measure the defined benefit pension obligations (Group and Society), which was a key audit matter last year, is no longer included because the range of estimation uncertainty on the pension scheme obligation has reduced over time. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report to the members of Coventry Building Society continued

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">The application of key judgements and assumptions in relation to applying expected credit loss provisioning on loans and advances to customers (Group and Society)</td></tr>
<tr><td>
In accordance with IFRS 9, the Group held £24.3 million (2023: £42.5 million) of expected credit loss (‘ECL’) provisions against total loans and advances to customers (retail mortgages) of £51,825.6 million (2023: £50,318.6 million).
The determination of ECL provisions is inherently judgemental and involves setting assumptions using forward looking information reflecting the Group’s view of potential future economic events, which can give rise to increased estimation uncertainty. Economic uncertainties and the high interest rate environment continue to exert pressure on borrowers, but this has not translated into significant increases in secured arrears or losses during 2024.
The Group holds a post model adjustment (PMA) of £2.3 million (2023: £18.4 million) to capture the risk of increased defaults due to pressures on customer affordability associated with a rising cost of living. This post model adjustment was substantially reduced during the year because the Group has not experienced significant changes in observed indicators of borrower stress following the end of fixed mortgage terms written at previously lower rates.
We focused our work on the areas of the methodology that we identified as most judgemental and where the level of change in the Group's approach is greatest. These were:

The appropriateness of the assumptions used to identify customers for inclusion in the cost of living post model adjustment, particularly changes to methodology giving rise to a reduction in the post model adjustment recorded in the year, and whether there is any evidence of other latent or emerging risks that could require material increases to the recorded ECL; and
The appropriateness of the resultant stage allocation from the use of PMAs used by management to determine whether a significant increase in credit risk had arisen on customer loans, and hence whether a 12 month or lifetime loss provision is recorded.

The Group’s disclosures are given in Note 14. Management’s associated accounting policies are detailed in Note 1. Management’s judgements in the application of accounting policy and critical estimates are disclosed in Note 2. The Audit Committee's consideration of the matter is set out in the Board Audit Committee Report.
</td><td>
We understood and critically assessed the methodology applied in the impairment models, using modelling specialists in the more judgemental areas, including the results of empirical testing on key model components, primarily the probability of default and loss given default models, to confirm that the implemented methodology was compliant with accounting standards.
We tested management’s model monitoring controls and independently re-performed a number of the monitoring tests.
We considered the appropriateness of the release of the post model adjustment for cost of living pressures recorded by the Group in the year. We critically assessed changes to methodology using modelling specialists, and analysed the performance of a sample of customers previously included in the post model adjustment to understand whether there was any evidence of residual risk.
We challenged management on the complete capture of loans in the post model adjustment and the consistency of the adjustment with the disclosed stage allocation of the customer loans. We also re-calculated the post model adjustment in accordance with management's methodology.
We challenged management as to whether there is any evidence of emerging or other latent risks that may imply that post model adjustments could be materially understated. We examined credit risk management information throughout the year and the output of model monitoring and recalibration activity to consider whether modelled outputs are appropriately capturing risks, or whether there are other pockets of risk not being captured by PMAs.
We tested the disclosures in respect of ECL and confirmed that they were compliant with accounting standards.
</td></tr>
</table>

Independent auditors' report to the members of Coventry Building Society continued

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">The application of hedge accounting in accordance with accounting standards (Group and Society)</td></tr>
<tr><td>The Group has designated several hedge accounting relationships linked to the Group’s mitigation of interest rate and foreign exchange risks. The Group is exposed to interest rate risk as a result of the mismatch between fixed and floating rate cash flows. The Group is exposed to foreign exchange risks due to some of its debt securities being issued in a foreign currency.

The risk of future movements in market rates affecting profitability of the Group is mitigated through the use of derivative financial instruments in the form of interest rate and cross currency swap contracts. These are designated in hedge accounting relationships so that both the derivatives and the underlying hedged items are recorded at fair value, as long as the Group can demonstrate that the hedge accounting arrangements are effective in accordance with accounting standards.

At the balance sheet date the value of all fair value hedges was £379.9 million less than their carrying value (2023: £365.0 million less). The Group also recognises a cash flow hedge reserve of £209.5 million (2023: £250.1 million) as a component of equity. Management of interest rate risk and cross currency risk using derivatives in the year also gave rise to a £11.7 million charge (2023: £30.3 million gain) being recognised in the income statement.

We focused our work on the following types of micro hedges, which are subject to manual calculation which give rise to a heightened risk of material operational error:
• Hedges of the Group’s debt securities in issue (including other equity instruments) which are designated as cash flow hedges of interest rate risk and foreign currency risk for Euro denominated debt issuances;
• Hedges of mortgage and savings pipeline interest rate risk which are designated as cash flow hedges against Deposits from Banks, Debt securities in issue and Cash and balances with the Bank of England respectively; and
• Hedges of interest risk on fixed rate treasury and wholesale funding which are designated as fair value hedges.
The Group’s disclosures are given in Note 24. Management’s associated accounting policies are detailed in Note 1. The Audit Committee's consideration of the matter is set out in the Board Audit Committee Report.</td>
<td>We understood the nature of the hedge accounting relationships designated by management in the context of the risk management strategy.

We obtained and reviewed the relevant hedge accounting documentation to evaluate and assess whether each hedge was compliant with the requirements of accounting standards. This included testing a sample of newly designated hedges in the year.

We independently re-performed a sample of hedge effectiveness tests performed by management for each type of hedge relationship. We re-performed both a sample of prospective and retrospective effectiveness tests.

We also re-performed the valuation of a sample of derivatives and underlying hedged items, and tested a sample of manual calculations for mathematical accuracy and performed logic and calculation tests to ensure manual hedging calculations are valid.

We assessed the completeness and accuracy of the data flowing into the hedging models and performed tests to ensure that data was being interpreted and categorised appropriately.

We tested the completeness and accuracy of amounts recognised in the Income Statement, including hedge accounting ineffectiveness, amortisation of fair value hedges, de-designation of cash flow hedges and hedge tear-ups recorded by the Group during the year.

We re-performed a sample of manual calculations related to the effective and ineffective portion of the cash flow hedge reserve.

We tested the reconciliation of the hedging models and the amounts recorded in the general ledger to ensure that the balances recorded in the financial statements are accurate.

We tested the disclosures in respect of hedge accounting and confirmed that they were compliant with accounting standards.</td></tr>
</table>

Independent auditors' report to the members of Coventry Building Society continued

Key audit matter	How our audit addressed the key audit matter
Disclosure of the acquisition of The Co-operative Bank Holdings plc (Group)	
On 1 January 2025, the Group acquired the entire share capital of The Co-operative Bank Holdings plc, the ultimate holding company of The Co-operative Bank plc ("the Bank"). Cash purchase consideration of £745.5 million was paid for the acquisition in exchange for net assets with a fair value of £1,348.6 million, resulting in a gain on bargain purchase of £603.1 million, which will be recognised in the Group's Income Statement in 2025. Since the acquisition occurred after the end of the 2024 financial reporting period but before the authorisation and issue of the annual report and accounts ('ARA'), the impact of the acquisition is required to be disclosed in the notes to the financial statements. The acquisition was accounted for as a business combination using the acquisition method. The acquired assets and liabilities are recorded at their estimated fair value at the date of acquisition in accordance with IFRS 3 'Business Combinations'. This fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 3 also allows a period of not more than 12 months from the acquisition date in which an acquirer may adjust the provisional amounts recognised in a business combination. Purchase price allocation ('PPA') adjustments were recognised on a range of assets and liabilities including loans and advances to customers and the Bank's deposit book in the form of a Core Deposit Intangible (the intangible benefit arising in respect of the Bank having a stable source and lower cost of funding from depositors). Management engaged an external expert for determining the fair value of certain assets and liabilities on the acquisition date balance sheet. Deriving the Group's fair value estimates involved significant judgement and there is a high degree of estimation uncertainty in the fair value adjustment on the Bank's loans and advances to customers and the recognition of the Core Deposit Intangible. We focused on these as a Key Audit Matter. The transaction gave rise to a gain on bargain purchase. We focused on the completeness of the purchase price allocation accounting based on the activities of the Bank. The Group's detailed disclosures can be found in Note 36. Management's associated accounting policies are detailed in Note 1. The Audit Committee's consideration of the matter is set out in the Board Audit Committee Report.	We reviewed the Sale Purchase Agreement, regulatory approvals and other related documents to obtain an understanding of the structure and terms of the acquisition. We obtained an understanding of management's process related to acquisition accounting. We assessed whether the accounting treatment associated with the assets and liabilities acquired was in accordance with IFRS 3 'Business Combinations'. We validated the purchase price by reading legal documents associated with the acquisition. We assessed the competence and objectivity of management's expert and we engaged our own valuations expert to challenge management's process and significant assumptions. We challenged the completeness of management's identification of intangible assets and challenged the methodology and significant assumptions using our valuation experts. Our valuation experts also re-performed the valuation of the Core Deposit Intangible. We instructed the audit team of the Bank to audit the acquisition date balance sheet. We inspected their working papers, including the relevant significant risks areas, and conclusions reported to the Bank Audit Committee. We found that the assumptions which most materially impacted the fair value adjustment on the Bank's loans and advances to customers related to the cost of debt component of the discount rate and the assumed run off rate of the Bank's mortgage portfolio following the end of the fixed term. Using our experts we obtained evidence from management and the Bank relating to their experience in raising retail and wholesale funding, as well as using our industry knowledge of the rates and mix of funding of other market participants to challenge management's assumptions. Our experts re-performed calculations of fair value for a sample of loans. We found that the most significant assumption within the Core Deposit Intangible related to the alternative cost of funds for replacing the Bank's deposit book at prevailing market rates. Using our valuation experts we challenged management on the internal consistency of the valuation methodology applied and the consistency of the application of assumptions between the fair value of loans and advances to customers and the Core Deposit Intangible where appropriate. We tested the completeness and accuracy of data used in valuation models to the Bank's underlying records. We challenged management on the overall recognition of a gain on bargain purchase by considering the commercial rationale for the transaction, market precedent for banks to trade below their book value and the specific factors that led to this transaction. We tested the disclosures in respect of the acquisition and the requirements of IFRS 3 and confirmed that they were compliant with accounting standards.

Independent auditors' report to the members of Coventry Building Society continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the annual accounts as a whole, taking into account the structure of the Group and Society, the accounting processes and controls, and the industry in which they operate.

All of the Group’s activities are administered in the United Kingdom. The principal activity of the Group is the provision of savings products and mortgage finance to members. The Group’s mortgage book is predominantly secured on UK residential owner-occupied and buy to let lending. The Group is formed of the Society, subsidiaries (Godiva Mortgages Limited and ITL Mortgages Limited) and several structured entities which administer the Group’s funding programmes by virtue of the Group’s control over them.

Throughout our risk assessment, we tailored our determination as to which entities and balances we needed to perform testing over to support our Group and Society opinions, taking into account the group structure, accounting processes and controls. The risk of material misstatement can be reduced to an acceptable level by testing the most financially significant entities within the group and those that drive particular significant risks identified as part of our risk assessment, providing us with sufficient coverage for each financial statement line item ('FSLI'). The Society, Godiva Mortgages Limited and ITL Mortgages Limited were considered significant due to their size and risk in the context of Group's consolidated financial statements and hence were full scope audit components. Structured entities identified as being individually financially significant in respect of only one or more account balances (cash, debt securities in issue and associated interest incomes and expenses) were non-significant components and thus subject to specific audit procedures over those account balances.

On 1 January 2025, the Group acquired the entire issued share capital of The Co-operative Bank Holdings plc, which is after the balance sheet date but before these financial statements were authorised for issue. As such the results of the Bank and its financial position are not consolidated into the results of the Group for its year ended 31 December 2024. We instructed the auditors of The Co-operative Bank Holdings plc to perform work to support the detailed disclosures given in the notes to the financial statements related to the acquisition date balance sheet.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's and Society’s financial statements and support the disclosures made in relation to climate change in the Annual Report & Accounts.In addition to enquiries with management, we also:

- Read the materials considered by the Group’s Climate Risk Forum during the year to consider the impact on our audit risk assessment;
- Considered the exposure of the Group and Society’s mortgage portfolio to physical and transition risks by examining the output of assessments performed by management during the year; and
- Considered the consistency of the disclosures in relation to climate change within the Annual Report & Accounts with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2024.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the annual accounts as a whole.

Based on our professional judgement, we determined materiality for the annual accounts as a whole as follows:

	Group financial statements	Society financial statements
Overall materiality	£16.2 million (2023: £23.8 million).	£9.3 million (2023: £20.0 million).
How we determined it	5% of Profit before tax from continuing operations	
Rationale for benchmark applied	Profit before tax is one of the principal considerations when assessing the Group's and Society's performance and is a generally accepted auditing benchmark.	

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £6.9 million to £12.4 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

Independent auditors' report to the members of Coventry Building Society continued

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £12.1 million (2023: £17.8 million) for the Group financial statements and £7.0 million (2023: £15.0 million) for the Society financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.8 million (Group audit) (2023: £1.2 million) and £0.4 million (Society audit) (2023: £1.0 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Society's ability to continue to adopt the going concern basis of accounting included:

- A risk assessment to identify critical factors that could impact the going concern basis of preparation, including the current and forecast financial performance, regulatory metrics and the sector in which the Group operates. As part of our risk assessment, we reviewed and considered the Group's strategic plan, the latest ICAAP and ILAAP, regulatory correspondence and management reports provided to key governance forums;
- We reviewed the combined business plan and the combined pro-forma Group capital following the acquisition of The Co-operative Bank Holdings plc.
- Evaluation of the reasonableness of the strategic and capital plan of the Group and stand alone entities, including testing key assumptions and performance of sensitivity analysis using our understanding of the Group and its financial and operating performance obtained during the course of our audit under stress scenarios. We also considered management's ability to accurately forecast financial performance by comparing past business plans to actual results; and
- Testing the appropriateness of the disclosures made in the Annual Report and Accounts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Society's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and Society's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report to the members of Coventry Building Society continued

With respect to the Annual Business Statement and Directors' Report we also considered whether the disclosures required by the Building Societies Act 1986 have been included.

Based on our work undertaken in the course of the audit, the Building Societies Act 1986 requires us also to report certain opinions and matters as described below.

Annual Business Statement and Directors' Report

In our opinion, based on our work undertaken in the course of the audit:

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the Directors' Report for the year ended 31 December 2024 is consistent with the accounting records and the financial statements; and
- the information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In light of the knowledge and understanding of the Group and Society and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Society's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditor. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Society's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Society's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Society will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Society was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Society and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Society's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

Independent auditors' report to the members of Coventry Building Society continued

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Society's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities in respect of the preparation of the Annual Report & Accounts, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Society or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Society's members as a body in accordance with Section 78 of the Building Societies Act 1986 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Building Societies Act 1986 exception reporting

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 25 April 2024 to audit the financial statements for the year ended 31 December 2024 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2019 to 31 December 2024.

Independent auditors' report to the members of Coventry Building Society continued

Other matter

The Society is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Other voluntary reporting

Directors' remuneration

The Society voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the Society were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Chris Shepherd (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
6 March 2025

Income Statements

For the year ended 31 December 2024

	Notes	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Interest receivable and similar income (with EIR method)	3	**3,293.8**	2,992.5	**3,137.9**	2,860.8
Interest payable and similar charges	4	**(2,614.5)**	(2,225.3)	**(2,641.8)**	(2,228.4)
Net interest income		**679.3**	767.2	**496.1**	632.4
Fees and commissions receivable	5	**4.2**	3.8	**2.9**	2.6
Fees and commissions payable	6	**(10.4)**	(11.1)	**(8.6)**	(9.5)
Other operating income	7	**2.4**	2.1	**2.4**	2.1
Net (losses)/gains from derivative financial instruments	8	**(11.7)**	30.3	**(11.8)**	30.7
Total income		**663.8**	792.3	**481.0**	658.3
Administrative expenses	9	**(306.3)**	(285.8)	**(253.8)**	(230.7)
Acquisition & integration related costs	9	**(25.8)**	–	**(25.8)**	–
Amortisation of intangible assets	17	**(14.4)**	(12.9)	**(14.4)**	(12.9)
Depreciation of property, plant and equipment	18	**(12.0)**	(13.2)	**(12.0)**	(13.2)
Impairment release/(charge) on loans and advances to customers	14	**17.6**	(6.9)	**11.1**	(1.8)
Profit before tax		**322.9**	473.5	**186.1**	399.7
Taxation	15	**(76.2)**	(122.4)	**(43.0)**	(103.8)
Profit for the financial year		**246.7**	351.1	**143.1**	295.9

Profit for the financial year arises from continuing operations and is attributable to the members of the Society.

Statements of Comprehensive Income

For the year ended 31 December 2024

	Notes	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Profit for the financial year		**246.7**	351.1	**143.1**	295.9
Other comprehensive (expense)/ income					
Items that will not be transferred to the income statement:					
Remeasurement of defined benefit pension plan	20	**(8.9)**	–	**(8.9)**	–
Taxation	15	**2.4**	(0.1)	**2.4**	(0.1)
Items that may be transferred to the income statement					
Fair value through other comprehensive income investments:					
Fair value movements taken to reserves		**(5.5)**	15.2	**(5.5)**	15.2
Amount transferred to the income statement		**2.7**	(20.2)	**2.7**	(20.2)
Taxation	15	**0.8**	1.4	**0.8**	1.4
Cash flow hedges:					
Fair value movements taken to reserves		**(11.3)**	18.8	**27.6**	50.5
Amount transferred to the income statement		**(45.1)**	(54.6)	**(122.5)**	(100.2)
Taxation	15	**15.8**	8.8	**26.6**	12.7
Other comprehensive expense for the year, net of tax		**(49.1)**	(30.7)	**(76.8)**	(40.7)
Total comprehensive income for the year, net of tax		**197.6**	320.4	**66.3**	255.2

The notes on pages 130 to 181 form part of these accounts.

Balance Sheets

As at 31 December 2024

	Notes	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Assets					
Cash in hand and balances with the Bank of England		**9,893.4**	8,572.2	**9,817.8**	8,486.7
Loans and advances to credit institutions		**328.7**	787.9	**328.7**	787.9
Debt securities	12	**501.8**	1,564.2	**442.4**	1,515.3
Loans and advances to customers	13	**51,801.3**	50,276.1	**33,457.7**	32,002.6
Hedge accounting adjustment		**(447.7)**	(433.1)	**(447.7)**	(433.1)
Derivative financial instruments	24	**1,084.2**	1,513.5	**1,082.5**	1,508.2
Investment in equity shares		**8.8**	6.8	**8.8**	6.8
Current tax assets		**–**	41.3	**–**	42.2
Investment in Group undertakings	16	**–**	–	**17,591.0**	17,675.7
Intangible assets	17	**54.7**	49.6	**54.7**	49.6
Property, plant and equipment	18	**47.3**	51.0	**47.3**	51.0
Other assets	19	**725.2**	–	**725.2**	–
Prepayments and accrued income		**33.6**	29.5	**33.5**	29.3
Pension asset	20	**–**	3.7	**–**	3.7
Total assets		**64,031.3**	62,462.7	**63,141.9**	61,725.9
Liabilities					
Shares		**49,343.3**	47,582.3	**49,343.3**	47,582.3
Deposits from banks		**3,931.5**	5,230.7	**3,931.5**	5,230.7
Amounts owed to other customers		**81.9**	237.3	**234.2**	351.6
Debt securities in issue	23	**6,542.5**	5,377.5	**4,929.8**	4,096.4
Hedge accounting adjustment		**(67.8)**	(68.1)	**(67.8)**	(68.1)
Derivative financial instruments	24	**305.4**	594.2	**253.7**	574.5
Current tax liabilities		**28.8**	–	**27.8**	–
Deferred tax liabilities	21	**86.4**	133.1	**74.3**	130.7
Accruals and deferred income		**61.2**	49.5	**57.2**	45.4
Other liabilities	30	**27.9**	29.2	**1,573.6**	1,260.0
Provisions for liabilities and charges	25	**0.4**	0.4	**0.4**	0.4
Pension benefit obligation	20	**4.8**	–	**4.8**	–
Subordinated liabilities	26	**15.4**	15.4	**15.4**	15.4
Subscribed capital	27	**41.6**	41.6	**41.6**	41.6
Total liabilities		**60,403.3**	59,223.1	**60,419.8**	59,260.9
Members' interests and equity					
General reserve		**2,754.2**	2,573.2	**1,879.0**	1,801.6
Other Equity instruments	28	**665.0**	415.0	**665.0**	415.0
Fair value through other comprehensive income reserve		**(0.7)**	1.3	**(0.7)**	1.3
Cashflow hedge reserve		**209.5**	250.1	**178.8**	247.1
Total members' interests and equity		**3,628.0**	3,239.6	**2,722.1**	2,465.0
Total members' interests, liabilities and equity		**64,031.3**	62,462.7	**63,141.9**	61,725.9

The notes on pages 130 to 181 form part of these accounts.

Approved by the Board of directors on 6 March 2025 and signed on its behalf by

David Thorburn
Chair of the Board

Stephen Hughes
Chief Executive

Lee Raybould
Chief Financial Officer

Statements of Changes in Members' Interest and Equity

For the year ended 31 December 2024

Group	General reserve £m	Other equity instruments £m	Fair value through other comprehensive income reserve £m	Cash flow hedge reserve £m	Total £m
As at 1 January 2024	**2,573.2**	**415.0**	**1.3**	**250.1**	**3,239.6**
Profit for the financial year	**246.7**	**–**	**–**	**–**	**246.7**
Additional Tier 1 Capital repurchased	**(1.9)**	**(415.0)**	**–**	**–**	**(416.9)**
Additional Tier 1 Capital issued	**(6.8)**	**665.0**	**–**	**–**	**658.2**
Net remeasurement of defined benefit plan	**(6.5)**	**–**	**–**	**–**	**(6.5)**
Net movement in fair value through other comprehensive income reserve	**–**	**–**	**(2.0)**	**–**	**(2.0)**
Net movement in cash flow hedge reserve	**–**	**–**	**–**	**(40.6)**	**(40.6)**
Total comprehensive income/ (expense)	**231.5**	**250.0**	**(2.0)**	**(40.6)**	**438.9**
Distribution to Additional Tier 1 capital holders	**(50.5)**	**–**	**–**	**–**	**(50.5)**
As at 31 December 2024	**2,754.2**	**665.0**	**(0.7)**	**209.5**	**3,628.0**

As at 1 January 2023	2,250.7	415.0	4.9	277.1	2,947.7
Profit for the financial year	351.1	–	–	–	351.1
Net remeasurement of defined benefit plan	(0.1)	–	–	–	(0.1)
Net movement in fair value through other comprehensive income reserve	–	–	(3.6)	–	(3.6)
Net movement in cash flow hedge reserve	–	–	–	(27.0)	(27.0)
Total comprehensive income/ (expense)	351.0	–	(3.6)	(27.0)	320.4
Distribution to Additional Tier 1 capital holders	(28.5)	–	–	–	(28.5)
As at 31 December 2023	2,573.2	415.0	1.3	250.1	3,239.6

Society	General reserve £m	Other equity instruments £m	Fair value through other comprehensive income reserve £m	Cash flow hedge reserve £m	Total £m
As at 1 January 2024	**1,801.6**	**415.0**	**1.3**	**247.1**	**2,465.0**
Profit for the financial year	**143.1**	**–**	**–**	**–**	**143.1**
Additional Tier 1 Capital repurchased	**(1.9)**	**(415.0)**	**–**	**–**	**(416.9)**
Additional Tier 1 Capital issued	**(6.8)**	**665.0**	**–**	**–**	**658.2**
Net remeasurement of defined benefit plan	**(6.5)**	**–**	**–**	**–**	**(6.5)**
Net movement in fair value through other comprehensive income reserve	**–**	**–**	**(2.0)**	**–**	**(2.0)**
Net movement in cash flow hedge reserve	**–**	**–**	**–**	**(68.3)**	**(68.3)**
Total comprehensive income/ (expense)	**127.9**	**250.0**	**(2.0)**	**(68.3)**	**307.6**
Distribution to Additional Tier 1 capital holders	**(50.5)**	**–**	**–**	**–**	**(50.5)**
As at 31 December 2024	**1,879.0**	**665.0**	**(0.7)**	**178.8**	**2,722.1**

As at 1 January 2023	1,534.3	415.0	4.9	284.1	2,238.3
Profit for the financial year	295.9	–	–	–	295.9
Net remeasurement of defined benefit plan	(0.1)	–	–	–	(0.1)
Net movement in fair value through other comprehensive income reserve	–	–	(3.6)	–	(3.6)
Net movement in cash flow hedge reserve	–	–	–	(37.0)	(37.0)
Total comprehensive income/ (expense)	295.8	–	(3.6)	(37.0)	255.2
Distribution to Additional Tier 1 capital holders	(28.5)	–	–	–	(28.5)
As at 31 December 2023	1,801.6	415.0	1.3	247.1	2,465.0

The notes on pages 130 to 181 form part of these accounts.

Statements of Cash Flows

For the year ended 31 December 2024

	Notes	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Cash flows from operating activities:					
Profit before tax		**322.9**	473.5	**186.1**	399.7
Adjustments for:					
Expected credit loss provisions and other provisions	14,25	**(17.6)**	6.9	**(11.1)**	1.8
Depreciation and amortisation	17,18	**26.4**	26.1	**26.4**	26.1
Interest on subordinated liabilities and subscribed capital		**6.0**	6.0	**6.0**	6.0
Changes to fair value adjustment of hedged risk		**101.7**	(101.6)	**27.6**	(144.1)
Other non-cash movements		**(28.3)**	304.8	**(27.7)**	304.8
Non-cash items included in profit before tax		**88.2**	242.2	**21.2**	194.6
Loans and advances to credit institutions		**642.0**	(179.3)	**641.7**	(179.3)
Loans and advances to customers		**(1,507.0)**	(2,268.8)	**(1,443.8)**	(2,369.8)
Prepayments, accrued income and other assets		**(729.3)**	(5.7)	**(729.4)**	(5.7)
Changes in operating assets		**(1,594.3)**	(2,453.8)	**(1,531.5)**	(2,554.8)
Shares		**1,702.7**	4,960.7	**1,702.7**	4,960.7
Deposits and other borrowings		**(1,433.4)**	(2,507.2)	**(1,395.4)**	(2,496.2)
Accruals and deferred income and other liabilities		**13.6**	2.6	**13.7**	3.1
Changes in operating liabilities		**282.9**	2,456.1	**321.0**	2,467.6
Interest paid on subordinated liabilities and subscribed capital		**(6.0)**	(6.0)	**(6.0)**	(6.0)
Interest paid on lease liabilities		**(0.3)**	(0.3)	**(0.3)**	(0.3)
Taxation		**(33.9)**	(111.3)	**0.3**	(94.0)
Net cash flows from operating activities		**(940.5)**	600.4	**(1,009.2)**	406.8
Cash flows from investing activities					
Purchase of investment securities		**(844.2)**	(1,980.9)	**(717.4)**	(1,851.8)
Sale and maturity of investment securities and equities		**1,902.6**	2,026.9	**1,786.3**	1,872.6
Proceeds from sale of properties		**–**	2.6	**–**	2.6
Purchase of property, plant and equipment and intangible assets		**(26.7)**	(22.8)	**(26.7)**	(22.8)
Net cash flows from investing activities		**1,031.7**	25.8	**1,042.2**	0.6
Cash flows from financing activities					
Loans to connected undertakings		**–**	–	**399.6**	787.7
Distributions paid to Additional Tier 1 capital holders		**(50.5)**	(28.5)	**(50.5)**	(28.5)
Issuance of AT 1 Capital[1]		**658.2**	–	**658.2**	–
Repurchase of AT 1 Capital[1]		**(416.9)**	–	**(416.9)**	–
Repurchase and repayment of debt securities		**(598.2)**	(1,713.1)	**(429.7)**	(1,450.0)
Issue of debt securities		**1,824.0**	1,887.0	**1,324.0**	1,036.8
Principal elements of lease payments		**(4.5)**	(4.7)	**(4.5)**	(4.7)
Net cash flows from financing activities		**1,412.1**	140.7	**1,480.2**	341.3
Net increase in cash		**1,503.3**	766.9	**1,513.2**	748.7
Cash and cash equivalents at start of year		**8,390.1**	7,623.2	**8,304.6**	7,555.9
Cash and cash equivalents at end of year		**9,893.4**	8,390.1	**9,817.8**	8,304.6
Cash and cash equivalents:					
Cash and balances with central banks[2]		**9,893.4**	8,390.1	**9,817.8**	8,304.6

1. Net of transaction fees.
2. At 31 December 2023, this balance excluded the mandatory reserve with the Bank of England of £182.1 million (2024: £nil). The Bank of England replaced this with an annual levy in 2024.

The notes on pages 130 to 181 form part of these accounts.

Notes to the accounts

1. Accounting policies

Basis of preparation

These accounts have been prepared in accordance with UK adopted International Accounting Standards, the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 that are applicable to the Society.

The accounts comprise the standalone financial statements of the Society and the consolidated financial statements of the Group. They have been prepared on a historical cost basis, as modified by the revaluation of financial instruments which are measured at fair value. As stated in the Directors' Report, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

A summary of the Group's accounting policies is set out within this note. These accounting policies have been applied consistently throughout the current and prior year. Further information on judgements in the application of accounting policies and significant accounting estimates is set out within note 2.

These accounts are presented in pounds sterling and, except where otherwise stated, all figures in the financial statements have been rounded to the nearest hundred thousand pounds (£0.1 million).

Basis of consolidation

The assets, liabilities and results of the Society and its consolidated subsidiaries and structured entities are included in the financial statements of the Group.

The Group consolidates an entity from the date on which it: (a) has power over the entity; (b) is exposed to, or has the right to, variable returns from its involvement with the entity; and (c) has the ability to affect those returns through the exercise of its powers. Upon consolidation, intra-group transactions, balances and unrealised gains and losses are eliminated.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes in one or more of these three elements. The Group deconsolidates entities from the date that control ceases.

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control.

Structured entities are consolidated when the substance of the relationship indicates control. In making this judgement, the Group considers factors such as the purpose and design of the entity, size and exposure to variability of returns and the nature of the relationship, including power over the structured entity.

The Society's investment in shares in its subsidiaries is recognised on the Balance Sheet at cost less any provision for impairment.

Changes in accounting standards

There are no amendments to standards effective from 1 January 2024 that apply to or have a material impact on the Group.

Derecognition of financial assets and liabilities

The Group derecognises financial assets where the right to receive cash flows has expired, or where the assets are transferred with substantially all the risks and rewards of ownership. Where the transfer does not result in the transfer of cash flows, but the Group assumes an obligation to pay the cash flows to the transferee, the financial assets are also derecognised.

The Group derecognises financial liabilities when the obligation is discharged, cancelled or has expired.

Financial assets and liabilities are derecognised and a new instrument recognised where a renegotiated or new agreement is established on substantially different terms; an example of this would be a product port to a new property on a mortgage loan.

Notes to the accounts continued

1. Accounting policies continued

Securitisation and covered bond transactions

The Group has securitised certain mortgage loans by transferring the loans to structured entities controlled by the Group. These securitisations enable the issuance of debt to investors, who take security in the underlying assets as collateral.

The structured entities are fully consolidated into the Group accounts where it is determined that the Society has control over the entity.

Transfers of mortgage loans to the structured entities are not treated as sales and the loans are not derecognised but remain on the transferor's own Balance Sheet as it retains substantially all the risks and rewards of the mortgage loans. In the accounts of the transferor, the proceeds received from the transfer of mortgage loans to structured entities are accounted for as a deemed loan from the structured entity and are disclosed within Other liabilities on the Balance Sheet.

For covered bonds, the Society itself and not the structured entity issues the covered bonds and then lends the proceeds to the structured entity on back to back terms. The structured entity then uses these proceeds as consideration for the loans transferred from the Society. In the accounts of the Society, neither the loan to the structured entity nor the consideration for the transfer of mortgage loans is recognised separately as an additional asset and liability.

The Group has also issued debt to be used as collateral for central government schemes or for use in sale and repurchase agreements (repos) and similar transactions. Some or all of the debt issuances may be retained by the Society.

Investments in such self-issued debt and the equivalent deemed loan, together with the related income, expenditure and cash flows, are not recognised in the Society's financial statements.

To manage interest rate risk, the Society enters into derivative transactions with its structured entities, receiving a rate of interest based on the securitised mortgages and paying a rate inherent in the debt issuances. In accordance with IFRS 9, these internal derivatives are treated as part of the deemed loan and not separately measured at fair value because the relevant mortgage loans are not derecognised. All other derivatives relating to securitisations and covered bonds are explained in the derivatives and hedge accounting policy below.

Sale and repurchase agreements (repos)

Securities sold subject to a commitment to repurchase them are retained on the Balance Sheet when substantially all the risks and rewards of ownership remain within the Group. The counterparty liability is included separately on the Balance Sheet, as appropriate. The difference between the sale and repurchase price is accrued over the life of the agreements using the Effective Interest Rate (EIR) method.

Interest receivable and interest payable

For instruments measured at amortised cost, the EIR method is used to measure the carrying value of a financial asset or a liability and to allocate associated interest income or expense over the relevant period. The EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest income on fair value through other comprehensive income (FVOCI) debt is also included on an EIR basis.

In calculating the EIR, the Group estimates cash flows considering all contractual terms of the financial instrument. For assets that are in default and assessed as stage 3 under IFRS 9, interest is calculated by applying the EIR to the expected recoverable amount. The EIR calculation includes all directly attributable fees received and paid and costs borne and all other premiums above or below market rates.

Fees and commissions

Fees and commissions receivable and payable that are not spread across expected asset lives under the EIR method are taken to income on an accruals basis as the related obligations are satisfied.

Leases

The majority of the Group’s leases relate to property including branches, head office buildings and data centres. The Group also has other leases which relate to cars and office equipment.

Where the Group enters into a lease or contract that meets the criteria for lease classification under IFRS 16, the Group recognises an asset representing its right to use the leased item and a corresponding liability on the Balance Sheet.

The lease liability is measured at the present value of the lease payments including any incentives, additional lease components and lease extension or termination options where they are reasonably certain to be exercised.

These payments are discounted using the Group's incremental borrowing rate since no interest rates are specified in the Group's leases.

Notes to the accounts continued

1. Accounting policies continued

Leases continued

The right-of-use asset is measured at cost including the lease liability, any initial direct costs and committed restoration costs.

The right-of-use asset is depreciated over the shorter of its useful life or the lease term on a straight line basis through the Income Statement, and the interest charge on the lease liability is recognised within Interest payable. In the Cash Flow Statement, the interest paid on lease liabilities is included in Interest paid on lease liabilities, and the principal element of the lease payments is included in Principal elements of lease payments.

Expenses relating to leases that are for less than 12 months, of low value or relate to intangibles such as software are recognised in the Income Statement as charged.

On an ongoing basis the Group reviews the right-of-use asset and lease liability for any modifications that would require remeasurement and makes an assessment for impairment as required.

Taxation including deferred tax

Corporation tax on the profits for the year comprises current and deferred taxation.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets and liabilities are measured on a non-discounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled. Deferred tax assets and liabilities are offset when there is both a legally enforceable right and an intention to settle on a net basis.

Corporation tax is charged or credited directly to the Statement of Comprehensive Income if it relates to items that are credited or charged to the Statement of Comprehensive Income. Otherwise corporation tax is recognised in the Income Statement.

Segmental reporting

The Group operates solely within the retail financial services sector within the United Kingdom. As such, no segmental analysis is required.

Financial assets

Financial assets comprise cash and balances with the Bank of England, loans and advances to financial institutions, debt securities, loans and advances to customers, derivative financial instruments and investment in equity shares.

At initial recognition, the Group measures financial assets at their fair value. Subsequently, financial assets are classified in one of the following measurement categories:

- Amortised cost.
- Fair value through other comprehensive income (FVOCI).
- Fair value through profit and loss (FVTPL).

Financial assets are classified based on an assessment of the Group’s business model for managing the assets and their contractual cash flow characteristics.

Amortised cost

Financial assets held to collect contractual cash flows and where contractual terms comprise solely payment of principal and interest are classified as amortised cost. This category of financial asset includes cash and balances with the Bank of England, loans and advances to financial institutions, loans and advances to customers, and a small portfolio of debt securities.

Financial assets within this category are recognised on either the receipt of cash or deposit of funds into one of the Group’s bank accounts or when the funds are advanced to borrowers. After initial recognition, the assets are measured at amortised cost using the EIR method, less provision for expected credit losses.

Assets acquired through a business combination or portfolio acquisition are recognised at fair value at the acquisition date. The fair value at acquisition becomes the opening amortised cost for acquired assets. Fair value adjustments are made to reflect both credit risk and interest yield associated with the acquired loan assets. Any discount between the amount due and the fair value is subsequently recognised in interest receivable and similar income using the EIR method.

Notes to the accounts continued

1. Accounting policies continued

Financial assets continued

Significant accounting judgements - classification and measurement of equity release loans

The Group has a £154.0 million (2023: £167.8 million) portfolio of equity release mortgages where the borrower is guaranteed that the amount recoverable at the end of the mortgage will not exceed the value of the property. The Society has not offered new mortgages on this basis since September 2009. The average loan to value of the portfolio is 43% (2023: 42%). The Group has assessed the cash flow characteristics at recognition of each loan within the portfolio to confirm that the IFRS 9 criteria for amortised cost classification are met. The Group has concluded that this is the case as the low loan to value of the portfolio means that the insurance element of the guarantee is a de minimis feature of the product for substantially all of the loans.

Fair value through other comprehensive income (FVOCI)

Financial assets held with the intent of collecting contractual cash flows or selling, where contractual terms comprise solely payment of principal and interest, are classified and measured at FVOCI. This category of financial asset includes most of the Group's debt securities which are held to manage liquidity.

Assets are measured at fair value based on quoted market prices or prices obtained from market intermediaries where available. In cases where quoted market prices are not available, discounted cash flow valuations are used.

Interest on FVOCI assets is recognised in Interest receivable and similar income in the Income Statement, using the EIR method.

Unrealised gains and losses arising from changes in fair value are recognised directly in Other comprehensive income, except for impairment losses and foreign exchange gains and losses, which are recognised in the Income Statement. Gains and losses arising on the sale of FVOCI assets, including any cumulative gains or losses previously recognised in Other comprehensive income, are recognised in the Income Statement.

Fair value through profit and loss (FVTPL)

FVTPL is the default category for financial assets which do not meet the criteria for amortised cost or FVOCI assets. Assets that are classified as FVTPL include derivative financial instruments and investments in equity shares.

These assets are carried at fair value and are initially recognised at the trade date.

Interest income and changes in the fair value of derivatives other than the effective portion of those in cash flow hedge accounting relationships are recognised in the Income Statement. The impact of hedging on the measurement of financial assets and liabilities is detailed in the derivatives and hedge accounting policy.

Dividends and changes in the fair value of equity instruments are recognised in the Income Statement.

Impairment of financial assets

The Group assesses, on a forward-looking basis, the expected credit loss (ECL) associated with its financial assets carried at amortised cost and FVOCI and its mortgage pipeline commitments. Financial assets held at FVTPL are not subject to impairment under IFRS 9.

IFRS 9 requires the Society to categorise its financial assets into one of three stages at the reporting date.

Assets that are performing are shown in stage 1; assets where there has been a significant increase in credit risk since initial recognition are in stage 2; and assets that are credit impaired or in default are in stage 3. The Society is required to recognise a 12 month ECL allowance on all stage 1 assets and a lifetime ECL allowance on all stage 2 and 3 assets.

The Society does not have any purchased or originated credit-impaired financial assets.

The Society's treasury assets have all been assessed as performing (IFRS 9 stage 1) throughout the period and therefore the resulting ECL is immaterial to the financial statements.

Loans and advances to customers

Significant accounting judgements - identifying significant increase in credit risk

The Group considers a loan to have experienced a significant increase in credit risk when one or more of the following qualitative, quantitative or backstop criteria have been met.

Qualitative criteria

The qualitative measures used to allocate a loan to stage 2 are aligned to the Group's underwriting and forbearance practices. In some cases, the qualitative measures will be evident before the borrower's credit score is impacted and they are therefore lead indicators of a deteriorating credit risk. The criterion related to the cost of living affordability stress falls into stage 2.

Notes to the accounts continued

1. Accounting policies continued

Loans and advances to customers continued

Qualitative criteria continued

Other criteria include county court judgements, bankruptcy, temporary transfer to interest only or poor external credit bureau data that exceeds the Society's underwriting policy at the reporting date, even if the loan is currently performing. Qualitative criteria are monitored and reviewed periodically for appropriateness.

Quantitative criteria

The Group uses internal credit risk gradings that reflect its assessment of the probability of default (PD) of individual borrowers and counterparties. Given the Society's very low risk loan book, a three grade decrease in internal risk grade rating may still result in a very low PD and the application of the current decline limit ensures that loans below this threshold are regarded as still being of sufficiently high quality that they are allocated to stage 1. The loan will be assessed as stage 2 where there has been a three internal risk grade decrease and the remaining lifetime PD has doubled since origination and is greater than 2%.

The Group has applied uplifted PDs to customers identified as experiencing a deterioration in credit quality, to address the residual affordability risk posed by inflation and interest rate changes. This assessment is based on a range of measures, including credit bureau data on scores and levels of indebtedness since June 2022, to calculate a cost of living post model adjustment. The uplifted PDs are determined by analysing the 12-month performance of accounts flagged for a deterioration in credit quality. Customers with an LTV below 60% are excluded from this cohort, as the equity protection afforded by the low LTV significantly mitigates the risk of loss. All customers meeting these criteria and included in the cost of living PMA are subsequently moved to Stage 2.

Backstop criteria

In addition, a loan is considered to have experienced a significant increase in credit risk if it is more than one month past due. Loans subject to this backstop measure will continue to be classified as stage 2 for a period of 12 months (cure period) from the date that the arrears fall below one current monthly repayment.

A six-month cure period is applied to accounts moving into Stage 2 due to being captured by the cost of living affordability assessment. No cure period is applied to the remaining qualitative and quantitative criteria, as the borrower's credit score is likely to remain adversely affected for some time after the trigger event. Introducing an additional cure period beyond this would risk overstating the account's credit risk.

Default

The Society considers a loan to be in default when the loan is three months or more in arrears i.e. current arrears balances are equal to three or more current monthly repayments. Alternatively, a loan is considered to be in default if any of the following unlikeliness to pay indicators are present:

- A payment concession has been agreed with the borrower whereby a sum less than the contractual monthly payment is made for a limited period of time.
- Litigation proceedings against the borrower have begun and the account is in arrears.
- The customer is bankrupt and the account is in arrears.
- The loan is interest only and has gone three months past the scheduled term date, or 12 months past the contractual trigger event for equity release loans.
- Temporary transfer to interest plus arrears.
- The property has been taken into possession by the Group.
- A specific provision has been raised indicating a potential issue that may give rise to a loss (e.g. title or boundary issues).

These definitions align to the Society's internal definition of arrears for risk management and collection purposes.

A loan is considered to no longer be in default (i.e. to have been cured) when a consecutive period of 12 months has passed since it met any of the above qualitative and quantitative criteria (cure period).

Notes to the accounts continued

1. Accounting policies continued

Loans and advances to customers continued

Inputs, assumptions and estimation techniques

The measurement of expected credit loss reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money.
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses (ECLs), being forward-looking, are discounted back to the reporting date and are calculated by multiplying the probability of default (PD), exposure at default (EAD) and loss given default (LGD) where:

- The PD represents the likelihood of a borrower defaulting over either the next 12 months or over the remaining lifetime of the mortgage (being the contractual lifetime).
- EAD is the amount the Society expects to be owed at the time of default. The Society does not have any significant revolving commitments where guaranteed further amounts can be drawn down by the borrower.
- LGD represents the Society’s expectation of the extent of loss on a default and takes account of available collateral, likely sales cost and potential discount needed to secure a sale.

The Society's IFRS 9 ECL calculation differs from that used for regulatory expected loss calculation as follows:

- The IFRS 9 PD is based on a point in time calculation adjusted to take into account estimates of future economic conditions. The regulatory PD is a hybrid between point in time and through the cycle long-run PD and is averaged throughout a full economic cycle.
- The IFRS 9 EAD has been modelled based on expected payments over the term up to the point of default. The regulatory EAD cannot be lower than the current balance.
- The IFRS 9 LGD includes the impact of future economic conditions such as changes in value of collateral and does not include any floors. Only costs associated with obtaining/selling the collateral are included and the discounting of the expected cash flows is performed using the Effective Interest Rate of the loan. The regulatory LGD is based on downturn conditions and includes all collection costs, is subject to regulatory floors and is discounted using a stressed measure of the cost of capital.
- IFRS 9 also requires the use of multiple economic scenarios to calculate a probability weighted forward-looking ECL.

More information on the forward-looking information incorporated in the ECL calculations is included in note 14.

Governance of Expected Credit Losses

Governance over ECLs is carried out by the Society's ECL Management Committee, which meets on a regular basis, at least quarterly. The Committee is made up of members from the Finance, Treasury and Credit Risk functions in addition to members from the second and third lines of defence. The Committee is responsible for the review of key assumptions and judgements within the ECL calculations such as the staging criteria or need for post model adjustments. The Committee does this by review of key management information and assessing existing and future risks to the portfolio. Assumptions and judgements are approved by the ECL management committee with oversight performed by the Board Audit Committee.

Governance over the IFRS 9 ECL models is carried out by the Model Risk Committee and includes assessments of model performance, model monitoring and model validation at regular intervals and on an ad hoc basis where significant model enhancements are carried out. See the Risk Management Report for more information on model risk.

Significant accounting assumptions and estimates - post model adjustments

The Group applies post model adjustments (PMAs) to reflect ECLs relating to items that cannot be adequately captured by existing models.

An example of these PMAs is the cost of living PMA, where there is no historical data regarding such an affordability cost stress. As a result, management judgement and estimation are required in order to reflect the underlying risk. This risk can be reflected in adjustments to the estimation of probability of default for loans or adjustments to loss given default on loans subject to additional cladding and other fire safety risks.

The assumptions used in calculating ECLs are regularly reviewed and model outputs and components of ECL estimates are assessed by management in line with internal policy. This is used across all aspects of the model including the assessment of the predicted PD or LGD of an account against the actual outturn. An example of this would be estimated PD applied to the identified higher risk segments of the book via the cost of living PMA recognised.

Notes to the accounts continued

1. Accounting policies continued

Loans and advances to customers continued

Significant accounting assumptions and estimates – post model adjustments (continued)

The application of PMAs is considered by the Society's ECL Management Committee. PMAs are reviewed and assessed for reasonableness considering the future expectation of performance in the context of historical performance and other indicators, as well as deriving the basis for cure rules to be applied. Oversight of judgements surrounding PMAs is provided by the Board Audit Committee.

ECLs for loans and advances to customers reduce the carrying amount of these assets in the Balance Sheet and the movement in ECLs is included in Impairment losses in the Income Statement. For mortgage pipeline exposures and undrawn mortgage loan facilities, the provision is included in the ECL provision in the Balance Sheet.

Further information on PMA in place at the year end can be found in note 14.

Calculation of expected credit loss under IFRS 9 – treasury credit risk and investment in Group undertakings

Treasury assets comprise cash and balances with the Bank of England, loans and advances to financial institutions, and debt securities.

Credit losses on treasury assets are rare for the Group. In accordance with IFRS 9, impairment for treasury credit exposures is calculated by taking the exposure value and applying an externally published PD for the credit rating applicable to the exposure. Exposures are monitored to review whether any change in the counterparty credit profile reflects a significant increase in credit risk.

ECLs for treasury assets held at amortised cost reduce the carrying amount of these assets in the balance sheet and the movement in ECLs is included in impairment losses in the Income Statement. ECLs for debt securities measured at FVOCI do not reduce the carrying amount of these assets, which remain at fair value in the Balance Sheet. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in Other comprehensive income as an accumulated impairment amount with a corresponding charge to Impairment losses in the Income Statement. The accumulated loss recognised in Other comprehensive income is then recycled to the Income Statement upon derecognition of the assets.

The Society's investment in Group undertakings comprises shares and intercompany loans, which are valued at cost less any provision for impairment. These investments are reviewed annually for evidence of potential impairment or significant increase in credit risk with any impairment recognised in the Income Statement. No impairment on Investment in Group undertakings has been identified.

Write-off policy

The Group writes off financial assets when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

Derivative financial instruments

The Group holds derivative financial instruments only to manage the risks associated with its non-variable rate assets and liabilities and its foreign currency transactions, and not for speculative or trading purposes.

All external derivative financial instruments are carried at fair value. Derivatives are principally valued by discounting cash flows using yield curves that are based on observable market data. In measuring fair value, separate adjustments are made for credit risk to the extent not already included in the valuation.

Hedge accounting

The Group applies the requirements of IAS 39 for hedge accounting. Where the documentation, eligibility and testing criteria for hedge accounting set out in IAS 39 are met, the Group applies hedge accounting and designates the hedging derivative as either hedging fair value or cash flow risks. The Group undertakes this on both an individual and a portfolio hedge accounting basis.

Fair value hedges

Changes in the fair value of derivatives that are designated in fair value hedge relationships are recorded in the Income Statement under Net gains/losses from derivatives and hedge accounting in the period in which the movement occurs, together with the change in fair value of the hedged asset or liability that is attributable to the hedged risk (interest rate risk). This also applies if the hedged item is classified as an FVOCI financial asset.

Cash flow hedges

Gains and losses on derivative financial instruments hedging the variability in cash flows of a designated asset or liability are recognised directly through the Statement of Comprehensive Income in the cash flow hedge reserve. The relevant portion of the gain or loss on the hedging instrument is recognised in the Income Statement immediately to the extent that the hedge is deemed ineffective under IAS 39. Any amounts deferred to the cash flow hedge reserve are subsequently recycled to the Income Statement when the underlying asset or liability being hedged impacts the Income Statement, for example, when foreign exchange movements occur.

Notes to the accounts continued

1. Accounting policies continued

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment. Maintenance costs associated with the operation of these intangibles are charged to the Income Statement as incurred. Amortisation is charged to the Income Statement on a straight line basis over the useful life of the asset commencing from the date the asset is ready for use.

The useful life of computer software is reviewed by management at each financial year end and is currently between three and eight years for assets which are currently in use.

Software development costs, both internal and external, and purchased software that is not an integral part of a related hardware purchase are recognised as an intangible asset if it is probable that: (a) the asset is controlled by the Group; (b) it is separately identifiable; and (c) it will generate future economic benefits. For each significant project undertaken by the Group, an assessment of capitalisation criteria including future economic benefit is performed by the relevant business area and reviewed in accordance with agreed governance processes.

Intangible assets, including assets in the course of construction, are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may exceed the recoverable amount. Where impairment is identified, the asset is written down immediately to the estimated recoverable amount and the impairment amount is charged to the Income Statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment.

The carrying values of property, plant and equipment are reviewed at each reporting date for impairment or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Where this is the case, the asset is written down immediately to the estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying value of the asset and are included within the Income Statement.

Depreciation commences when the asset is ready for use and is provided on a straight line basis over the anticipated useful life of the asset, which is currently as follows:

Freehold and long leasehold buildings	Over a period of 50 years
Leasehold adaptations	Shorter of remaining term of the lease and useful life
Equipment, fixtures and fittings	Three to eight years

Employee benefits

Pensions

The Group operates both a defined benefit and defined contribution pension scheme for employees.

Contributions to the defined contribution pension scheme are recognised as an expense in the Income Statement as incurred, on an accruals basis.

The Group's net obligation under the defined benefit pension scheme is assessed annually by an independent qualified actuary. The net obligation is calculated as the difference between the fair value of the Scheme's assets and the amount of future entitlements earned by Scheme members from service in prior periods, discounted back to present values using a rate based on an index of long-dated AA rated corporate bonds. This calculation allows the net obligation of the Scheme to be expressed as either a surplus or a deficit, which is recognised as either an asset or a liability respectively in the Group's accounts at the Balance Sheet date.

Gains or losses arising from the remeasurement of the defined benefit pension scheme are recognised in full, in the year they occur, in the Statement of Comprehensive Income.

Other long-term employee benefits

The cost of bonuses payable 12 months or more after the end of the financial years in which they are earned is recognised in the year in which the employees render the related service.

Short-term employee benefits

The cost of short-term employee benefits, including wages and salaries, social security costs, bonuses payable within 12 months and healthcare, is recognised in the year of service.

Notes to the accounts continued

1. Accounting policies continued

Financial liabilities

Financial liabilities include shares, bank and other deposits, amounts owed to other customers, debt securities in issue, derivative financial instruments, subordinated liabilities and subscribed capital. The Group classifies its financial liabilities into the following categories:

Amortised cost

Financial liabilities, other than derivatives, are measured on an amortised cost basis reflecting their face value adjusted for any unamortised premiums, discounts and transaction costs directly attributable to the acquisition or issue.

Amortisation is recognised in Interest payable and similar charges at the Effective Interest Rate of the liability.

Fair value through profit and loss

All derivatives are carried at fair value.

Changes in the fair value of derivatives other than those in cash flow hedge accounting relationships are recognised in the Income Statement. The impact of hedging on the measurement of financial assets and liabilities is detailed in the derivatives and hedge accounting policy above.

For changes in the fair value of derivatives in cash flow hedge accounting relationships, see the accounting policy for cash flow hedges.

Provisions and contingent liabilities

A provision is recognised when there is a present obligation as a result of a past event, it is probable that the obligation will be settled and the amount can be estimated reliably.

Contingent liabilities are potential obligations from past events which will only be confirmed by future events. Contingent liabilities are not recognised within the Balance Sheet.

Equity instruments

Financial instruments are classified as equity instruments where the contractual arrangements with the holder do not result in the Group having a present obligation to deliver cash, another financial asset or a variable number of equity instruments. Where the Group does have a present obligation, the instrument is classified as a financial liability.

The proceeds of the issuance of equity instruments are included in equity net of the costs directly attributable to the issuance.

Distributions to holders of equity instruments are recognised when they become irrevocable and are deducted from the general reserve.

Foreign currency translation

The consolidated financial statements are presented in pounds sterling, which is the functional currency of the Group.

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are re-translated at the rate prevailing at the Balance Sheet date. Foreign exchange gains and losses resulting from re-translation and settlement are recognised on a net basis in the Income Statement within Interest payable and similar charges.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Cash Flows comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, and loans and advances to credit institutions.

IFRS disclosure

For ease of reference, certain audited IFRS disclosures related to credit, market and liquidity and funding risks are included within the Risk Management Report.

A maturity analysis for all assets and liabilities is presented in the Liquidity and Funding section of the Risk Management Report.

Audited information is also included within the Directors' Remuneration Report. These disclosures, where marked as 'audited', are covered by the Independent Auditors' Report.

Notes to the accounts continued

2. Judgement in applying accounting policies and significant accounting estimates

In the process of applying accounting policies, the Group makes various judgements, estimates and assumptions that have had a significant effect on the amounts recognised in the financial statements. The Group has also made assumptions and estimates that could affect the reported amount of assets and liabilities both in the accounts and in the following financial years. The most significant judgements, assumptions and estimates are disclosed in the following notes:

Significant accounting policy judgements	Notes
Classification and measurement of equity release loans	1
Determining a significant increase in credit risk (SICR) under IFRS 9	1
Significant accounting assumptions and estimates	
Expected credit loss provision on loans and advances to customers – application of post model adjustments	14
Expected credit loss provision on loans and advances to customers – forward-looking information incorporated in the ECL models	14
Valuation of the defined benefit pension scheme liabilities	20

3. Interest receivable and similar income

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
On financial assets measured at amortised cost:				
On loans and advances to customers	**1,845.5**	1,446.8	**1,144.7**	853.8
Connected undertakings	**–**	–	**555.0**	470.5
Interest on other liquid assets[1]	**496.4**	449.9	**489.9**	443.8
Interest and other income on debt securities	**–**	0.1	**–**	0.1
Interest and other income on debt securities measured at FVOCI	**60.4**	85.7	**56.8**	82.6
Net income on financial instruments in a qualifying hedge relationship	**891.5**	1,010.0	**891.5**	1,010.0
Total interest receivable and similar income calculated using the EIR method	**3,293.8**	2,992.5	**3,137.9**	2,860.8

1. Interest on other liquid assets at Group and Society includes £470.0 million (2023: £425.4 million) in respect of interest on reserve balances with the Bank of England.

4. Interest payable and similar charges

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Bank and customer				
Subordinated liabilities	**1.1**	1.1	**1.1**	1.1
Other[1]	**240.7**	317.5	**240.7**	325.7
Debt securities in issue	**228.8**	164.9	**149.7**	116.7
Other borrowed funds				
On shares held by individuals	**1,935.0**	1,369.8	**1,935.0**	1,369.7
On subscribed capital	**4.9**	4.9	**4.9**	4.9
On loans from connected undertakings	**–**	–	**128.0**	67.9
Net expense from hedging instruments	**203.8**	366.3	**182.1**	341.8
Foreign currency (gains)/losses	**(0.1)**	0.5	**–**	0.3
Other interest payable	**0.3**	0.3	**0.3**	0.3
Total	**2,614.5**	2,225.3	**2,641.8**	2,228.4

1. Other Bank and customer interest payable at Group and Society includes £154.0 million (2023: £200.0 million) relating to interest on balances drawn under the Term Funding Scheme, £51.0 million (2023: £74.7 million) of interest on collateral in respect of swap agreements, and £28.8 million (2023: £29.9 million) interest on balances relating to sale and repurchase agreements.

Notes to the accounts continued

5. Fees and commissions receivable

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Mortgage related administration fees	**3.5**	3.4	**2.2**	2.2
General insurance commissions	**0.7**	0.4	**0.7**	0.4
Total	**4.2**	3.8	**2.9**	2.6

6. Fees and commissions payable

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Banking fees	**1.9**	2.1	**1.9**	2.1
Mortgage related fees	**4.5**	4.7	**2.8**	3.3
Other fees and commissions	**4.0**	4.3	**3.9**	4.1
Total	**10.4**	11.1	**8.6**	9.5

7. Other operating income

Operating income of £2.4 million (2023: £2.1 million) includes £nil (2023: £0.4 million) relating to profit on sale of property, plant and equipment and £2.0 million (2023: £1.4 million) relating to gains on the Society's investments in equity shares, which are measured at fair value through profit and loss. The Society's investments in equity shares as at 31 December 2024 relate to Visa Inc.

8. Net (losses)/gains from derivative financial instruments

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Derivatives designated as fair value hedges				
Losses on derivatives designated as fair value hedges	**(119.4)**	(862.9)	**(119.4)**	(862.9)
Movement in fair value of hedged items attributable to hedged risk	**(16.2)**	798.2	**(16.2)**	798.2
Derivatives designated as fair value hedges	**(135.6)**	(64.7)	**(135.6)**	(64.7)
Derivatives designated as cash flow hedges				
Foreign exchange	**0.1**	(0.4)	**–**	–
Interest rate	**125.8**	101.1	**125.8**	101.1
Derivatives designated as cash flow hedges	**125.9**	100.7	**125.8**	101.1
Losses on other derivatives	**(2.0)**	(5.7)	**(2.0)**	(5.7)
Total	**(11.7)**	30.3	**(11.8)**	30.7

Further information on the Society’s risk management strategy and how it hedges interest and foreign exchange risk is included in note 24.

Losses on other derivatives where hedge accounting relief has not been obtained are £2.0 million over the year (2023: £5.7 million loss).

The gains and losses recognised represent both the impact of early termination of derivative instruments and timing differences, which are expected to reverse over the remaining life of the derivatives, although further volatility may also be experienced.

Foreign exchange gains of £77.8 million (2023: £45.5 million gains) have been recognised in the Income Statement relating to the principal amount of financial instruments held at amortised cost. This is offset by foreign exchange loss of £81.2 million (2023: £45.6 million loss) on derivative financial instruments held at fair value.

Notes to the accounts continued

9. Administrative expenses

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Employee costs				
Wages and salaries	**136.7**	131.9	**136.7**	131.9
Social security costs	**15.2**	14.4	**15.2**	14.4
Pension costs				
Defined benefit pension scheme (note 20)	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Defined contribution pension scheme	**9.3**	8.3	**9.3**	8.3
	161.0	154.4	**161.0**	154.4
Other expenses				
Information systems	**51.9**	38.0	**51.9**	38.0
Training, recruitment and other employee costs	**12.7**	20.4	**12.7**	20.4
Premises and facilities	**9.2**	10.0	**9.2**	10.0
Legal, professional and consultancy	**36.2**	6.6	**36.0**	6.3
Marketing and communications	**9.1**	6.7	**9.1**	6.7
Other operating expenses (include project costs)	**26.2**	49.7	**25.5**	49.1
Intercompany management charge	**–**	–	**(51.6)**	(54.2)
Total	**306.3**	285.8	**253.8**	230.7
Acquisition and integration related costs	**25.8**	–	**25.8**	–
Total administrative expenses	**332.1**	285.8	**279.6**	230.7

Acquisition and integration related costs are predominately legal, professional and consultancy fees in relation to the purchase of the Bank.

The intercompany management charge reflects a contribution to operational costs by Godiva Mortgages Limited and ITL Mortgages Limited to the Society in respect of management and servicing of their mortgage portfolios.

The remuneration of the external auditors, PricewaterhouseCoopers LLP, (excluding VAT) is set out below:

Group and Society	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Audit of the Group and Society annual accounts	**1.4**	1.0	**1.4**	1.0
Audit of Group subsidiaries	**0.2**	0.2	**–**	–
Audit related assurance services	**0.1**	–	**0.1**	–
Other non-audit services	**0.3**	0.2	**0.3**	0.2
Total	**2.0**	1.4	**1.8**	1.2

10. Employee numbers

Group and Society	2024 Full time	2024 Part time	2024 Total	2023 Full time	2023 Part time	2023 Total
The average number of persons employed during the year (including executive directors) was:						
Head office and administrative centres	**2,038**	**478**	**2,516**	1,963	456	2,419
Branches	**320**	**244**	**564**	311	259	570
Total	**2,358**	**722**	**3,080**	2,274	715	2,989

The average number of employees on a full time equivalent basis was 2,821 (2023: 2,723) and all of these are employed within the United Kingdom.

Notes to the accounts continued

11. Classification and measurement of financial instruments

The following table summarises the classification of carrying amounts of the Group's financial assets and liabilities at the reporting date. A separate Society table is not presented as there are no differences in classification to that of the Group.

2024 Group	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit and loss £m	Total £m
Financial assets				
Cash and balances with the Bank of England	9,893.4	–	–	9,893.4
Loans and advances to financial institutions	328.7	–	–	328.7
Debt securities	–	501.8	–	501.8
Loans and advances to customers	51,801.3	–	–	51,801.3
Hedge accounting adjustment	(447.7)	–	–	(447.7)
Derivative financial instruments	–	–	1,084.2	1,084.2
Investment in equity shares	–	–	8.8	8.8
Total financial assets	61,575.7	501.8	1,093.0	63,170.5
Other non-financial assets	860.8	–	–	860.8
Total assets	62,436.5	501.8	1,093.0	64,031.3
Financial liabilities				
Shares	49,343.3	–	–	49,343.3
Deposits from banks	3,931.5	–	–	3,931.5
Amounts owed to other customers	81.9	–	–	81.9
Debt securities in issue	6,542.5	–	–	6,542.5
Hedge accounting adjustment	(67.8)	–	–	(67.8)
Derivative financial instruments	–	–	305.4	305.4
Subordinated liabilities	15.4	–	–	15.4
Subscribed capital	41.6	–	–	41.6
Total financial liabilities	59,888.4	–	305.4	60,193.8
Other non-financial liabilities	209.5	–	–	209.5
Total liabilities	60,097.9	–	305.4	60,403.3

Notes to the accounts continued

11. Classification and measurement of financial instruments continued

2023 Group	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit and loss £m	Total £m
Financial assets				
Cash and balances with the Bank of England	8,572.2	–	–	8,572.2
Loans and advances to financial institutions	787.9	–	–	787.9
Debt securities	–	1,564.2	–	1,564.2
Loans and advances to customers	50,276.1	–	–	50,276.1
Hedge accounting adjustment	(433.1)	–	–	(433.1)
Derivative financial instruments	–	–	1,513.5	1,513.5
Investment in equity shares	–	–	6.8	6.8
Total financial assets	59,203.1	1,564.2	1,520.3	62,287.6
Other non-financial assets	175.1	–	–	175.1
Total assets	59,378.2	1,564.2	1,520.3	62,462.7
Financial liabilities				
Shares	47,582.3	–	–	47,582.3
Deposits from banks	5,230.7	–	–	5,230.7
Amounts owed to other customers	237.3	–	–	237.3
Debt securities in issue	5,377.5	–	–	5,377.5
Hedge accounting adjustment	(68.1)	–	–	(68.1)
Derivative financial instruments	–	–	594.2	594.2
Subordinated liabilities	15.4	–	–	15.4
Subscribed capital	41.6	–	–	41.6
Total financial liabilities	58,416.7	–	594.2	59,010.9
Other non-financial liabilities	212.2	–	–	212.2
Total liabilities	58,628.9	–	594.2	59,223.1

12. Debt securities

	Group 2024 £m	Group 2023 £m	**Society 2024 £m**	Society 2023 £m
Fair value through other comprehensive income:				
UK Government investment securities	**482.6**	782.7	**423.2**	733.8
Other listed transferable debt securities	**19.2**	781.5	**19.2**	781.5
Total	**501.8**	1,564.2	**442.4**	1,515.3
Movements during the year are analysed below:				
At 1 January	**1,564.2**	1,594.8	**1,515.3**	1,520.8
Additions	**844.2**	1,947.1	**717.4**	1,821.1
Maturities and disposals	**(1,902.6)**	(1,993.1)	**(1,786.3)**	(1,842.0)
Changes in fair value	**(4.0)**	15.4	**(4.0)**	15.4
At 31 December	**501.8**	1,564.2	**442.4**	1,515.3

A maturity analysis of the Group debt securities is included in the Liquidity and Funding section of the Risk Management Report.

At the 31 December 2024, £112.4 million debt securities had been sold under sale and repurchase agreements (2023: £313.3 million).

Notes to the accounts continued

13. Loans and advances to customers

	Notes	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Residential mortgages: owner-occupier		**32,412.2**	30,944.5	**32,107.9**	30,604.8
Residential mortgages: buy to let		**19,373.7**	19,351.0	**1,318.6**	1,388.0
Legacy lending[1]		**9.7**	11.7	**6.0**	7.0
Total Gross loans and advances to customers (contractual amounts)		**51,795.6**	50,307.2	**33,432.5**	31,999.8
Impairment	14	**(24.3)**	(42.5)	**(10.9)**	(21.9)
Total Net loans and advances to customers (contractual amounts)		**51,771.3**	50,264.7	**33,421.6**	31,977.9
EIR, fair value and other adjustments		**30.0**	11.4	**36.1**	24.7
Total		**51,801.3**	50,276.1	**33,457.7**	32,002.6

1. Legacy lending represents residual small portfolios of unsecured personal loans and commercial mortgages. The credit risk for these is immaterial and therefore not considered further in this report.

Maturity analysis

The remaining contractual maturity of loans and advances to customers at the Balance Sheet date is as follows:

	Notes	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Repayable in less than one year		**3,635.9**	3,511.5	**2,070.9**	2,006.0
Repayable in more than one year		**48,189.7**	46,807.1	**31,397.7**	30,018.5
		51,825.6	50,318.6	**33,468.6**	32,024.5
Impairment provision	14	**(24.3)**	(42.5)	**(10.9)**	(21.9)
Total		**51,801.3**	50,276.1	**33,457.7**	32,002.6

Actual redemption levels experienced by the Group or Society may differ from the contractual analysis.

Pledged assets – loans and advances to customers

Certain loans and advances to customers have been pledged to the Group's asset backed funding programmes or utilised as whole mortgage loan pools with the Bank of England to enable the Group to obtain secured funding. Loans and advances to customers pledged to support secured funding and the notes in issue are as follows:

2024 Group	**Mortgages pledged £m**	**Notes in issue[1]: Held by third parties £m**	**Held by the Group pledged £m**	**Held by the Group unpledged £m**	**Total £m**
Loans and advances to customers					
Covered bond programme – Coventry Building Society Covered Bonds LLP	**6,912.4**	**2,872.5**	**1,345.9**	**4.1**	**4,222.5**
Covered bond programme – Coventry Godiva Covered Bonds LLP	**5,392.0**	**–**	**1,000.0**	**3,000.0**	**4,000.0**
Securitisation programme – Economic Master Issuer plc	**2,496.3**	**1,611.4**	**231.7**	**–**	**1,843.1**
Whole mortgage loan pools[2]	**4,495.0**	**–**	**2,075.6**	**2,419.4**	**4,495.0**
Total	**19,295.7**	**4,483.9**	**4,653.2**	**5,423.5**	**14,560.6**

2023 Group	Mortgages pledged £m	Notes in issue[1]: Held by third parties £m	Held by the Group pledged £m	Held by the Group unpledged £m	Total £m
Loans and advances to customers					
Covered bond programme – Coventry Building Society Covered Bonds LLP	7,178.5	2,960.3	1,350.0	–	4,310.3
Covered bond programme – Coventry Godiva Covered Bonds LLP	5,421.3	–	4,000.0	–	4,000.0
Securitisation programme – Economic Master Issuer plc	2,081.9	1,179.9	267.0	327.2	1,774.1
Whole mortgage loan pools[2]	5,288.2	–	503.5	4,784.7	5,288.2
Total	19,969.9	4,140.2	6,120.5	5,111.9	15,372.6

1. Notes in issue exclude Class Z securitisation notes (2024: £314.2 million, 2023: £241.6 million), which represent either the first loss tranche in the structure or a required liquidity reserve, and the Economic Master Issuer plc Sellers Notes (2024: £404.8 million, 2023: £327.2 million). All of these notes are held by the Group unpledged.
2. The whole mortgage loan pools are pre-positioned at the Bank of England. Pools are pledged to the Bank of England when drawings are made directly against the eligible collateral, for example, under TFSME, subject to a 'haircut' as defined by the Bank of England. The amounts under notes in issue are the outstanding balances of mortgages.

Notes to the accounts continued

13. Loans and advances to customers continued

Pledged assets – loans and advances to customers continued

Mortgages pledged are not derecognised from the Group or Society Balance Sheets as the Group has retained substantially all the risks and rewards of ownership. No gain or loss has been recognised on pledging the mortgages to the programmes.

Notes in issue and held by third parties are included within debt securities in issue (note 23).

Notes in issue, held by the Group and pledged, include debt securities issued under the covered bond programmes and retained by the Society and whole mortgage loan pools, all pledged as collateral.

Notes in issue, held by the Group and unpledged, are other debt securities issued by the programmes to the Society, and mortgage loan pools that have been pre-positioned at the Bank of England but not utilised. These are held to provide collateral for potential future use in sale and repurchase agreements or central bank operations.

Notes in issue, and held by the Group, are not recognised on the Group or Society Balance Sheets, thus preventing inappropriate 'grossing up' of the Group and Society Balance Sheets.

Covered bond programmes

The Society operates two covered bond programmes which it uses to provide security for issues of retained and externally issued covered bonds. Securities issued under the programmes are secured through certain mortgage loans of Coventry Building Society or of Godiva Mortgages Limited, the Originators. The loans are retained on the Originator's Balance Sheet as they retain substantially all the risks and rewards relating to the loan.

At the reporting date, the Society has overcollateralised these programmes as set out in the table above to secure the ratings of the covered bonds and to provide operational flexibility. The Society maintains the overcollaterisation by adding loans to the loan portfolios throughout the period. From time to time, the obligation of the Society to provide collateral may increase due to the formal requirements of the covered bond programmes and the value of the collateral would depend upon conditions at that time. The Society may also voluntarily contribute collateral to support the covered bond ratings; no such contributions were made during 2024 or 2023. The Society undertakes various roles in these programmes, including acting as cash manager and servicer as well as acting as the bank account provider for Coventry Godiva Covered Bonds LLP (Godiva LLP).

Coventry Building Society Covered Bonds LLP

Coventry Building Society Covered Bonds LLP (CBS LLP) was established in 2008 and provides security for issued notes secured against certain loans of Coventry Building Society. As at 31 December 2024, the Society had £2,350 million (2023: £2,350 million) and €2,250 million (2023: €2,250 million) of covered bonds in issue, of which £1,350 million (2023: £1,350 million) were retained by the Group.

During the period, the Society voluntarily repurchased £129.0 million (2023: £112.6 million) of mortgages from CBS LLP to maintain the quality of the pool and minimise the overcollateralisation requirement.

Coventry Godiva Covered Bonds LLP

Coventry Godiva Covered Bonds LLP was established in 2020 and provides security for issued notes secured against certain mortgage loans of Godiva Mortgages Limited. As at 31 December 2024, the Society had £4.0 billion (2023: £4.0 billion) of covered bonds in issue of which all were retained by the Group.

During the period, the Society voluntarily repurchased £59.1 million (2023: £55.7 million) of mortgages from Godiva LLP to maintain the quality of the pool and minimise the overcollateralisation requirement.

Securitisation

During the period, the Society operated one securitisation vehicle which it uses to obtain collateral and source funding through the internal and external issuances of listed debt securities secured through certain mortgage loans of Coventry Building Society, the Originator. The loans are retained on the Originator's Balance Sheet as it retains substantially all the risks and rewards relating to the loans. The Society undertakes various roles in these transactions, including acting as cash manager and servicer as well as acting as the bank account provider for Economic Master Issuer plc.

Economic Master Issuer PLC

Economic Master Issuer plc (EMI) was established in 2019 and has subsequently issued £2.5 billion of listed debt securities secured against certain mortgage loans of Coventry Building Society. At 31 December 2024, a total of £231.7 million (2023: £267.0 million) of notes were retained by the Group and £1,611.4 million (2023: £1,279.8 million) are held by parties external to the Group. The Society retains a beneficial interest in the pool through its holding of the Sellers Note in the structure and its obligations in respect of this securitisation vehicle are limited to transferring cash flows from the underlying assets and maintaining its required minimum sellers share in accordance with the rules of programme.

Notes to the accounts continued

13. Loans and advances to customers continued

Pledged assets – loans and advances to customers continued

Economic Master Issuer PLC continued

The fair values of assets that have been pledged and their associated liabilities where recourse is limited to the underlying asset are presented in the table below:

	Fair value assets pledged 2024 £m	Fair value liabilities 2024 £m	Fair value net position 2024 £m	Fair value assets pledged 2023 £m	Fair value liabilities 2023 £m	Fair value net position 2023 £m
Securitisation programme – Economic Master Issuer plc	**2,474.8**	**1,610.4**	**864.4**	2,001.2	1,281.8	719.4

14. Impairment on loans and advances to customers

Under IFRS 9, impairment provisions or expected credit losses (ECLs) are required to be calculated on assets held at amortised cost and fair value through other comprehensive income. For the Society, this includes loans and advances to customers and mortgage pipeline commitments. Expected credit loss provisions have been deducted from the appropriate asset values on the balance sheet. Further information on the credit quality of these loans is included in the Risk Management Report.

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Income statement				
Release/ (charge) for the year	**18.2**	(7.0)	**11.0**	(1.9)
Recoveries of amounts previously written off	**(0.6)**	0.1	**0.1**	0.1
Total release/ (charge) to the Income Statement	**17.6**	(6.9)	**11.1**	(1.8)

The table below shows gross loans and advances to customers, ECL provision and resulting coverage ratio split by IFRS 9 stage at 31 December 2024 and at 31 December 2023 for both the Group and Society. For loans in stages 2 and 3, further analysis of accounts which are past due and not past due is also presented.

Group	Stage 1 'Performing'	Stage 2 'Deteriorating'		Stage 3 'Default'		
As at 31 December 2024	£m	Not past due £m	Past due £m	Not past due £m	Past due £m	Total £m
Gross balances						
Residential mortgages: owner-occupier	29,278.1	2,784.1	121.1	59.5	169.4	32,412.2
Residential mortgages: buy to let	16,917.4	2,251.9	83.8	30.9	89.7	19,373.7
Legacy lending[1]	7.6	1.3	0.3	0.2	0.3	9.7
Total	46,203.1	5,037.3	205.2	90.6	259.4	51,795.6
ECL						
Residential mortgages: owner-occupier[2]	1.7	7.2	0.4	3.1	3.7	16.1
Residential mortgages: buy to let	0.8	3.0	0.1	1.3	2.4	7.6
Legacy lending[1]	0.1	0.3	–	0.1	0.1	0.6
Total	2.6	10.5	0.5	4.5	6.2	24.3
ECL coverage as a % of total balance						
Residential mortgages: owner-occupier	0.01%	0.26%	0.33%	5.21%	2.18%	0.05%
Residential mortgages: buy to let	–	0.13%	0.12%	4.21%	2.68%	0.04%
Legacy lending[1]	1.32%	23.08%	–	50.00%	33.33%	6.19%
Total coverage	0.01%	0.21%	0.24%	4.97%	2.39%	0.05%

1. These are legacy books with no new originations since 2010.

2. Pipeline ECL of £0.4 million has been included in residential mortgages.

Notes to the accounts continued

14. Impairment on loans and advances to customers continued

Society	Stage 1 'Performing'	Stage 2 'Deteriorating'		Stage 3 'Default'		
As at 31 December 2024	£m	Not past due £m	Past due £m	Not past due £m	Past due £m	Total £m
Gross balances						
Residential mortgages: owner-occupier	29,063.9	2,729.8	114.5	47.5	152.2	32,107.9
Residential mortgages: buy to let	1,166.8	130.5	6.4	4.0	10.9	1,318.6
Legacy lending[1]	4.8	0.8	0.1	0.1	0.2	6.0
Total	30,235.5	2,861.1	121.0	51.6	163.3	33,432.5
ECL						
Residential mortgages: owner-occupier[2]	1.8	2.8	0.3	2.5	2.3	9.7
Residential mortgages: buy to let	–	0.3	–	0.3	0.4	1.0
Legacy lending[1]	–	0.1	–	–	0.1	0.2
Total	1.8	3.2	0.3	2.8	2.8	10.9
ECL coverage as a % of total balance						
Residential mortgages: owner-occupier	0.01%	0.10%	0.26%	5.26%	1.51%	0.03%
Residential mortgages: buy to let	–	0.23%	–	7.50%	3.67%	0.08%
Legacy lending[1]	–	12.50%	–	–	50.00%	3.33%
Total coverage	0.01%	0.11%	0.25%	5.43%	1.71%	0.03%

1. These are legacy books with no new originations since 2010.
2. Pipeline ECL of £0.3 million has been included in residential mortgages.

Group	Stage 1 'Performing'	Stage 2 'Deteriorating'		Stage 3 'Default'		
As at 31 December 2023	£m	Not past due £m	Past due £m	Not past due £m	Past due £m	Total £m
Gross balances						
Residential mortgages: owner-occupier	26,387.7	4,271.1	107.6	52.5	125.6	30,944.5
Residential mortgages: buy to let	16,324.0	2,866.8	71.2	25.5	63.5	19,351.0
Legacy lending[1]	8.9	1.8	0.4	0.4	0.2	11.7
Total	42,720.6	7,139.7	179.2	78.4	189.3	50,307.2
ECL						
Residential mortgages: owner-occupier[2]	1.5	19.8	0.4	4.1	1.9	27.7
Residential mortgages: buy to let	0.8	8.2	0.2	2.5	2.3	14.0
Legacy lending[1]	0.1	0.4	–	0.2	0.1	0.8
Total	2.4	28.4	0.6	6.8	4.3	42.5
ECL coverage as a % of total balance						
Residential mortgages: owner-occupier	0.01%	0.46%	0.37%	7.81%	1.51%	0.09%
Residential mortgages: buy to let	–	0.29%	0.28%	9.80%	3.62%	0.07%
Legacy lending[1]	1.12%	22.22%	–	50.00%	50.00%	6.84%
Total coverage	0.01%	0.40%	0.33%	8.67%	2.27%	0.08%

1. Relates to legacy books with no new originations since 2010.
2. Pipeline ECL of £0.2 million has been included in residential mortgages.

Notes to the accounts continued

14. Impairment on loans and advances to customers continued

Society	Stage 1 'Performing'	Stage 2 'Deteriorating'		Stage 3 'Default'		
As at 31 December 2023	£m	Not past due £m	Past due £m	Not past due £m	Past due £m	Total £m
Gross balances						
Residential mortgages: owner-occupier	26,152.2	4,203.8	102.7	39.9	106.2	30,604.8
Residential mortgages: buy to let	1,224.9	142.4	6.4	5.7	8.6	1,388.0
Legacy lending[1]	5.7	1.0	0.1	0.1	0.1	7.0
Total	27,382.8	4,347.2	109.2	45.7	114.9	31,999.8
ECL						
Residential mortgages: owner-occupier[2]	1.2	13.7	0.4	3.4	1.5	20.2
Residential mortgages: buy to let	0.1	0.4	–	0.3	0.5	1.3
Legacy lending[1]	0.1	0.2	–	–	0.1	0.4
Total	1.4	14.3	0.4	3.7	2.1	21.9
ECL coverage as a % of total balance						
Residential mortgages: owner-occupier	–	0.33%	0.39%	8.52%	1.41%	0.07%
Residential mortgages: buy to let	0.01%	0.28%	–	5.26%	5.81%	0.09%
Legacy lending[1]	1.75%	20.00%	–	–	100.00%	5.71%
Total coverage	0.01%	0.33%	0.37%	8.10%	1.83%	0.07%

1. Relates to legacy books with no new originations since 2010.
2. Pipeline ECL of £0.2 million has been included in residential mortgages.

During the year the ECL provision reduced by £18.2 million to £24.3 million, driven by improved economic outlook alongside experience gained on the cost of living affordability PMA. Further detail on this can be seen on page 149.

At 31 December 2024, 89.2% of the Group's loans and advances to customers were within the stage 1 'performing' category (2023: 85.0%). This proportion increased during 2024 as a result of this improving outlook and updates to post model adjustments.

At the reporting date, 10.1% of loans are in stage 2 and 0.7% in stage 3 (2023: 14.5% in stage 2 and 0.5% in stage 3). Cure periods are applied to accounts in stages 2 and 3 which have hit certain quantitative triggers such as arrears. These cure periods delay transition of loans to a lower credit risk classification (i.e. from stage 3 to stage 2 or from stage 2 to stage 1) by requiring a period of sustained performance before a loan is reassessed. As a result, loans can be recorded in stage 2 or stage 3 despite otherwise performing at the reporting date.

Stage 2 balances were £5,242.5 million (2023: £7,318.9 million) and of these £205.2 million or 3.9% (2023: £179.2 million, 2.4%) are in arrears by 30 days or more. At 31 December 2024, 58% or £3,039.8 million of the loans in stage 2 are present as a result of the SICR criteria established to reflect the cost of living affordability risk and are the driver of the higher level of loans in stage 2. All of these accounts were paid up to date as at 31 December 2024 and remain in stage 2 as a result of indicators of increased risk.

Of the £350.0 million (2023: £267.7 million) of loans which are classified as stage 3 at the reporting date, 50.4% or £176.4 million were three months or more in arrears (2023: 51.9%, £139.0 million), and 25.9% (£90.6 million) were paid up to date (2023: 29.3%, £78.4 million). At 31 December 2024, the number of properties which were in possession remained low; a total of £8.1 million of stage 3 loans were in possession (2023: £4.7 million), representing 36 individual properties (2023: 25 properties).

ECL coverage ratios

This coverage ratio (ECL provision / gross loans and advances to customers) is 5 basis points (2023: 8 basis points).

		31 Dec 2024	31 Dec 2023
Total ECL provision	£m	**24.3**	42.5
Total gross loans and advances to customers before ECL and EIR	£m	**51,795.6**	50,307.2
ECL coverage ratio	%	**0.05**	0.08

The decrease in ECL in the year resulted in the coverage reducing to 16.2 times (2023: 70.8 times) the gross impairment losses before recoveries in the last 12 months as shown below.

		Year ended 31 Dec 2024	Year ended 31 Dec 2023
Impairment losses before recoveries	£m	**1.5**	0.6
Total ECL provision	£m	**24.3**	42.5
ECL coverage	Years	**16.2**	70.8

Notes to the accounts continued

14. Impairment on loans and advances to customers continued

Significant accounting estimates – application of post model adjustments

The table below presents the judgemental adjustments that have been recognised within the ECL provision outside of core modelled ECLs.

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Core modelled ECL	**17.9**	18.1	**7.5**	7.0
Judgemental adjustments				
Impact of cost of living risk	**2.3**	18.4	**1.4**	11.8
Other judgemental adjustments	**4.1**	6.0	**2.0**	3.1
	6.4	24.4	**3.4**	14.9
Total reported ECL	**24.3**	42.5	**10.9**	21.9

The £6.4 million (2023: £24.4 million) ECL provision recognised relating to post model adjustments (PMAs) have been included where the Society's models do not fully capture the associated risks of future credit loss.

More information on the PMAs recognised at 31 December 2024 is set out below.

Cost of living post model adjustment

The Group has recognised a provision of £2.3 million at 31 December 2024 (2023: £18.4 million) to reflect the elevated affordability pressures and payment shock risk arising as a result of the ongoing cost of living challenges and higher interest rate environment. This is recognised as a PMA as the models do not satisfactorily capture all of the risks from these challenges facing borrowers. The reduction in the balance is due to the improved economic outlook alongside updates to the methodology based on experience gained from actual stresses seen over the period since initial recognition of the PMA. This has enabled refinements to the model used.

The PMA attributes default probabilities to a cohort of customers identified as experiencing a deterioration in credit quality in the last 12 months. This assessment is based on a range of measures, including credit bureau data on scores and levels of indebtedness since June 2022. Customers with an LTV below 60% are excluded from this cohort, as the equity protection afforded by the low LTV significantly mitigates the risk of loss. All customers meeting these criteria and included in the cost of living PMA are subsequently moved to Stage 2. In applying these criteria, this captures 6.4% (2023: 12.3%) of total loans and advances to customers. Had the 60% LTV floor been excluded, the PMA would have increased by £0.3 million (2023: £1.0 million).

Other post model adjustments

At 31 December 2024, the Society held other PMAs in aggregate totalling £4.1 million (2023: £6.0 million).

This includes additional adjustments for negative equity accounts, which are identified through using automated valuation models (AVM), unsuitable cladding and other fire safety risks and fraud. These additional PMAs have been included in ECLs on a consistent basis with the prior year.

Notes to the accounts continued

14. Impairment on loans and advances to customers continued

Movements in gross exposure and ECL provision

A reconciliation of movements in gross exposures and ECL provision split by IFRS 9 stage from 1 January 2024 to 31 December 2024 is set out below for the Group and Society.

	Stage 1		Stage 2		Stage 3		Total	
Group	Gross balance £m	Provision 12 month ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision £m
At 1 January 2024	42,720.6	2.4	7,318.9	29.0	267.7	11.1	50,307.2	42.5
Movements with Income Statement impact								
Transfers from Stage 1 to Stage 2	(2,192.5)	(0.2)	2,192.5	1.5	–	–	–	1.3
Transfers from Stage 1 to Stage 3	(70.9)	–	–	–	70.9	1.1	–	1.1
Transfers from Stage 2 to Stage 3	–	–	(134.1)	(0.8)	134.1	0.8	–	–
Transfers from Stage 3 to Stage 2	–	–	29.4	0.3	(29.4)	(0.3)	–	–
Transfers from Stage 3 to Stage 1	9.3	–	–	–	(9.3)	(0.1)	–	(0.1)
Transfers from Stage 2 to Stage 1	3,592.2	0.2	(3,592.2)	(0.9)	–	–	–	(0.7)
Net movement arising from transfer of stages	1,338.1	–	(1,504.4)	0.1	166.3	1.5	–	1.6
New loans originated[1]	7,057.0	2.0	16.7	–	–	–	7,073.7	2.0
Remeasurement of ECL due to changes in risk parameters	–	(0.6)	–	(0.7)	–	2.3	–	1.0
Increase/(decrease) in post model adjustments	–	–	–	(16.0)	–	(2.0)	–	(18.0)
Loans derecognised in the period	(3,083.5)	(1.2)	(481.0)	(1.2)	(77.4)	(1.2)	(3,641.9)	(3.6)
Other items impacting Income Statement	–	–	–	(0.1)	–	–	–	(0.1)
Net write offs directly to Income Statement		–	–	(0.1)	–	(1.0)	–	(1.1)
Income Statement (release) / charge for the period		0.2		(18.0)		(0.4)		(18.2)
Repayment and charges	(1,829.1)	–	(107.6)	–	(5.2)	–	(1,941.9)	–
Net write offs and other ECL movements	–	–	(0.1)	–	(1.4)	–	(1.5)	–
At 31 December 2024	46,203.1	2.6	5,242.5	11.0	350.0	10.7	51,795.6	24.3

1. New mortgages originated in stages 2 and 3 relate to further advances on accounts which are performing at the date of origination but are in the 12 month cure period for IFRS 9 staging.

Notes to the accounts continued

14. Impairment on loans and advances to customers continued

Movements in gross exposure and ECL provision continued

Society	Stage 1 Gross balance £m	Stage 1 Provision 12 month ECL £m	Stage 2 Gross balance £m	Stage 2 Provision lifetime ECL £m	Stage 3 Gross balance £m	Stage 3 Provision lifetime ECL £m	Total Gross balance £m	Total Provision £m
At 1 January 2024	27,382.8	1.4	4,456.4	14.7	160.6	5.8	31,999.8	21.9
Movements with Income Statement impact								
Transfers from Stage 1 to Stage 2	(1,296.7)	(0.1)	1,296.7	0.5	–	–	–	0.4
Transfers from Stage 1 to Stage 3	(41.0)	–	–	–	41.0	0.7	–	0.7
Transfers from Stage 2 to Stage 3	–	–	(81.6)	(0.3)	81.6	0.3	–	–
Transfers from Stage 3 to Stage 2	–	–	18.7	0.2	(18.7)	(0.2)	–	–
Transfers from Stage 3 to Stage 1	5.8	–	–	–	(5.8)	(0.1)	–	(0.1)
Transfers from Stage 2 to Stage 1	2,287.7	0.2	(2,287.7)	(0.6)	–	–	–	(0.4)
Net movement arising from transfer of stages	955.8	0.1	(1,053.9)	(0.2)	98.1	0.7	–	0.6
New loans originated[1]	5,510.2	1.8	12.2	–	–	–	5,522.4	1.8
Remeasurement of ECL due to changes in risk parameters	–	(0.5)	–	(0.3)	–	1.1	–	0.3
Increase/(decrease) in post model adjustments	–	–	–	(10.6)	–	(1.2)	–	(11.8)
Loans derecognised in the period	(2,045.5)	(1.0)	(336.4)	(0.1)	(38.8)	(0.3)	(2,420.7)	(1.4)
Other items impacting Income Statement	–	–	–	–	–	(0.1)	–	(0.1)
Net write offs directly to Income Statement	–	–	–	–	–	(0.4)	–	(0.4)
Income Statement (release) / charge for the period		0.4		(11.2)		(0.2)		(11.0)
Repayment and charges	(1,567.8)	–	(96.2)	–	(4.4)	–	(1,668.4)	–
Net write offs and other ECL	–	–	–	–	(0.6)	–	(0.6)	–
At 31 December 2024	30,235.5	1.8	2,982.1	3.5	214.9	5.6	33,432.5	10.9

1. New mortgages originated in stages 2 and 3 relate to further advances on accounts which are performing at the date of origination but are in the 12 month cure period for IFRS 9 staging.

Notes to the accounts continued

14. Impairment on loans and advances to customers continued

Movements in gross exposure and ECL provision continued

A reconciliation of movements in gross exposures and impairment provision split by IFRS 9 stage from 1 January 2023 to 31 December 2023 is set out in the following table for the Group and Society.

	Stage 1		Stage 2		Stage 3		Total	
Group	Gross balance £m	Provision 12 month ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision lifetime ECL £m	Gross balance £m	Provision £m
At 1 January 2023	43,370.3	5.0	4,466.4	23.5	202.0	7.0	48,038.7	35.5
Movements with Income Statement impact								
Transfers from Stage 1 to Stage 2	(5,309.0)	(1.6)	5,309.0	4.1	–	–	–	2.5
Transfers from Stage 1 to Stage 3	(73.2)	–	–	–	73.2	1.4	–	1.4
Transfers from Stage 2 to Stage 3	–	–	(101.5)	(0.5)	101.5	0.5	–	–
Transfers from Stage 3 to Stage 2	–	–	29.9	0.3	(29.9)	(0.3)	–	–
Transfers from Stage 3 to Stage 1	11.4	–	–	–	(11.4)	–	–	–
Transfers from Stage 2 to Stage 1	1,634.6	0.1	(1,634.6)	(0.6)	–	–	–	(0.5)
Net movement arising from transfer of stages	(3,736.2)	(1.5)	3,602.8	3.3	133.4	1.6	–	3.4
New loans originated[1]	8,235.8	4.0	11.2	–	0.1	–	8,247.1	4.0
Remeasurement of ECL due to changes in risk parameters	–	(2.3)	–	0.1	–	1.9	–	(0.3)
Increase/(decrease) in post model adjustments	–	(0.6)	–	3.3	–	2.2	–	4.9
Loans derecognised in the period	(3,252.8)	(2.3)	(599.1)	(1.1)	(59.1)	(0.9)	(3,911.0)	(4.3)
Other items impacting Income Statement	–	0.1	–	(0.1)	–	(0.4)	–	(0.4)
Net write offs directly to Income Statement		–	–	–	–	(0.3)	–	(0.3)
Income Statement charge for the period		(2.6)		5.5		4.1		7.0
Repayment and charges	(1,896.5)	–	(162.4)	–	(7.9)	–	(2,066.8)	–
Net write offs and other ECL movements	–	–	–	–	(0.8)	–	(0.8)	–
At 31 December 2023	42,720.6	2.4	7,318.9	29.0	267.7	11.1	50,307.2	42.5

1. New mortgages originated in stages 2 and 3 relate to further advances on accounts which are performing at the date of origination but are in the 12 month cure period for IFRS 9 staging.

Notes to the accounts continued

14. Impairment on loans and advances to customers continued

Movements in gross exposure and ECL provision continued

Society	Stage 1 Gross balance £m	Stage 1 Provision 12 month ECL £m	Stage 2 Gross balance £m	Stage 2 Provision lifetime ECL £m	Stage 3 Gross balance £m	Stage 3 Provision lifetime ECL £m	Total Gross balance £m	Total Provision £m
At 1 January 2023	26,678.3	3.7	2,831.9	13.5	115.5	2.8	29,625.7	20.0
Movements with Income Statement impact								
Transfers from Stage 1 to Stage 2	(3,310.3)	(1.3)	3,310.3	1.5	–	–	–	0.2
Transfers from Stage 1 to Stage 3	(42.0)	–	–	–	42.0	0.8	–	0.8
Transfers from Stage 2 to Stage 3	–	–	(58.8)	(0.2)	58.8	0.2	–	–
Transfers from Stage 3 to Stage 2	–	–	16.4	0.1	(16.4)	(0.1)	–	–
Transfers from Stage 3 to Stage 1	4.2	–	–	–	(4.2)	–	–	–
Transfers from Stage 2 to Stage 1	1,063.0	0.1	(1,063.0)	(0.3)	–	(0.1)	–	(0.3)
Net movement arising from transfer of stages	(2,285.1)	(1.2)	2,204.9	1.1	80.2	0.8	–	0.7
New loans originated[1]	6,745.8	3.8	9.3	–	0.1	–	6,755.2	3.8
Remeasurement of ECL due to changes in risk parameters	–	(2.3)	–	(0.4)	–	0.9	–	(1.8)
Increase/(decrease) in post model adjustments	–	(0.5)	–	0.7	–	1.7	–	1.9
Loans derecognised in the period	(2,168.1)	(2.1)	(441.9)	(0.2)	(28.0)	(0.3)	(2,638.0)	(2.6)
Other items impacting Income Statement	–	–	–	–	–	–	–	–
Net write offs directly to Income Statement	–	–	–	–	–	(0.1)	–	(0.1)
Income Statement charge for the period		(2.3)		1.2		3.0		1.9
Repayment and charges	(1,588.1)	–	(147.8)	–	(7.1)	–	(1,743.0)	–
Net write offs and other ECL movements	–	–	–	–	(0.1)	–	(0.1)	–
At 31 December 2023	27,382.8	1.4	4,456.4	14.7	160.6	5.8	31,999.8	21.9

1. New mortgages originated in stages 2 and 3 relate to further advances on accounts which are performing at the date of origination but are in the 12 month cure period for IFRS 9 staging.

Significant accounting assumptions and estimates - forward-looking information incorporated in the ECL models

Formulation of economic scenarios and governance

The economic scenarios used by the Society reflect management's best estimate of the future economic conditions under a range of scenarios, including a weighting reflecting the loss distribution on the occurrence of each scenario. At 31 December 2024, the Group has used alternative economic scenarios to assess ECLs for its core owner-occupier and buy to let portfolios, which represent over 99% of total loans and advances to customers.

The assumptions in each of the four (2023: four) scenarios evolve, reflecting latest expectations with the base scenario representing the most likely outcome, complemented by one upside and two downside scenarios based on potential economic developments. These alternative scenarios are built using management judgement and are calibrated to statistical views of economic cycles ranging from periods of five to ten years from the beginning of an overall expansion phase to the end of the contraction phase and the beginning of the next initial recovery phase. Available data from the last 50 years has been analysed to draw out the normal range through to extreme outcomes that could be expected to be observed. Outside of these extreme outcomes, the severe downside scenario is based on a deliberately extreme case used for stress testing, the severity of which has not been experienced in the last 50 years.

Beyond the five year forecast horizon which aligns to the Strategic Plan period, long-term averages for each economic assumption variable are used. The severe downside scenario transitions to the long-term average level over a period of ten years, reflecting the negativity of the scenario. The other three scenarios transition over a five year period. These long-term averages hold true throughout various financial and economic crises, and are therefore used until the end of the 35 year forecast.

Scenarios and accompanying weightings are determined following analysis of economic news, forecasts, peer benchmarking, scientific developments and results. By their nature, a significant degree of estimation is involved in determining the scenario weightings.

Notes to the accounts continued

14. Impairment on loans and advances to customers continued

Significant accounting assumptions and estimates – forward-looking information incorporated in the ECL models continued

Formulation of economic scenarios and governance continued

These scenarios and weightings are developed within the Society's Treasury function and are reviewed and approved quarterly by the Society's Asset and Liability Committee with further approval at reporting periods by the Board Audit Committee.

Current year scenarios and weightings

During the year, the weightings for each scenario were reviewed and remain consistent with the weightings applied at the prior year end. The weightings used at the year end reflect the Society's view of the range of potential future economic conditions at the Balance Sheet date. An explanation of each scenario and its relative weighting in calculating ECL is set out below:

Scenario	Weighting
Base	
The central scenario used to support the business planning of the Society. Unemployment rises a little following restrictive monetary policy, but GDP growth is expected to pick up gradually. Whilst domestic inflationary pressures take longer to unwind than they did to emerge, CPI is expected to return close to the 2% target in the near term, allowing Bank Rate to decrease. This easing of conditions supports house prices which return to modest growth.	55%
Downside	
Inflation rebounds, having proven stickier than expected and central banks need to increase interest rates further to contain it. There is an economic contraction resulting from further cost of living deterioration which drives up unemployment, and house prices weaken considerably. Inflation returns to target within the first 5 years and monetary policy begins to ease.	25%
Severe downside	
Based on the PRA's supply-side desk-based scenario, sees a severe, negative global aggregate supply shock from an increase in geopolitical tensions and global commodity prices, and supply-chain disruptions. This leads to higher-than-expected inflation across advanced economies. High inflation is assumed to lead to expectations of higher inflation in the future and global policymakers increase interest rates to bring inflation back to target. In this scenario, Bank Rate rises to 9% and stays there for a year.	10%
Upside	
Inflation dissipates and unemployment reduces, underpinning robust economic growth and rising house prices. The Bank of England lowers base rate in response to easing economic conditions.	10%

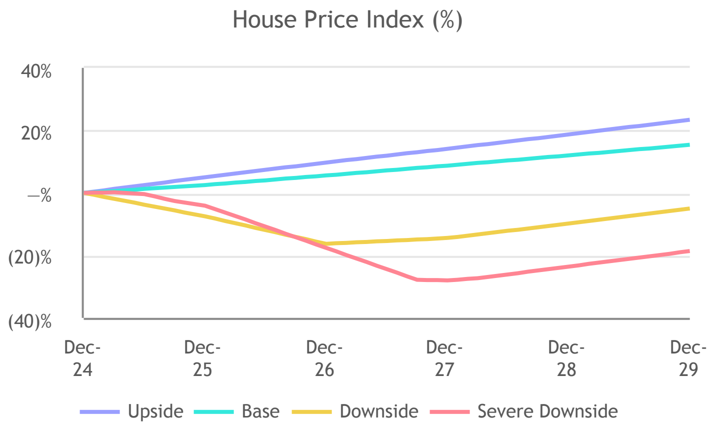
Macroeconomic assumptions

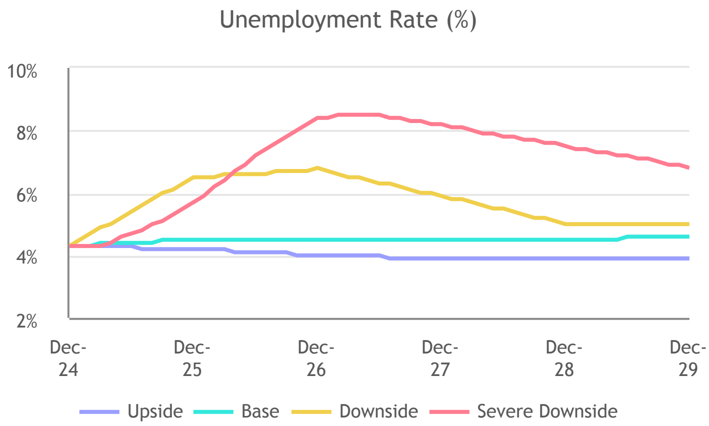
The Society's ECL calculation incorporates four key economic assumptions: unemployment rate, house price index (HPI), GDP and the Bank of England Base Rate. While all feed into the economic forecasts and impact the final ECL provision, the models are particularly sensitive to changes in the following assumptions in each scenario:

- Unemployment rate, given its impact on borrowers' ability to meet their loan repayments.
- HPI, given the significant impact it has on mortgage collateral valuations.

Inflation impacts are also reflected within all four scenarios as the effect has become embedded within economic forecasts.

The following graphs and table show these two key economic assumptions used in the scenarios over a five year forecast period:





Notes to the accounts continued

14. Impairment on loans and advances to customers continued

Significant accounting assumptions and estimates - forward-looking information incorporated in the ECL models continued

Macroeconomic assumptions continued

		31 December 2024			31 December 2023		
		Weighting	Unemployment %	HPI %	Weighting	Unemployment %	HPI %
Base	2025	**55%**	**4.5**	**2.5**	55%	4.7	(5.0)
	2026		**4.5**	**3.0**		4.7	–
Downside	2025	**25%**	**6.5**	**(7.5)**	25%	6.5	(7.5)
	2026		**6.8**	**(9.5)**		6.8	(9.5)
Severe Downside	2025	**10%**	**5.7**	**(4.1)**	10%	7.6	(10.4)
	2026		**8.4**	**(14.1)**		8.3	(15.2)
Upside	2025	**10%**	**4.2**	**5.0**	10%	4.2	2.0
	2026		**4.0**	**4.5**		4.0	3.0

Key economic assumptions as at 31 December 2024

While the Society's ECL calculation is particularly sensitive to unemployment and HPI movements, GDP and the Bank of England Base Rate remain key drivers of the provision calculation and the forward economic outlook. The rates applied to all key measures are shown below for the five year forecast period:

Scenario/ weighting		2025 %	2026 %	2027 %	2028 %	2029 %	Peak to trough %	Range %	Average to 31 Dec 2029 %[1]
Base 55%	Unemployment	4.5	4.5	4.5	4.5	4.6	0.3	4.3 - 4.6	4.5
	HPI	2.5	3.0	3.0	3.0	3.0	15.2	0.2 - 15.4	2.9
	GDP	1.7	1.5	1.5	1.5	1.5	7.8	0.1 - 7.9	1.5
	Base Rate	3.75	3.50	3.50	3.50	3.50	1.25	3.50 - 4.75	3.7
Downside 25%	Unemployment	6.5	6.8	5.9	5.0	5.0	2.3	4.5 - 6.8	5.7
	HPI	(7.5)	(9.5)	2.2	5.4	5.4	15.7	(16.3) - (0.6)	(1.0)
	GDP	(2.5)	–	1.3	1.3	1.3	3.9	(2.5) - 1.4	0.3
	Base Rate	6.25	5.75	5.00	4.50	4.50	1.75	4.50 - 6.25	5.3
Severe downside 10%	Unemployment	5.7	8.4	8.2	7.5	6.8	4.2	4.3 - 8.5	7.0
	HPI	(4.1)	(14.1)	(12.6)	6.1	6.5	28.2	(28.0) - 0.2	(4.0)
	GDP	(2.4)	(2.7)	1.6	1.9	1.8	5.6	(5.0) - 0.6	–
	Base Rate	9.00	8.00	5.50	3.50	3.50	5.50	3.50 - 9.00	6.0
Upside 10%	Unemployment	4.2	4.0	3.9	3.9	3.9	0.4	3.9 - 4.3	4.0
	HPI	5.0	4.5	4.0	4.0	4.0	23.0	0.4 - 23.4	4.3
	GDP	2.0	2.5	3.0	3.5	4.0	15.7	0.2 - 15.9	3.0
	Base Rate	3.80	3.00	3.00	3.00	3.00	1.75	3.00 - 4.75	3.3

1. HPI change and GDP change average to 31 December 2029 are shown as the annual compound growth rates.

A significant degree of estimation relates to the relative weightings of the scenarios, incorporating different views of the house price index and the unemployment rate as indicated above. In order to demonstrate this sensitivity, the impact of applying 100% of a particular scenario on the reported IFRS 9 ECL provision is shown below. For example, if the provision was wholly calculated on the base scenario, it would decrease by £6.5 million, or 26.7% (2023: £16.4 million, 38.6%) compared with the reported provision. If a 100% weighting was attributed to the severe downside scenario, ECLs would increase by £21.5 million or 88.5% (2023: £36.1 million, 84.9%).

	31 December 2024		31 December 2023	
Scenario	IFRS 9 provision £m	(Decrease)/ increase %	IFRS 9 provision £m	(Decrease)/ increase %
IFRS 9 weighted average	**24.3**	**–**	42.5	–
Base scenario	**17.8**	**(26.7)**	26.1	(38.6)
Downside scenario	**32.4**	**33.3**	59.6	40.2
Severe downside scenario	**45.8**	**88.5**	78.6	84.9
Upside scenario	**16.0**	**(34.2)**	17.7	(58.4)

Notes to the accounts continued

14. Impairment on loans and advances to customers continued

Key economic assumptions as at 31 December 2024 continued

31 December 2024	Scenarios				
	Weighted	Base	Downside	Severe Downside	Upside
Stage 1 Gross Exposure (£m)	**46,203.1**	**47,539.5**	**46,204.0**	**46,165.1**	**47,827.5**
Stage 1 ECL (£m)	**2.6**	**2.0**	**3.8**	**4.5**	**1.8**
Stage 1 Coverage (%)	**0.01%**	**–**	**0.01%**	**0.01%**	**–**
Stage 2 Gross Exposure (£m)	**5,242.5**	**3,906.1**	**5,241.6**	**5,280.5**	**3,618.1**
Stage 2 ECL (£m)	**11.0**	**6.7**	**15.5**	**25.9**	**5.5**
Stage 2 Coverage (%)	**0.21%**	**0.17%**	**0.30%**	**0.49%**	**0.15%**
Stage 3 Gross Exposure (£m)	**350.0**	**350.0**	**350.0**	**350.0**	**350.0**
Stage 3 ECL (£m)	**10.7**	**9.1**	**13.1**	**15.4**	**8.7**
Stage 3 Coverage (%)	**3.06%**	**2.60%**	**3.74%**	**4.40%**	**2.49%**
Total Gross Exposure (£m)	**51,795.6**	**51,795.6**	**51,795.6**	**51,795.6**	**51,795.6**
Total ECL (£m)	**24.3**	**17.8**	**32.4**	**45.8**	**16.0**
Total ECL coverage (%)	**0.05%**	**0.03%**	**0.06%**	**0.09%**	**0.03%**

31 December 2023	Scenarios				
	Weighted	Base	Downside	Severe Downside	Upside
Stage 1 Gross Exposure (£m)	42,720.6	43,720.8	42,694.3	42,613.4	45,133.1
Stage 1 ECL (£m)	2.4	0.9	4.8	6.8	0.5
Stage 1 Coverage (%)	0.01%	–	0.01%	0.02%	–
Stage 2 Gross Exposure (£m)	7,318.9	6,318.7	7,345.2	7,426.1	4,906.4
Stage 2 ECL (£m)	29.0	14.9	42.3	57.7	8.1
Stage 2 Coverage (%)	0.40%	0.24%	0.58%	0.78%	0.17%
Stage 3 Gross Exposure (£m)	267.7	267.7	267.7	267.7	267.7
Stage 3 ECL (£m)	11.1	10.3	12.5	14.1	9.1
Stage 3 Coverage (%)	4.15%	3.85%	4.67%	5.27%	3.39%
Total Gross Exposure (£m)	50,307.2	50,307.2	50,307.2	50,307.2	50,307.2
Total ECL (£m)	42.5	26.1	59.6	78.6	17.7
Total ECL coverage (%)	0.08%	0.05%	0.12%	0.16%	0.04%

The ECL calculated above for 100% of each scenario multiplied by the scenario probability will not reconcile to the overall provision. This is due to the staging of loans within each scenario varying, but being allocated to a single stage in the overall provision calculation and having a weighted average 12 month or lifetime PD applied taking into account the economic scenarios. The probability weighted ECL is then calculated based on this staging allocation. The estimated ECL provision is determined using an uplift to account for non-linearity in modelling of unemployment rates beyond 8.5%.

Sensitivity assessment

As at 31 December 2024, a decrease to the annual HPI assumption by 10% combined with an increase in the unemployment rate assumption of 10% throughout the forecast period would have the impact of increasing the core modelled ECL provision by £18.4 million to £42.7 million.

Other credit risk information

The table below provides more analysis on the reason for presence within stage 2 under the Society's SICR criteria. Where a loan meets more than one of these criteria at the Balance Sheet date, it has been included in only one category, being the first which applied and led to its movement into stage 2:

	2024			2023		
	Stage 2 balance £m	Provision lifetime ECL £m	Total £m	Stage 2 balance £m	Provision lifetime ECL £m	Total £m
Quantitative criteria	**1,182.0**	**(1.4)**	**1,180.6**	512.9	(1.5)	511.4
Back stop criteria (arrears of one monthly payment)	**232.4**	**(0.3)**	**232.1**	208.0	(0.3)	207.7
Forbearance applied	**13.7**	**–**	**13.7**	13.3	–	13.3
Other qualitative criteria	**3,814.4**	**(9.3)**	**3,805.1**	6,584.7	(27.2)	6,557.5
Total	**5,242.5**	**(11.0)**	**5,231.5**	7,318.9	(29.0)	7,289.9

As at 31 December 2024, the largest component of other qualitative criteria above is that of accounts in stage 2 due to the SICR criteria established as a result of the cost of living affordability risk totalling £3,039.8 million (2023: £5,894.2 million).

Notes to the accounts continued

14. Impairment on loans and advances to customers continued

Other credit risk information continued

Other balances relate to accounts which have missed direct debit payments or county court judgements. See note 1 to the accounts for more information on the SICR criteria applied for stage 2 allocation.

The Society updates its security values using the Nationwide Building Society quarterly regional HPI. Part of the risk assessment of the portfolio also includes an initial individual revaluation of security using automated valuation model (AVM) values.

The LTV distribution of the mortgage book by IFRS 9 stage widened slightly during 2024, with 88% of the mortgage book having an LTV of 75% or lower (2023: 87%). The increase in the higher LTV bandings was driven by increased lending in this area in the year, including first time buyers. However, the overall average LTV (balance weighted) of the book remained stable at 54% (2023: 54%) during the year. This is shown by IFRS 9 stage below:

As at 31 December 2024 Indexed loan to value	Stage 1 Performing £m	Stage 2 Deteriorating £m	Stage 3 Default £m	Impairment Provision £m	Total £m
<50%	20,020.7	722.2	140.4	(1.2)	20,882.1
50% to 65%	14,474.0	1,931.0	115.0	(7.3)	16,512.7
65% to 75%	6,175.1	1,760.6	56.9	(5.4)	7,987.2
75% to 85%	3,613.7	664.5	24.1	(3.6)	4,298.7
85% to 90%	1,358.8	133.6	6.6	(1.9)	1,497.1
90% to 95%	527.9	26.9	2.2	(0.5)	556.5
95% to 100%	25.3	1.9	0.9	(0.2)	27.9
> 100%	–	0.8	3.5	(2.0)	2.3
Unsecured loans	7.6	1.0	0.4	(0.5)	8.5
Mortgage pipeline	–	–	–	(0.4)	(0.4)
Other[1]	–	–	–	(1.3)	(1.3)
Total	**46,203.1**	**5,242.5**	**350.0**	**(24.3)**	**51,771.3**

1. Other includes expected credit losses which are not directly attributable to underlying accounts and therefore are not allocated across loan to value bandings.

As at 31 December 2023 Indexed loan to value	Stage 1 Performing £m	Stage 2 Deteriorating £m	Stage 3 Default £m	Impairment Provision £m	Total £m
<50%	19,423.5	542.0	116.4	(1.5)	20,080.4
50% to 65%	13,696.3	2,184.6	84.8	(9.3)	15,956.4
65% to 75%	4,983.1	2,702.4	43.2	(10.7)	7,718.0
75% to 85%	3,078.7	1,196.2	13.8	(8.9)	4,279.8
85% to 90%	819.4	355.7	3.6	(3.2)	1,175.5
90% to 95%	566.4	253.9	2.1	(3.0)	819.4
95% to 100%	143.0	79.8	0.8	(1.2)	222.4
> 100%	1.3	3.0	2.7	(1.8)	5.2
Unsecured loans	8.9	1.3	0.3	(0.6)	9.9
Mortgage pipeline	–	–	–	(0.2)	(0.2)
Other[1]	–	–	–	(2.1)	(2.1)
Total	42,720.6	7,318.9	267.7	(42.5)	50,264.7

1. Other includes expected credit losses which are not directly attributable to underlying accounts and therefore are not allocated across loan to value bandings.

The credit quality of the mortgage book remains high, and performance continues to be strong.

The probability of default (PD) tables below incorporate the distribution of the Group's credit exposure by internal risk grade and their respective average PD of the Society's loans over their life (e.g. PD of less than or equal to 0.25 indicates a 0.25% chance of default over the life of the loan). These internal risk grades are used in the assessment of SICR as well as within the calculation of regulatory expected losses and capital under the IRB approach. Further information on SICR criteria and the differences between the IFRS 9 ECL calculation and regulatory expected losses can be found in note 1 to the accounts. Default includes cases which are three or more months in arrears or have been three or more months in arrears at some point in the last 12 months in addition to cases which have a specified unlikeliness to pay indicator.

Loan balances are reflected in the respective PD bands of the account as modelled through the Society's standard IFRS 9 impairment models. Impairments reflected in all PD bands in the year have increased and further adjustments have been made to represent the affordability stress recognised with the cost of living PMA. More information on PMAs is outlined on page 149.

Notes to the accounts continued

14. Impairment on loans and advances to customers continued

Other credit risk information continued

At 31 December 2024 Risk Grades	Average life time Probability of default (%)	Stage 1 Performing £m	Stage 2 Deteriorating £m	Stage 3 Default £m	Impairment provision £m	Total £m
Performing						
A - C	0.12%	40,541.3	2,321.2	–	(2.5)	42,860.0
D - F	1.65%	5,457.8	2,261.5	–	(3.1)	7,716.2
G - J	15.54%	69.5	600.8	–	(1.5)	668.8
Non Performing						
K	31.41%	–	36.9	–	(0.2)	36.7
Default and possession	100.00%	–	–	345.4	(9.6)	335.8
Other[1]	Not applicable	134.5	22.1	4.6	(6.9)	154.3
Mortgage pipeline	Not applicable	–	–	–	(0.5)	(0.5)
Total		46,203.1	5,242.5	350.0	(24.3)	51,771.3

1. Other includes equity release mortgages and other loans where credit risk is assessed using alternative calculation methods and their respective ECLs or where ECLs are not directly attributable to underlying accounts and therefore are not allocated across risk grades or to default.

At 31 December 2023 Risk Grades	Average life time Probability of default (%)	Stage 1 Performing £m	Stage 2 Deteriorating £m	Stage 3 Default £m	Impairment provision £m	Total £m
Performing						
A - C	0.11%	37,951.9	4,136.8	–	(11.3)	42,077.4
D - F	1.13%	4,577.2	2,615.4	–	(10.5)	7,182.1
G - J	11.49%	41.1	511.4	–	(2.0)	550.5
Non Performing						
K	27.99%	–	30.8	–	(0.2)	30.6
Default and possession	100.00%	–	–	265.4	(9.1)	256.3
Other[1]	Not applicable	150.4	24.5	2.3	(9.2)	168.0
Mortgage pipeline	Not applicable	–	–	–	(0.2)	(0.2)
Total		42,720.6	7,318.9	267.7	(42.5)	50,264.7

1. Other includes equity release mortgages and other loans where credit risk is assessed using alternative calculation methods and their respective ECLs or where ECLs are not directly attributable to underlying accounts and therefore are not allocated across risk grades or to default.

Notes to the accounts continued

15. Taxation

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Current tax				
UK corporation tax	**71.8**	92.7	**37.6**	74.1
UK corporation tax – adjustment in respect of prior years	**32.1**	(1.9)	**32.0**	(1.9)
Total current tax	**103.9**	90.8	**69.6**	72.2
Deferred tax				
Current year	**3.8**	26.9	**3.8**	26.9
Adjustment in respect of prior years	**(31.5)**	4.7	**(30.4)**	4.7
Total deferred tax	**(27.7)**	31.6	**(26.6)**	31.6
Total	**76.2**	122.4	**43.0**	103.8

A reconciliation between the actual tax expense and tax that would be due if the UK standard corporation tax rate of 25% (2023: 23.5%) was applied to the profit before tax without adjustment is as follows:

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Profit before tax (PBT)	**322.9**	473.5	**186.1**	399.7
Tax at UK standard rate of corporation tax on PBT of 25% (2023: 23.5%)	**80.7**	111.3	**46.5**	93.9
Recurring items				
Surcharge on banking profits[1]	**1.4**	8.4	**1.4**	8.4
Tax credit on Additional Tier 1 capital distribution[2]	**(12.6)**	(6.7)	**(12.6)**	(6.7)
Expenses not deductible for tax purposes[3]	**2.3**	(20.3)	**2.3**	(21.5)
Non-recurring items				
Adjustments in respect of prior years (current tax)[4]	**32.1**	(1.9)	**32.0**	(1.9)
Other (current tax)	**–**	–	**–**	–
Total current tax	**103.9**	90.8	**69.6**	72.2
Movements in deferred taxes	**3.8**	26.7	**3.8**	26.7
Adjustments in respect of prior years (deferred tax)[4]	**(31.5)**	4.7	**(30.4)**	4.7
Deferred tax arising from rate change	**–**	0.2	**–**	0.2
Total	**76.2**	122.4	**43.0**	103.8

1. Banking companies and building societies are required to pay a surcharge of 3% from 1 April 2023 (previously 8%) on their taxable profits in addition to the main rate of corporation tax, subject to an annual allowance of £100 million from 1 April 2023 (previously £25 million). Only the profits of the Society are subject to the surcharge.
2. The Society's AT 1 capital instrument is categorised as a Hybrid Capital Instrument (HCI) and is taxable under the HCI regime. Under the HCI regime, the distributions made to holders of the Society's AT 1 instruments are deductible for tax purposes.
3. Some business expenses, although entirely appropriate for inclusion the Society's accounts, are not allowed as a deduction against taxable income when calculating the Society's tax liability. Examples of these expenses included are related to cash flow hedge reserve adjustment, capital expenditure (which is subject to capital allowances instead) and client entertaining.
4. These adjustments largely relate to the differences between the calculated tax charge in the prior year's Balance Sheet and the final tax charge calculated upon completion of the prior year's corporation tax return. In 2024 these relate mainly to cashflow hedge changes made following a review of the tax hedging methodology.

The effective tax rate for the year is 23.6% (2023: 25.9%) for the Group and 23.1% (2023: 26.0%) for the Society. The effective tax rates for 2024 are below (2023: above) the UK standard corporation tax rate due to the £1.4 million (2023: £8.4 million) surcharge on banking profits, offset by the £12.6 million (2023: £6.7 million) tax credit in relation to distributions to holders of the Group's AT 1 instrument and timing differences on treatment of cash flow hedge movements, which are not deductible for tax purposes.

With a UK corporation tax rate of 25% alongside the Bank Corporation Tax Surcharge of 3% (chargeable on banking profits in excess of £100 million), the combined rate of tax on banking profits in excess of £100 million is 28%. The deferred tax liabilities at 31 December 2024 have been calculated on these rates, reflecting the expected timing of reversal of the related timing differences.

In June 2023, the UK Government has enacted new legislation to implement the global minimum top-up tax in the UK, which took effect from 1 January 2024. Under the new legislation, the Society is liable to pay a domestic top-up tax for the difference between its global anti-base erosion effective tax rate in the UK and the 15% minimum rate. The Society has assessed the impact of the legislation with support from its tax advisers and does not expect to be subject to a top-up tax.

The Society publishes its tax strategy on the website at www.thecoventry.co.uk.

Notes to the accounts continued

15. Taxation continued

Tax on items reported through the Statements of Comprehensive Income is as follows:

Statements of Comprehensive Income	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Tax (credit)/ charge on remeasurement of defined benefit pension plan	**(2.4)**	0.1	**(2.4)**	0.1
Tax credit on fair value through other comprehensive income movements	**(0.8)**	(1.4)	**(0.8)**	(1.4)
Tax credit on cash flow hedges	**(15.8)**	(9.7)	**(26.6)**	(13.6)
Effect of change in corporation tax rate	**–**	0.9	**–**	0.9
Total	**(19.0)**	(10.1)	**(29.8)**	(14.0)

16. Investment in Group undertakings

Society	Shares £m	Loans £m	Total £m
At 1 January 2024	**8.0**	**17,667.7**	**17,675.7**
Movements	**–**	**(84.7)**	**(84.7)**
At 31 December 2024	**8.0**	**17,583.0**	**17,591.0**

The Society has the following consolidated subsidiary undertakings, all of which operate in the United Kingdom and are wholly owned by Coventry Building Society:

Subsidiary undertakings	Principal activity
Godiva Mortgages Limited	Mortgage lending
ITL Mortgages Limited	Mortgage lending
Coventry Financial Services Limited	Non-trading
Coventry Property Services Limited	Non-trading
Godiva Financial Services Limited	Non-trading
Godiva Housing Developments Limited	Non-trading
Godiva Savings Limited	Non-trading
Godiva Securities and Investments Limited	Non-trading

All of the non-trading subsidiaries were dissolved in January 2025, subsequent to the reporting date.

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are consolidated when the substance of the relationship indicates control in accordance with the accounting policy set out in note 1. The following structured entities are consolidated:

Consolidated structured entities	Principal activity
Coventry Building Society Covered Bonds LLP	Mortgage acquisition and guarantor of covered bonds
Coventry Godiva Covered Bonds LLP	Mortgage acquisition and guarantor of covered bonds
Economic Master Issuer plc	Funding vehicle

The nature and risks associated with the Society's investments in these entities (including obligations of financial support) are disclosed in note 13.

Consolidated entities	Registered office
Godiva Mortgages Limited	Coventry House, Harry Weston Road, Binley, Coventry CV3 2TQ
ITL Mortgages Limited	Coventry House, Harry Weston Road, Binley, Coventry, CV3 2TQ
Coventry Building Society Covered Bonds LLP	Oakfield House, Harry Weston Road, Coventry CV3 2TQ
Coventry Godiva Covered Bonds LLP	Oakfield House, Harry Weston Road, Coventry CV3 2TQ
Economic Master Issuer plc	10th Floor 5 Churchill Place, London E14 5HU

All of the other companies are registered at Oakfield House, PO Box 600, Binley Business Park, Coventry CV3 9YR.

Notes to the accounts continued

17. Intangible assets

Group and Society	Externally acquired 2024 £m	Internally developed 2024 £m	Total 2024 £m	Externally acquired 2023 £m	Internally developed 2023 £m	Total 2023 £m
Cost						
At 1 January	5.1	87.1	92.2	2.5	70.6	73.1
Additions	0.4	19.3	19.7	2.6	16.6	19.2
Retirements	(0.5)	(8.0)	(8.5)	–	(0.1)	(0.1)
At 31 December	5.0	98.4	103.4	5.1	87.1	92.2
Amortisation						
At 1 January	3.8	38.8	42.6	0.5	29.3	29.8
Charge for the year	0.5	13.9	14.4	3.3	9.6	12.9
Retirements	(0.5)	(7.8)	(8.3)	–	(0.1)	(0.1)
At 31 December	3.8	44.9	48.7	3.8	38.8	42.6
Net book value at 31 December	1.2	53.5	54.7	1.3	48.3	49.6

Intangible assets primarily consist of externally acquired and internally developed software that is not an integral part of a related hardware purchase.

Externally acquired and internally developed assets at 31 December 2024 include £0.3 million and £6.9 million respectively (2023: externally acquired £0.1 million, internally developed £2.6 million) of assets in the course of construction. These assets relate mainly to the Society's investment in new systems and platforms to meet the future needs of the business. To the extent that these new systems and platforms are not yet ready for use by the business, no amortisation has been charged against these assets.

18. Property, plant and equipment

Group and Society	Land and buildings £m	Equipment, fixtures and fitting £m	Right-of-use asset £m	Total £m
Cost				
At 1 January 2024	14.8	62.9	26.7	104.4
Additions	–	7.0	1.3	8.3
Disposals	–	(1.0)	(4.7)	(5.7)
At 31 December 2024	14.8	68.9	23.3	107.0
Depreciation				
At 1 January 2024	3.4	34.7	15.3	53.4
Charge for the year	0.2	8.5	3.3	12.0
Depreciation on disposals	–	(1.0)	(4.7)	(5.7)
At 31 December 2024	3.6	42.2	13.9	59.7
Net book value at 31 December 2024	11.2	26.7	9.4	47.3

Group and Society	Land and buildings £m	Equipment, fixtures and fitting £m	Right-of-use asset £m	Total £m
Cost				
At 1 January 2023	18.3	59.9	27.9	106.1
Additions	0.1	3.5	0.2	3.8
Disposals	(3.6)	(0.5)	(1.4)	(5.5)
At 31 December 2023	14.8	62.9	26.7	104.4
Depreciation				
At 1 January 2023	4.1	26.0	12.8	42.9
Charge for the year	0.5	9.2	3.5	13.2
Depreciation on disposals	(1.2)	(0.5)	(1.0)	(2.7)
At 31 December 2023	3.4	34.7	15.3	53.4
Net book value at 31 December 2023	11.4	28.2	11.4	51.0

Notes to the accounts continued

18. Property, plant and equipment continued

Right-of-use assets additions includes new leases entered into during the year and additions related to lease modifications following changes in lease agreements during the period. These changes do not constitute a new agreement but adaptations or amendments to an existing contract.

Disposals relate to assets that were retired during the year.

The net book value of land and buildings owned by the Society, and occupied by the Group for its own activities is shown below. This therefore excludes any right-of-use assets.

Group and Society	2024 £m	2023 £m
At 31 December	**11.2**	11.4

Right-of-use assets additions includes new leases entered into during the year and additions related to lease modifications following changes in lease agreements during the period. These changes do not constitute a new agreement but adaptations or amendments to an existing contract.

Disposals relate to assets that were retired during the year.

The net book value of right-of-use assets above relates to the following types of assets:

Group and Society	2024 Total £m	2023 Total £m
Property	**7.8**	9.1
Enhanced data infrastructure	**1.5**	2.0
Cars and leased equipment	**0.1**	0.3
Total	**9.4**	11.4

19. Other assets

At 31 December 2024, the Group and Society held a balance of £725.2 million (2023: £nil) in other assets, which related to inaccessible funds held with independent paying agents in readiness for the purchase completion of The Co-operative Bank Holdings plc on 1 January 2025.

20. Pension scheme

The Society operates both a funded defined benefit and a defined contribution pension scheme.

Defined benefit obligations

The Coventry Building Society Staff Superannuation Fund (the Fund) is administered by a separate trust that is legally separated from the Society. The Fund has been closed to new members since December 2001 and provides benefits based on final pensionable salary and was closed to future service accrual from 31 December 2012. The trustees of the Fund are required to act in the best interests of the Fund members. The appointment of the trustees is determined by the Fund's trust documentation. This Fund has now been fully transferred into a scheme administered by TPT Retirement Solutions (TPT) (the Scheme).

The latest actuarial valuation of the Scheme showed a deficit and since it is closed to future service accrual, no contributions were made in respect of members' pensionable salaries during 2024 (2023: £nil). There have been no further deficit contributions in 2024 (2023: £nil) and none are planned ahead of the next actuarial valuation. The Society continues to meet the Scheme's expenses through contributions, including levies to the Pension Protection Fund. The deficit is expected to be recovered in future periods through investment performance.

The Scheme typically exposes the Society to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to Scheme liabilities. This would detrimentally impact the Balance Sheet and may give rise to increased charges in future periods. This effect would be partially offset by an increase in the value of the bonds and liability matched holdings. Caps on inflationary increases are in place to protect the Scheme against extreme inflation.

Overall, the balance has moved to a liability position in the year, standing at £4.8 million at 31 December 2024 (2023: £3.7 million surplus). Market movements, or the resulting increase in corporate bond yields compared to the prior year, has resulted in a higher discount rate applied. Whilst this has reduced the value of the Scheme liabilities, there has been a greater offsetting impact on the yields and overall asset values, resulting in the net obligation arising. The Society will be able to reduce this obligation in the future either through future changes to the Scheme valuation or through increased contributions.

The Scheme assets include investments in Liability Driven Investment (LDI funds). Each fund holds a portfolio of assets that are sensitive to changes in interest rates and/or inflation expectations. The particular funds chosen are selected so that,

Notes to the accounts continued

20. Pension scheme continued

Defined benefit obligations continued

when combined, the value of the Scheme's assets are expected to move proportionately to that of the liabilities for a given change in interest rates and/or inflation expectations. The funds will principally hold a combination of gilt repos, interest rate swaps, inflation swaps, gilt total return swaps and physical gilts. The leverage of each fund will vary with changes in interest rates and inflation and the fund manager will follow a recapitalisation process, if the leverage in any individual fund reaches a heightened level and follow a re-leveraging process if the leverage in any individual fund decreases to a depressed level. The fund manager aims to also limit the exposure to each counterparty to 30% of each LDI fund's overall exposure.

The latest full actuarial valuation was carried out as at 30 September 2022 on the Scheme, with a funding update carried out for the elements of the Fund that were still in the process of transfer. These have been updated to 31 December 2024 by a qualified actuary, independent of the Scheme's sponsoring employer. The significant assumptions used are shown below. There have been no changes in the valuation methodology adopted for this period's disclosures compared with the previous period's disclosures.

The cost of the schemes was assessed in accordance with the advice of a qualified actuary on the basis of valuations using the projected unit credit method.

The present value of the Scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit credit method. The value calculated in this way is deducted from the fair value of Fund assets and the net (obligation)/surplus is presented on the Balance Sheet as shown below:

Group and Society	2024 £m	2023 £m
Present value of funded obligation	(137.4)	(149.5)
Fair value of plan assets	132.6	153.2
Pension benefit (obligation)/surplus	(4.8)	3.7

Group and Society	2024 £m	2023 £m
Present value of obligation		
As at 1 January	(149.5)	(157.4)
Interest expense	(6.9)	(7.7)
Benefit payments from plan assets	6.7	7.0
Remeasurements:		
Effects of changes in demographic assumptions	0.3	6.7
Effects of changes in financial assumptions	12.3	(1.9)
Effects of experience adjustments	(0.3)	3.8
As at 31 December	(137.4)	(149.5)
Fair value of plan assets		
As at 1 January	153.2	160.7
Interest income	7.1	7.9
Employer contributions	0.2	0.2
Benefit payments from plan assets	(6.7)	(7.0)
Return on assets	(21.2)	(8.6)
As at 31 December	132.6	153.2
Pension benefit (obligation)/surplus	(4.8)	3.7
The movement in the Pension Benefit Surplus is analysed below:		
Pension benefit surplus as at 1 January	3.7	3.3
Amount recognised in the income statement	0.2	0.2
Employer contributions	0.2	0.2
Remeasurement losses	(8.9)	–
Pension benefit (obligation)/surplus as at 31 December	(4.8)	3.7

Notes to the accounts continued

20. Pension scheme continued

Group and Society	2024 £m	2023 £m
Amount recognised in Other Comprehensive Income:		
Return on plan assets	**(21.2)**	(8.6)
Effect of changes in demographic assumptions	**0.3**	(1.9)
Effect of changes in financial assumptions	**12.3**	6.7
Effect of experience adjustments	**(0.3)**	3.8
Remeasurement (loss)/gain of pension benefit (obligation)/surplus	**(8.9)**	–
Amount recognised in the income statement:		
Interest expense on defined benefit obligation	**(6.9)**	(7.7)
Interest income on plan assets	**7.1**	7.9
Net interest income	**0.2**	0.2

The major categories of plan assets are:

Group and Society	2024 £m	2023 £m
Quoted		
Corporate bonds and liability matching	**13.9**	79.6
Diversified growth funds	**11.1**	26.0
Direct lending	**4.4**	8.1
Equities	**0.8**	0.3
Cash	**2.5**	4.0
Unquoted		
Corporate bonds and liability matching	**36.3**	16.9
Property	**8.5**	18.3
Unit trusts	**55.1**	–
Total	**132.6**	153.2

The principal weighted average actuarial assumptions used are as follows:

Financial assumptions	2024 %	2023 %
Discount rate	**5.55**	4.80
Rate of pensionable salary increase	**–**	–
Rates of inflation (Retail Prices Index)	**3.10**	3.05
Rates of inflation (Consumer Prices Index)	**2.55**	2.40

	2024		2023	
Life expectancy for mortality tables used to determine benefit obligation	**Male**	**Female**	Male	Female
Member age 60 (current life expectancy)	**25.9**	**28.7**	25.9	28.7
Member age 40 (life expectancy at age 60)	**27.4**	**30.2**	27.5	30.2

The assumptions on mortality are 101% of the actuarial table known as the S3PxA table with CMI 2023 projections with a 1.25% p.a. long-term improvement rate (2023: 101% S3PxA with CMI 2022 projections with a 1.25% p.a. long-term improvement rate).

Notes to the accounts continued

20. Pension scheme continued

The Group has to make assumptions on the discount rate, inflation and life expectancy when valuing the Scheme balance and changes in these assumptions could affect the reported balance. The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is indicated below for isolated changes in assumptions; in reality, it is likely that assumptions will be related to each other and impact simultaneously:

Impact on present value of obligation:	Change in assumption	Increase in assumption %	Increase in assumption £m	Decrease in assumption %	Decrease in assumption £m
Discount rate	0.50%	(5.8)	(7.9)	6.3	8.7
Rates of inflation (Retail Prices Index and Consumer Prices Index)	0.25%	2.0	2.8	(2.0)	(2.8)
Life expectancy	1 year	2.6	3.5	(2.6)	(3.6)

The average duration of the defined benefit obligation at the period ended 31 December 2024 is 13 years (2023: 14 years).

Consideration of recent UK High Court case appeal (Virgin Media Ltd v NTL Pension Trustees II Ltd)

In July 2024, the UK High Court upheld on appeal a case decision which concerned the validity of amendments made to pension schemes that were contracted-out of the state pension system between the period of April 1997 to April 2016. This case has the potential to be applicable to other pension schemes where instances of non-compliance may be identified and a review of relevant deeds related to the Scheme has commenced. This review is ongoing at the date of approval of these financial statements. It is therefore not possible to assess with any certainty whether there could be a potential financial impact arising and, if there were to be, what that impact could amount to.

21. Deferred tax

Deferred tax assets and liabilities are attributable to the following items:

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Deferred tax liabilities/ (assets)				
Cash flow hedges	81.5	97.4	69.5	96.1
Other derivatives	(0.6)	31.9	(0.7)	30.7
Defined benefit pension plan	(1.3)	1.0	(1.3)	1.0
Investment in equity shares	4.4	2.2	4.4	2.2
Fair value through other comprehensive income	(0.3)	0.4	(0.3)	0.5
Excess of capital allowances over depreciation	(2.0)	(3.6)	(2.0)	(3.6)
Provisions	(0.9)	(0.8)	(0.9)	(0.8)
IFRS 16 transitional adjustments	–	(0.1)	–	(0.1)
Research and development intangible assets	5.6	4.7	5.6	4.7
Total	86.4	133.1	74.3	130.7

Deferred tax liabilities have been offset against deferred tax assets in the balance sheet as it is deemed there is a legal right of offset.

Deferred tax assets are recognised where they have arisen on the basis that sufficient future taxable trading profits will be available to utilise the deferred tax assets.

The deferred tax balances at 31 December 2024 reflect tax rates enacted at the balance sheet date. The main rate of corporation tax of 25% is enacted and effective from 1 April 2023.

22. Deposits from banks

A maturity analysis for the Group's deposits from banks is included in the Risk Management Report Liquidity and Funding section.

For the Group and Society, deposits from banks includes £2,040.0 million (2023: £3,450.0 million) drawn down against the Bank of England Term Funding Scheme with additional incentives for SMEs (TFSME).

Deposits from banks also includes £504.0 million (2023: £494.3 million) in respect of sale and repurchase agreements (repos) of on-balance sheet notes in issue relating to the Coventry Building Society Covered Bonds LLP programme (see note 13) at 31 December 2024.

Notes to the accounts continued

23. Debt securities in issue

The change in debt securities issued by the Group is as follows:

2024 Group	Opening £m	Cash flows £m	Non-cash flows Foreign exchange movements £m	Non-cash flows Change in accrued interest £m	Amortisation £m	Closing £m
Medium term notes	1,145.0	910.5	(1.8)	11.3	1.9	2,066.9
Covered bonds	2,954.2	(15.1)	(76.0)	0.4	2.1	2,865.6
Residential Mortgage Backed Securities	1,278.3	330.4	–	0.1	1.2	1,610.0
Total	5,377.5	1,225.8	(77.8)	11.8	5.2	6,542.5

2023 Group	Opening £m	Cash flows £m	Non-cash flows Foreign exchange movements £m	Non-cash flows Change in accrued interest £m	Amortisation £m	Closing £m
Medium term notes	1,451.9	(310.2)	–	2.2	1.1	1,145.0
Covered bonds	3,099.6	(101.0)	(45.5)	(0.7)	1.8	2,954.2
Residential Mortgage Backed Securities	691.7	585.1	–	0.5	1.0	1,278.3
Total	5,243.2	173.9	(45.5)	2.0	3.9	5,377.5

The position for the Society is the same as that for the Group other than the Society had no Residential Mortgage Backed Securities at the reporting date for the current and prior year with the exception of amortising fees of £2.7 million (2023: £2.9 million) associated to the set up of structured entities and subsequent issuances.

In September 2024, the Society issued €500 million (2023: £500 million) of external covered bonds secured by Coventry Building Society Covered Bonds LLP.

The Society's change in liabilities from financing activities is the same as the Group's, other than they exclude Residential Mortgage Backed Securities (issued by Economic Master Issuer plc, a consolidated structured entity).

Debt securities in issue are repayable in the ordinary course of business as follows:

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Accrued interest	30.8	19.3	29.6	18.3
Other debt securities				
In not more than one year	1,051.7	432.7	849.4	432.7
In more than one year	5,460.0	4,925.5	4,050.8	3,645.4
Total	6,542.5	5,377.5	4,929.8	4,096.4

24. Derivative financial instruments

The Group elected to continue to apply the hedge accounting requirements of IAS 39 as permitted under IFRS 9.

Risk management strategy

Derivative financial instruments, predominantly interest rate and cross currency swaps, are held solely for the purposes of mitigating interest rate risk, foreign exchange risk or interest rate and foreign exchange risk together, as explained in the Risk Management Report. Where appropriate, they are designated as hedging instruments within either fair value or cash flow hedge relationships under the terms of IAS 39. Derivatives can hedge specific assets or liabilities such as liquidity or wholesale instruments (sometimes referred to as 'micro' hedges) or portions of a portfolio of fixed rate mortgages or savings products (sometimes referred to as 'macro' hedges).

For micro hedges, the Group establishes the hedging ratio by comparing the notional amount of the derivatives with the principal of the instruments being hedged. For macro hedges, the Group establishes the hedging ratio by matching the notional amount of the derivatives with the principal of that portion of the portfolio being hedged and manages this on a monthly basis by entering into interest rate swaps.

Where interest rate risk is hedged, only the interest rate risk element of the underlying position is designated as the hedged item and therefore other risks, such as credit risk, which are managed but not hedged by the Group, are excluded.

Notes to the accounts continued

24. Derivative financial instruments continued

Risk management strategy continued

The interest rate risk element is determined with regard to the fixed rate that represents the benchmark rate of interest being hedged. Where foreign exchange risk is hedged, the foreign currency risk component is determined as the change in cash flows of the foreign currency debt arising solely from changes in the relevant forward exchange rates.

For fair value hedges, the effectiveness of the hedge relationship is assessed by comparing changes in the fair value of the hedged item attributable to changes in the benchmark rate of interest with changes in the fair value of the derivative.

For cash flow hedges, effectiveness is assessed by comparing the changes in the fair value of the derivative with changes in the fair value of the hedged item attributable to the hedged risk, using the hypothetical derivative method.

Possible sources of ineffectiveness are as follows:

- Differences in the benchmark rates of interest used to value the hedged item and the hedging instrument, such as when cash collateralised interest rate swaps are discounted using SONIA but this is not the benchmark rate of interest for the hedged item.
- Differences in timing of cash flows between the derivative and the hedged item.
- Differences between the expected and actual volume of prepayments where a portfolio is being hedged, as the hedging ratio is calculated with regard to expected repayment dates, taking account of expected prepayments based on past experience.
- Hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument.
- Counterparty credit risk which impacts the fair value of uncollateralised swaps but not the hedged item.

Hedging instruments

The following tables contain details of the hedging instruments used in the Group's hedging strategies. The notional amount indicates the amount on which payment flows are derived at the Balance Sheet date and do not represent risk. Derivative assets and liabilities are included in the Balance Sheet at fair value.

	2024			2023		
Group	**Notional amount £m**	**Fair value assets £m**	**Fair value liabilities £m**	Notional amount £m	Fair value assets £m	Fair value liabilities £m
Derivatives designated as fair value hedges:						
Interest rate risk	**55,893.4**	**1,057.0**	**201.3**	52,278.3	1,431.7	455.6
Derivatives designated as cash flow hedges:						
Interest rate risk	**9,915.9**	**22.8**	**42.6**	11,143.2	67.6	109.5
Foreign exchange risk[1]	**1,940.4**	**1.7**	**51.6**	1,952.1	5.3	19.7
Foreign exchange and interest rate risk[1]	**417.3**	**–**	**8.1**	–	–	–
Other derivatives						
Interest rate risk	**971.7**	**2.7**	**1.8**	1,252.1	8.9	9.4
Total derivatives	**69,138.7**	**1,084.2**	**305.4**	66,625.7	1,513.5	594.2

1. Cash flows are expected to occur over a five year period (2023: five).

Notes to the accounts continued

24. Derivative financial instruments continued

Hedging instruments continued

Society	2024 Notional amount £m	2024 Fair value assets £m	2024 Fair value liabilities £m	2023 Notional amount £m	2023 Fair value assets £m	2023 Fair value liabilities £m
Derivatives designated as fair value hedges:						
Interest rate risk	**55,893.4**	**1,057.0**	**201.3**	52,278.3	1,431.7	455.6
Derivatives designated as cash flow hedges:						
Interest rate risk	**9,915.9**	**22.8**	**42.5**	11,143.2	67.6	109.5
Foreign exchange and interest rate risk	**417.3**	**–**	**8.1**	–	–	–
Other derivatives						
Interest rate risk	**971.7**	**2.7**	**1.8**	1,252.1	8.9	9.4
Total derivatives	**67,198.3**	**1,082.5**	**253.7**	64,673.6	1,508.2	574.5

The following tables set out the maturity profile and average interest and foreign exchange rates of the hedging instruments used in the Group's hedging strategy at 31 December 2024. Derivative contractual maturities are included in the Risk Management Report.

The following table contains details of fair value hedged exposures at 31 December 2024:

2024 Group	Maturity Up to one month £m	One to three months £m	Three months to one year £m	One to five years £m	More than five years £m
Interest rate risk:					
Contract/ notional amount	**183.5**	**792.0**	**23,453.0**	**38,960.8**	**3,391.7**
Average fixed interest rate	**0.4%**	**2.3%**	**4.0%**	**3.4%**	**3.4%**
Foreign exchange risk:					
Contract/ notional amount	**–**	**–**	**–**	**1,940.4**	**–**
Average fixed interest rate	**–**	**–**	**–**	**2.6%**	**–**
Average £/€ exchange rate	**–**	**–**	**–**	**0.9**	**–**
Foreign exchange and interest rate risk:					
Contract/ notional amount	**–**	**–**	**–**	**417.3**	**–**
Average fixed interest rate	**–**	**–**	**–**	**3.1%**	**–**
Average £/€ exchange rate	**–**	**–**	**–**	**0.8**	**–**

2024 Society	Maturity Up to one month £m	One to three months £m	Three months to one year £m	One to five years £m	More than five years £m
Interest rate risk:					
Contract/ notional amount	**183.5**	**792.0**	**23,453.0**	**38,960.8**	**3,391.7**
Average fixed interest rate	**0.4%**	**2.3%**	**4.0%**	**3.4%**	**3.4%**
Foreign exchange and interest rate risk:					
Contract/ notional amount	**–**	**–**	**–**	**417.3**	**–**
Average fixed interest rate	**–**	**–**	**–**	**3.1%**	**–**
Average £/€ exchange rate	**–**	**–**	**–**	**0.8**	**–**

Notes to the accounts continued

24. Derivative financial instruments continued

Hedging instruments continued

2023 Group	Maturity Up to one month £m	One to three months £m	Three months to one year £m	One to five years £m	More than five years £m
Interest rate risk:					
Contract/ notional amount	435.2	296.1	20,375.3	39,591.0	3,976.0
Average fixed interest rate	1.5%	2.5%	3.8%	3.1%	3.6%
Foreign exchange risk:					
Contract/ notional amount	428.0	–	–	1,524.1	–
Average fixed interest rate	1.8%	–	–	2.1%	–
Average £/€ exchange rate	0.9	–	–	0.9	–

2023 Society	Maturity Up to one month £m	One to three months £m	Three months to one year £m	One to five years £m	More than five years £m
Interest rate risk:					
Contract/ notional amount	435.2	296.1	20,375.3	39,591.0	3,976.0
Average fixed interest rate	1.5%	2.5%	3.8%	3.1%	3.6%

In 2023, the Society did not have hedging instruments in place to manage foreign exchange risk. These instruments were all held in other Group entities.

Hedged items

The following table contains details of fair value hedged exposures at 31 December:

	Carrying amount of hedged item		Accumulated amount of fair value adjustments on the hedged item	
2024 Group and Society	**Assets £m**	**Liabilities £m**	**Assets £m**	**Liabilities £m**
Fair value hedges:				
Interest rate[1,2]	**46,472.6**	**(23,042.2)**	**(494.0)**	**67.8**

	Carrying amount of hedged item		Accumulated amount of fair value adjustments on the hedged item	
2023 Group and Society	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value hedges:				
Interest rate[1,2]	44,048.4	(23,740.7)	(467.6)	68.1

1. Assets presented in Loans and advances to customers and Debt securities in the Balance Sheet.
2. Liabilities presented in Shares and Debt securities in issue in the Balance Sheet.

Of the £494.0 million (2023: £467.6 million) total accumulated fair value adjustments on the hedged item, £447.7 million (2023: £433.1 million) relates to hedging instruments for loans and advances to customers. The remainder relates to hedges in place against treasury instruments.

Notes to the accounts continued

24. Derivative financial instruments continued

Hedged items continued

The following tables provide additional information on cash flow hedges:

2024 Group	Changes in Fair Value Hedging derivative £m	 Hedged item for ineffectiveness assessment £m	Gains/(losses) recognised in OCI £m	Amounts reclassified from reserves to Income Statement Hedged cash flows will no longer occur £m	 Hedged item for affected Income Statement £m	Recognised in Income Statement[1] £m
Derivatives designated as cash flow hedges:						
Foreign exchange	(38.9)	(38.9)	(38.9)	–	(77.4)	0.1
Foreign exchange and interest rate	(3.8)	(4.0)	(3.8)	–	(3.8)	–
Interest rate	30.7	31.4	31.4	126.3	–	125.8

1. Ineffectiveness is shown in note 8 Net (losses)/gains from derivatives and hedge accounting.

2023 Group	Changes in Fair Value Hedging derivative £m	 Hedged item for ineffectiveness assessment £m	Gains/(losses) recognised in OCI £m	Amounts reclassified from reserves to Income Statement Hedged cash flows will no longer occur £m	 Hedged item for affected Income Statement £m	Recognised in Income Statement[1] £m
Derivatives designated as cash flow hedges:						
Foreign exchange	(32.1)	(31.7)	(31.7)	–	(45.6)	(0.4)
Foreign exchange and interest rate	–	–	–	–	–	–
Interest rate	51.4	50.5	50.5	100.2	–	101.1

1. Ineffectiveness is shown in note 8 Net (losses)/gains from derivatives and hedge accounting.

As at 31 December 2024, balances remaining in the cash flow hedge reserve, gross of tax, are a £30.2 million gain for continuing hedges and £260.7 million gain for discontinued hedges (2023: £33.8 million charge, £381.2 million gain respectively).

2024 Society	Changes in Fair Value Hedging derivative £m	 Hedged item for ineffectivene ss assessment £m	Gains/(losses) recognised in OCI £m	Amounts reclassified from reserves to Income Statement Hedged cash flows will no longer occur £m	 Hedged item for affected Income Statement £m	Recognised in Income Statement[1] £m
Derivatives designated as cash flow hedges:						
Foreign exchange and interest rate	(3.8)	(4.0)	(3.8)	–	(3.8)	–
Interest rate	30.7	31.4	31.4	126.3	–	125.8

1. Ineffectiveness is shown in note 8 Net (losses)/gains from derivatives and hedge accounting.

2023 Society	Changes in Fair Value Hedging derivative £m	 Hedged item for ineffectivenes s assessment £m	Gains/(losses) recognised in OCI £m	Amounts reclassified from reserves to Income Statement Hedged cash flows will no longer occur £m	 Hedged item for affected Income Statement £m	Recognised in Income Statement[1] £m
Derivatives designated as cash flow hedges:						
Foreign exchange and interest rate	–	–	–	–	–	–
Interest rate	51.4	50.5	50.5	100.2	–	101.1

1. Ineffectiveness is shown in note 8 Net (losses)/gains from derivatives and hedge accounting.

In 2023, the Society did not have hedging instruments in place to manage foreign exchange risk. These instruments were all held in other Group entities.

Notes to the accounts continued

25. Provisions for liabilities and charges

During the normal course of business, the Group receives complaints from customers in relation to past sales and ongoing administration. The Group is also subject to enquiries from and discussions with its regulators, including the Financial Ombudsman Service (FOS), on a range of matters.

As at 31 December 2024, £0.4 million (2023: £0.4 million) is recognised as a provision in respect of such redress matters.

The Group continues to monitor ongoing legal cases and makes assessment on potential exposure based on available information and expected outcomes. The Group does not expect the ultimate resolution of any current complaints, threatened or actual legal proceedings, regulatory or other matters to have a material adverse impact on its financial position. Therefore there are no matters which require disclosure as a contingent liability at the balance sheet date.

26. Subordinated liabilities

Group and Society	2024 £m	2023 £m
Subordinated liabilities owed to note holders are as follows:		
Fixed rate subordinated notes 2032 - 7.54%	**15.4**	15.4
Total	**15.4**	15.4

All the subordinated liabilities are denominated in sterling and are repayable in the years stated, or earlier in accordance with their terms at the option of the Society, subject to prior consent of the Prudential Regulation Authority (PRA).

The subordinated notes rank equally with each other and behind all other creditors of the Society and the claims of Shareholding Members, other than holders of Permanent Interest Bearing Shares (PIBS) and Perpetual Capital Securities (PCS), for both principal and interest.

The fixed rate subordinated notes 2032 – 7.54% can be called at the option of the Society in August 2027 in accordance with their terms, subject to prior consent of the PRA.

27. Subscribed capital

Group and Society	2024 £m	2023 £m
Subscribed capital owed to permanent interest holding members is as follows:		
Permanent Interest Bearing Shares - 1992 - 12 1/8%	**41.6**	41.6
Total	**41.6**	41.6

Subscribed capital comprises the Permanent Interest Bearing Shares (PIBS) issued in 1992 which are only repayable in the event of the winding up of the Society. Interest is paid in arrears in half yearly instalments at 12 1/8% per annum.

PIBS rank equally with each other. They rank behind all other creditors of the Society including subordinated liabilities and the claims of Shareholding Members (other than holders of PCS, which rank behind PIBS) for both principal and interest. The holders of PIBS are not entitled to any share in any final surplus upon a winding up or final dissolution of the Society.

28. Other equity instruments

In 2019, the Society issued £415.0 million balance of Perpetual Capital Securities (PCS) capital. This is also known as Additional Tier 1 Capital. These PCS pay a fully discretionary, non-cumulative fixed coupon at an initial rate of 6.875% per annum with an optional redemption in September 2024. The rate will reset on 18 September 2024 and every five years thereafter to the prevailing rate on a benchmark gilt plus 6.111%. Coupons are paid semi-annually in September and March. The cost of issuance of £2.5 million (net of tax) has been recognised within the Society’s general reserve. In June 2024, a tender offer for this PCS issuance was completed with £388.1 million of the £415.0 million PCS repurchased for £389.8 million (net of tax). The cost of the tender of £1.9 million (net of tax and including the premium paid) has been recognised within the Society's general reserve. The remaining £26.9 million was redeemed by the Society in September 2024 on the optional redemption date of the bonds.

In June 2024, the Society issued £665.0 million of new PCS. This PCS issuance pays a fully discretionary, non-cumulative fixed coupon at an initial rate of 8.750% per annum with optional redemption in December 2029. The rate will reset on 11 December 2029 and every five years thereafter to the prevailing rate on benchmark gilt plus 4.727%. Coupons are paid semi-annually in June and December. The cost of issuance of £6.8 million (net of tax) has been recognised within the Society's general reserve.

Notes to the accounts continued

28. Other equity instruments continued

The returns paid to holders of PCS are treated as an appropriation of profit after tax, reflecting their categorisation as equity instruments, distributed directly from the general reserve. During 2024, coupon payments of £50.5 million (2023: £28.5 million) have been recognised in the Condensed Consolidated Statement of Change in Members' Interests and Equity. This includes the interest relating to the 2019 issuance which was settled as part of the tender process.

The 2024 instruments have no maturity date. They are repayable at the option of the Society in 2029 and on every fifth anniversary thereafter, but only with the prior consent of the PRA. If the end-point Common Equity Tier 1 ratio for the Group, on either an individual consolidated or a consolidated basis, falls below 7% they convert to Core Capital Deferred Shares (CCDS) at the rate of one CCDS for every £67 PCS held.

The PCS rank behind all other creditors of the Society including Subordinated liabilities and the claims of Shareholding Members, for both principal and interest. The holders of PCS are not entitled to any share in any final surplus upon a winding up or final dissolution of the Society.

29. Financial commitments

The Group has removed all undrawn mortgage loan facilities relating to equity release and flexible mortgage products in the year (2023: £20.2 million).

The Group has committed to advance £1,915.0 million (2023: £1,889.0 million) in respect of loans and advances to customers for mortgages which have been approved but not yet completed.

30. Other liabilities and capital commitments

Capital commitments

Group and Society	2024 £m	2023 £m
Capital expenditure contracted but not provided for in the accounts	**0.4**	0.5

Other liabilities

Items presented on the Balance Sheet within other liabilities as shown below:

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
Other taxation and social security	**7.4**	8.3	**7.4**	8.3
Lease liabilities	**11.3**	14.8	**11.3**	14.8
Other creditors	**9.2**	6.1	**9.0**	5.9
Amounts due to connected undertakings	**–**	–	**1,545.9**	1,231.0
Total	**27.9**	29.2	**1,573.6**	1,260.0

Amounts due to connected undertakings reflects the deemed loan to Economic Master Issuer plc.

Lease liabilities

The table below shows the maturity profile of the gross contractual cash flows, including interest charge, of the lease liabilities held. This analysis differs from the lease liabilities balance, above which represents the discounted future cash flows of the operations.

Group and Society	2024 £m	2023 £m
Amounts falling due:		
Less than three months	**1.1**	1.2
Greater than three months and less than one year	**2.4**	3.5
Between one and five years	**6.9**	8.5
After five years	**1.4**	2.2
Total	**11.8**	15.4

The Society has elected to adopt the exemption for short-term leases or leases of low value, and these leases are recognised in the Income Statement as an expense. There were no items expensed in 2024 (2023: £nil).

Variable lease payments are not included as lease liabilities and are expensed as incurred, and they amount to £0.6 million for the year (2023: £0.6 million).

The Society sublets three (2023: three) of its leased properties. The income received from this is negligible and is recognised as rental income.

Notes to the accounts continued

31. Financial instruments - fair value of financial assets and liabilities

For the purpose of calculating fair values, fair value is assessed as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: unadjusted quoted prices in active markets for identical instruments.
- Level 2: valuation techniques for which all significant inputs are based on observable market data.
- Level 3: valuation techniques for which significant inputs are not based on observable market data.

Where applicable, the Group measures fair value using the quoted price in an active market for that instrument. A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Where this is not applicable, the Group determines fair values using other valuation techniques.

Fair value of assets held at amortised cost

The following table summarises the fair value of the Group's financial assets and liabilities measured at amortised cost in the Group's Balance Sheet.

The Society position excludes £18,344 million (2023: £18,274 million) of loans and advances to customers with a fair value of £18,177 million (2023: £17,413 million) and £1,613 million (2023: £1,281 million) of debt securities in issue with a fair value of £1,610 million (2023: £1,282 million). At the year end, the Society held a deposit within Amounts owed to other customers of £152 million (2023: £114 million) which was a cash deposit from subsidiaries eliminated at Group level.

2024 Group	Carrying amount £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
Financial assets					
Loans and advances to credit institutions	**328.7**	**–**	**328.7**	**–**	**328.7**
Loans and advances to customers	**51,801.3**	**–**	**–**	**51,593.0**	**51,593.0**
Financial liabilities					
Shares	**49,343.3**	**–**	**–**	**49,267.5**	**49,267.5**
Deposits from banks	**3,931.5**	**–**	**3,931.5**	**–**	**3,931.5**
Amounts owed to other customers	**81.9**	**–**	**81.9**	**–**	**81.9**
Debt securities in issue	**6,542.5**	**–**	**6,440.8**	**–**	**6,440.8**
Subordinated liabilities	**15.4**	**–**	**18.9**	**–**	**18.9**
Subscribed capital	**41.6**	**66.9**	**–**	**–**	**66.9**

2023 Group	Carrying amount £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
Financial assets					
Loans and advances to credit institutions	787.9	–	787.8	–	787.8
Loans and advances to customers	50,276.1	–	–	48,915.1	48,915.1
Financial liabilities					
Shares	47,582.3	–	–	46,497.0	46,497.0
Deposits from banks	5,230.7	–	5,230.4	–	5,230.4
Amounts owed to other customers	237.3	–	237.4	–	237.4
Debt securities in issue	5,377.5	–	5,221.3	–	5,221.3
Subordinated liabilities	15.4	–	20.2	–	20.2
Subscribed capital	41.6	66.1	–	–	66.1

Loans and advances to credit institutions

The fair value of loans and advances to credit institutions over the longer term is estimated by discounting expected cash flows at a market discount rate. Amounts maturing in the short term are valued at carrying amount.

Loans and advances to customers

The fair value of loans and advances to customers is assessed as the value of the expected future cash flows, projected using contractual interest payments and repayments and the expected prepayment behaviour of borrowers. Assumptions are applied regarding expected levels of customer prepayments and the risk of defaults. The estimated future cash flows are discounted at current market rates for the loan types and adjusted where necessary to reflect any observable market conditions. The majority of the loans and advances to customers are on a fixed rate product, and therefore interest rate swap derivative instruments are in place against these assets. Hedge accounting related fair value adjustments of £447.7 million (31 December 2023: £433.1 million) are excluded from the carrying value and fair value.

Notes to the accounts continued

31. Financial instruments - fair value of financial assets and liabilities continued

Fair value of assets held at amortised cost continued

Debt securities

Debt securities for which no market price or executable bid is available at the year end date are valued by one of two methods. Where there are recent market prices or executable bids for the security, these are used as the basis for establishing a valuation. Otherwise, a security is valued based on its relative value to comparable bonds.

Shares

The fair value of shares available on demand approximates to the carrying value. The fair value of fixed term or restricted access deposits is determined from the estimated projected cash flows discounted at the current market rates for those types of deposit. Hedge accounting fair value adjustments of £18.3 million (31 December 2023: £30.6 million) are excluded from the carrying value and fair value.

Deposits from banks, other deposits and amounts owed to other customers

The fair value of deposits taken from wholesale counterparties over the longer term is estimated by discounting expected cash flows at a market discount rate. Amounts maturing in the short term are valued at carrying amount.

Debt securities in issue, subordinated liabilities and subscribed capital

The estimated fair value of longer-dated liabilities is calculated based on quoted market prices where available or using similar issues as a proxy for those liabilities that are not of sufficient size or liquidity to have an active market quote. For those liabilities where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate to the remaining term to maturity.

Fair value of assets held at fair value

The following table summarises the fair value of the Group's financial assets and liabilities measured at fair value on the face of the Group's Balance Sheet by fair value hierarchy and product type.

The Society position differs from the Group with respect to excluding Level 2 cross currency liabilities of £51.7 million (2023: £19.7 million), which are held in subsidiaries of the Society, and Level 2 cross currency assets of £1.7 million (2023: £5.3 million).

2024 Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments - assets:				
Interest rate swaps	–	1,082.5	–	1,082.5
Cross currency swaps	–	1.7	–	1.7
Total	–	1,084.2	–	1,084.2
Debt securities:				
UK Government investment securities	482.6	–	–	482.6
Other listed transferable debt securities	19.2	–	–	19.2
Total	501.8	–	–	501.8
Investment in equity shares:				
Investment in equity shares	1.0	–	7.8	8.8
Total	1.0	–	7.8	8.8
Financial liabilities				
Derivative financial instruments - liabilities:				
Interest rate swaps	–	245.1	0.6	245.7
Cross currency swaps	–	59.7	–	59.7
Total	–	304.8	0.6	305.4

Notes to the accounts continued

31. Financial instruments - fair value of financial assets and liabilities continued

Fair value of assets held at fair value continued

2023 Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments - assets:				
Interest rate swaps	–	1,508.2	–	1,508.2
Cross currency swaps	–	5.3	–	5.3
Total	–	1,513.5	–	1,513.5
Debt securities:				
UK Government investment securities	782.7	–	–	782.7
Other listed transferable debt securities	627.1	154.4	–	781.5
Total	1,409.8	154.4	–	1,564.2
Investment in equity shares:				
Investment in equity shares	0.8	–	6.0	6.8
Total	0.8	–	6.0	6.8
Financial liabilities				
Derivative financial instruments - liabilities:				
Interest rate swaps	–	572.9	1.6	574.5
Cross currency swaps	–	19.7	–	19.7
Total	–	592.6	1.6	594.2

Financial instruments recorded at fair value

The determination of fair value for financial instruments that are recorded at fair value using valuation techniques is described below, including the assumptions that a market participant would be expected to make when valuing the instruments:

Level 1: Debt securities - fair value through other comprehensive income - Listed

Market prices have been used to determine the fair value of listed debt securities.

Level 1: Investment in equity shares - fair value through profit and loss - Listed

Market prices have been used to determine the fair value of listed equity shares.

Level 2: Derivatives

Derivative products utilise observable market inputs for interest rate swaps and cross currency swaps. Valuations are generated by swap models which use present value calculations and incorporate assumptions for interest rate curves and foreign exchange spot and forward rates.

Level 2 - Debt securities - fair value through other comprehensive income - Unlisted

Where quoted market prices are not available at the valuation date, valuations of securities are based on their relative value to comparable securities.

Level 3: Investment in equity shares - fair value through profit and loss - Unlisted

Investment in equity shares represent the Group's holding in Visa Inc. shares. These shares are valued based on future cash consideration which the Group expects to receive on sale of these instruments, or the underlying market value.

Level 3: Derivatives

The item included within Level 3 is a balance tracking swap, which remained in place during the year. It is valued using present value calculations based on market interest rate curves. The unobservable inputs relate to the projection of the swap notional amount, which changes over time to match the balance of the underlying mortgage portfolio. Projected mortgage prepayment amounts are used in the modelling of the mortgage portfolio profile. The changes in the projection of interest and prepayment rates of the underlying mortgage portfolio affect both the unbounded swap and hedged item so that the net Income Statement and Balance Sheet impact would be minimal.

Notes to the accounts continued

31. Financial instruments - fair value of financial assets and liabilities continued

Financial instruments recorded at fair value continued

Level 3: Derivatives continued

The following table analyses fair value movements in the Level 3 portfolio for both the Group and the Society:

Group and Society	Investment in equity shares 2024 £m	Derivative financial instruments 2024 £m	Investment in equity shares 2023 £m	Derivative financial instruments 2023 £m
As at 1 January	**6.0**	**(1.6)**	5.1	(1.3)
Gains/(losses) recognised in the Income Statement				
Net unrealised gains	**1.8**	**1.1**	0.9	(0.4)
Settlements	**–**	**(0.1)**	–	0.1
As at 31 December	**7.8**	**(0.6)**	6.0	(1.6)

No sensitivities have been performed with regards the level 3 instruments as the balances are immaterial to the financial statements.

Transfers between fair value levels

Transfers between fair value levels only occur when either it becomes possible to value a financial instrument using a method that is higher up the valuation hierarchy or it is no longer possible to value it using the current method and it must instead be valued using a method lower down the hierarchy. Transfers are considered to have occurred at the end of the reporting period for the purposes of this disclosure.

32. Offsetting financial assets and liabilities

The Group and Society do not have any financial assets or financial liabilities that are offset with the net amount presented in the Balance Sheets. IAS 32 Financial Instruments: Presentation states that there should be both an enforceable right to set-off and the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously to apply this treatment, and neither of these conditions is met.

The Group has entered into master netting arrangements such as International Swaps and Derivatives Association (ISDA) master agreements for its derivatives, other than derivatives held by Coventry Building Society Covered Bonds LLP.

Credit Support Annexes (CSAs) are executed in conjunction with these ISDA master agreements, which typically provide for the exchange of collateral to mitigate net mark-to-market credit exposure.

The Group has also entered into Global Master Repurchase Agreements, including margin collateralisation arrangements, whereby outstanding transactions with the same counterparty can be settled net following a default or other predetermined event.

Coventry Building Society Covered Bonds LLP does not enter into a master netting agreement due to the structure of the covered bond programme. However, it has entered into a separate ISDA agreement in respect of each of the derivatives it has transacted with external counterparties. Each agreement includes a CSA which provides for full collateralisation of the swap exposure, with exposure thresholds in place for a single agreement before collateral is exchanged. The £1.7 million net derivative credit exposure in the table below is in respect of an arrangement that will only be fully collateralised if the counterparty is downgraded to below its specified credit rating (2023: £15.6 million).

The table below shows the net exposure for sale and repurchase agreements or derivative contracts after any netting benefits and collateral. At the end of the year the Group did not hold any reverse sale and repurchase agreements with respect to Gilts (2023: £312.6 million), with £602.1 million of sale and repurchase agreements being held on the balance sheet as at 31 December 2024 (2023: £807.6 million). The Group did not enter into securities lending (2023: £nil) during the year.

Notes to the accounts continued

32. Offsetting financial assets and liabilities continued

2024 Group	Gross amounts £m	Master netting arrangements £m	Financial collateral[1] £m	Net amount £m
Financial assets				
Derivative financial instruments	**1,084.2**	**(245.1)**	**(837.4)**	**1.7**
Reverse Repurchase Agreements	**–**	**–**	**–**	**–**
Total financial assets	**1,084.2**	**(245.1)**	**(837.4)**	**1.7**
Financial liabilities				
Derivative financial instruments	**305.4**	**(245.1)**	**(7.3)**	**53.0**
Repurchase agreements	**602.1**	**–**	**(602.1)**	**–**
Total financial liabilities	**907.5**	**(245.1)**	**(609.4)**	**53.0**

1. The financial collateral disclosed is limited to the amount of the related financial asset or related financial liability.

2023 Group	Gross amounts £m	Master netting arrangements £m	Financial collateral[1] £m	Net amount £m
Financial assets				
Derivative financial instruments	1,513.5	(572.9)	(925.0)	15.6
Reverse Repurchase Agreements	313.4	–	(313.4)	–
Total financial assets	1,826.9	(572.9)	(1,238.4)	15.6
Financial liabilities				
Derivative financial instruments	594.2	(572.9)	(1.4)	19.9
Repurchase agreements	807.6	–	(807.6)	–
Total financial liabilities	1,401.8	(572.9)	(809.0)	19.9

1. The financial collateral disclosed is limited to the amount of the related financial asset or related financial liability.

2024 Society	Gross amounts £m	Master netting arrangements £m	Financial collateral[1] £m	Net amount £m
Financial assets				
Derivative financial instruments	**1,082.5**	**(245.1)**	**(837.4)**	**–**
Reverse Repurchase Agreements	**–**	**–**	**–**	**–**
Total financial assets	**1,082.5**	**(245.1)**	**(837.4)**	**–**
Financial liabilities				
Derivative financial instruments	**253.7**	**(245.1)**	**(7.3)**	**1.3**
Repurchase agreements	**602.1**	**–**	**(602.1)**	**–**
Total financial liabilities	**855.8**	**(245.1)**	**(609.4)**	**1.3**

1. The financial collateral disclosed is limited to the amount of the related financial asset or related financial liability.

2023 Society	Gross amounts £m	Master netting arrangements £m	Financial collateral[1] £m	Net amount £m
Financial assets				
Derivative financial instruments	1,508.2	(572.9)	(925.0)	10.3
Reverse Repurchase Agreements	313.4	–	(313.4)	–
Total financial assets	1,821.6	(572.9)	(1,238.4)	10.3
Financial liabilities				
Derivative financial instruments	574.5	(572.9)	(1.4)	0.2
Repurchase agreements	807.6	–	(807.6)	–
Total financial liabilities	1,382.1	(572.9)	(809.0)	0.2

1. The financial collateral disclosed is limited to the amount of the related financial asset or related financial liability.

Notes to the accounts continued

32. Offsetting financial assets and liabilities continued

For derivative financial assets, collateral received can be in the form of cash and UK Government investment securities. Where cash is received, it is included as a liability within deposits from banks (note 22). Where UK Government investment securities are received, these are not recognised on the Balance Sheet, as the Group does not obtain the risks and rewards of ownership.

For derivative financial liabilities, collateral paid is in the form of cash and is included as an asset in Loans and advances to credit institutions.

For sale and repurchase agreements (repos), collateral provided is predominantly in UK Government investment securities with the remainder in cash. Again, cash paid is included as an asset in Loans and advances to credit institutions.

UK Government investment securities are not derecognised as the Group retains substantially all the risks and rewards of ownership.

Cash collateral held and cash collateral pledged are not restricted and are returned at the end of the contract.

33. Capital management

As at 31 December 2024, and throughout the year, the Group complied in full with the capital requirements that were in force. Further information on the Group's capital resources and capital management can be found in the Capital section of the Risk Management Report.

34. Related party transactions

The Group is controlled by Coventry Building Society registered in England and Wales, which is also considered to be the ultimate parent.

Transactions with related undertakings

Transactions are entered into with related parties in the normal course of business. These include loans, deposits, and the payment and recharge of interest and administrative expenses. Where these charges are associated to Group subsidiaries, they are settled through the intercompany accounts.

Interest on outstanding loans and deposits accrues at a rate agreed between the Society and its subsidiaries in the normal course of business.

Loans and deposits payable by the Society to Group undertakings relate to amounts owing to the Society's structured entities, in accordance with the accounting policy set out in note 1. These intercompany balances have been presented within Other liabilities on the Society Balance Sheet.

	2024 £m	2023 £m
Loans payable to the Society		
Loans outstanding as at 1 January	**17,667.7**	17,871.7
Movement during the year	**(84.7)**	(204.0)
Loans outstanding as at 31 December	**17,583.0**	17,667.7
Loans and deposits payable by the Society		
Deposits outstanding at 1 January	**1,231.0**	647.3
Movement during the year[1]	**314.9**	583.7
Deposits outstanding at 31 December	**1,545.9**	1,231.0
Net interest income		
Interest receivable	**555.0**	470.5
Interest payable	**(128.0)**	(67.9)
Total	**427.0**	402.6
Other income and expenses		
Fees and expenses paid to the Society	**51.6**	**54.2**

1. Includes loans and deposits received from connected undertakings in respect of securitisation transactions during the year

Notes to the accounts continued

34. Related party transactions (continued)

Transactions with key management

Transactions with key management are on the same terms and conditions applicable to members and other employees within the Group. The Board of directors is considered to be the only 'key management' for the purposes of the related party transactions disclosures under IAS 24 Related Party Disclosures. No director has any interest in the shares or debentures of any connected undertaking of the Society. See the Directors' Remuneration Report in the Governance section for information on directors' remuneration for 2024.

In accordance with Section 68 of the Building Societies Act 1986, the Society maintains a register of loans falling within Section 65 made to directors and connected persons. A statement containing requisite particulars of such transactions may be inspected by members at the Society's Annual General Meeting (AGM) or at the Principal Office of the Society during the period 15 days prior to the AGM.

	No. of directors and persons connected to them 2024 Number	Amount in relation to directors and persons connected to them 2024 £m	No. of directors and persons connected to them 2023 Number	Amount in relation to directors and persons connected to them 2023 £m
Loans and advances				
Net movement	–	(0.1)	–	–
Balance outstanding	2	0.3	2	0.4
Share and deposit accounts				
Net movement	1	–	(4)	(0.7)
Balance outstanding	13	0.4	12	0.4

35. Cash flows from financing activities

For the purposes of the Statements of Cash Flows, debt securities in issue, subordinated liabilities and subscribed capital are classified as liabilities arising from financing activities. The table below provides a reconciliation of movements in liabilities arising from financing activities.

	Group 2024 £m	Group 2023 £m	Society 2024 £m	Society 2023 £m
At 1 January	5,434.5	5,300.2	4,153.4	4,606.5
Cash flows:				
Net proceeds from issue of debt securities	1,824.0	1,887.0	1,324.0	1,036.8
Repayment of debt securities in issue	(598.2)	(1,713.1)	(429.7)	(1,450.0)
Non-cash flows:				
Amortisation of premium/ discount on issue	5.2	3.9	5.3	4.0
Accrued interest movements	11.8	2.0	11.6	1.6
Foreign exchange movements	(77.8)	(45.5)	(77.8)	(45.5)
At 31 December	6,599.5	5,434.5	4,986.8	4,153.4

Notes to the accounts continued

36. Events after the balance sheet date

On 1 January 2025, the Society acquired the entire issued share capital of The Co-operative Bank Holdings plc (the ultimate holding company of The Co-operative Bank plc (the 'Bank') for a total cash consideration of £745.5 million following receipt of regulatory approvals.

The Bank provides a range of banking products and services to both retail and small and medium sized enterprises. As outlined further on page 12, the acquisition will deepen the enlarged group's existing presence in mortgages and savings and extend the Society's propositions. The Society's Board believes that the acquisition of the Bank is in the best interests of the Society and its current and future members.

In accordance with IFRS 3, a preliminary assessment of the fair value of the net assets acquired and the cash consideration paid has been completed at the date of acquisition and is detailed below. The fair values on acquisition are provisional due to the timing of the completion and will be finalised within 12 months of the acquisition date based on information in existence at the date of acquisition.

	Book value as at 1 January 2025 £m	Fair value adjustments £m	Fair value as at 1 January 2025 £m
Assets			
Cash in hand and balances with the Bank of England	2,586.0	–	2,586.0
Loans and advances to credit institutions	173.1	–	173.1
Debt securities	1,637.3	–	1,637.3
Loans and advances to customers	20,372.6	31.0	20,403.6
Derivative financial instruments	216.6	–	216.6
Investments in equity shares	6.4	–	6.4
Current tax assets	6.7	–	6.7
Deferred tax assets	243.0	(32.7)	210.3
Intangible assets	109.8	143.0	252.8
Property, plant & equipment	51.7	4.2	55.9
Other assets	8.8	–	8.8
Prepayments and accrued income	35.7	–	35.7
Pension benefit asset	32.0	–	32.0
Total assets	25,479.7	145.5	25,625.2
Liabilities			
Deposits from banks	2,717.2	–	2,717.2
Amounts owed to other customers	19,971.3	–	19,971.3
Debt securities in issue	499.3	–	499.3
Hedge accounting adjustment	(21.0)	–	(21.0)
Derivative financial instruments	47.6	–	47.6
Accruals and deferred income	46.6	–	46.6
Other liabilities	81.5	–	81.5
Provisions for liabilities and charges	10.4	–	10.4
Pension benefit obligation	5.2	–	5.2
Subordinated liabilities	857.0	61.5	918.5
Total liabilities	24,215.1	61.5	24,276.6
Net assets acquired	1,264.6	84.0	1,348.6
Cash consideration paid			745.5
Gain on acquisition			603.1

The consideration was fully settled in cash on completion, subject to a small residual holdback which is payable during 2025 subject to satisfactory conclusion of the completion accounts process. £125 million of the total £745.5 million cash consideration is deferred and held in escrow for a period of 3 years from completion in line with the terms of the share purchase agreement.

The fair value of loans and advances to customers of £20,404 million was calculated using a discounted cash flow method, at an individual account or suitable segmented level taking into account interest, market and credit risk for the acquired loans. The gross contractual amount of the loans and advances receivable from the customers was £20,476 million. The best estimate of the amounts not expected to be collected was £29 million.

For other assets and liabilities held at amortised cost, suitable valuation techniques were used to assess fair value.

Notes to the accounts continued

36. Events after the balance sheet date continued

Intangible assets recognised on acquisition relate to a core deposit intangible of £143 million, which relates to the value derived from access to a stable source of low cost, on-demand deposit balance funding when compared to the cost of alternative funding available to a typical market participant. The intangible asset represents the present value of the cost savings expected to be realised over the expected remaining useful life of the deposits.

Deferred tax at the rate of 28% has been recognised on all fair value adjustments arising.

Gain on acquisition

As the fair value of the identifiable net assets acquired were greater than the fair value of consideration paid, negative goodwill arises. For accounting purposes, this is considered a bargain purchase. The acquisition has resulted in provisional gain on acquisition of £603.1 million which will be recognised and presented separately in the consolidated income statement as at the acquisition date. The purchase of the Bank resulted in a gain due to the macroeconomic conditions in the post financial crisis period and the surplus liquidity positions held by market participants, like the Society. Therefore the Society is in a better position to realise the fair value of the net assets acquired compared with the Seller.

Acquisition costs

Acquisition costs of £25.8 million have been incurred by the Society in relation to the acquisition. Of this, £21.7 million was recognised within acquisition and integration-related costs in the financial year ended 31 December 2024. A further £4.1 million of costs arose on completion in the 2025 reporting period.

Other Information

In this section, you will find our Annual Business Statement and glossary of terms

Annual Business Statement

For the year ended 31 December 2024

1. Statutory percentages

	2024 %	2023 %	Statutory limits %
Lending limit	**2.7**	2.3	25.0
Funding limit	**16.7**	17.6	50.0

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986 as amended by the Building Societies Act 1997.

The lending limit measures the proportion of the business assets not in the form of loans fully secured on residential property and is calculated as (X-Y)/X where:

X = business assets, being the total assets of the Group plus loan impairment less liquid assets, intangible assets and property, plant and equipment. The value of X used is the value at 31 December 2024.

Y = the principal value of, and interest accrued on, loans owed to the Group which are fully secured on residential property. The value of Y used is the value at 31 December 2024.

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals and is calculated as (X-Y)/X where:

X = shares and borrowings, being the aggregate of:

I. The principal value of, and interest accrued on, shares in the Society.

II. The principal value of, and interest accrued on, the amounts deposited with the Society or any subsidiary undertaking, by banks, credit institutions and other customers.

III. The principal value of, and interest accrued on, the amounts of debt securities of the Society or any subsidiary undertaking.

Y = the principal value of, and interest accrued on, shares in the Society held by individuals other than bare trustees (or, in Scotland, simple trustees) for bodies corporate or for persons that include bodies corporate.

2. Other percentages

	2024 %	2023 %
As a percentage of shares and borrowings:		
Gross capital	**6.16**	5.65
Free capital	**5.99**	5.48
Liquid assets	**17.9**	18.7
As a percentage of mean total assets:		
Profit for the financial year	**0.39**	0.58
Management expenses	**0.57**	0.51
Net profit as a percentage of total Balance Sheet	**0.39**	0.56

Shares and borrowings represents the total of shares, deposits from banks, other deposits, amounts owed to other customers and debt securities in issue.

Gross capital represents the aggregate of reserves, other equity instruments, subordinated liabilities and subscribed capital.

Free capital represents the aggregate of gross capital and collective impairment less intangible assets and property, plant and equipment.

Annual Business Statement continued

3. Principal Office

Coventry Building Society is a building society, incorporated and domiciled in the United Kingdom. The address of the Principal Office is: Coventry House, Harry Weston Road, Binley, Coventry CV3 2TQ.

4. Information relating to directors at 31 December 2024:

Name (Date of birth)	Occupation	Date of appointment as a director of the Society	Other directorships and appointments
Iraj Amiri (20.02.1954)	Non-Executive Director	28.06.2018	Development Bank of Wales plc AON UK Limited Eurocell plc
Stephen Hughes (05.05.1972)	Building Society Chief Executive	20.04.2020	Godiva Mortgages Limited ITL Mortgages Limited BSA Council The Money and Pension Service The Pennies Foundation
Joanne Kenrick (21.09.1966)	Non-Executive Director	06.11.2017	Dwr Cymru Cyfyngedig Glas Cymru Holdings Cyfyngedig Rhapsody Court Freehold Limited Sirius Real Estate Ltd Vitality Health Limited Vitality Life Limited Vitality Corporate Services Limited Discovery Holdings Europe Limited
Shamira Mohammed (17.11.1968)	Non-Executive Director	01.05.2019	Pezula Limited Athora Italia S.p.A
Brendan O'Connor (21.06.1965)	Non-Executive Director	18.01.2021	Ford Credit Europe Bank plc
Iain Plunkett (30.05.1971)	Non-Executive Director	01.07.2024	Citi Group Global Markets Limited Two Viewbank Ltd McKinsey & Co
Lee Raybould (05.03.1973)	Building Society Chief Financial Officer	06.04.2021	Godiva Mortgages Limited ITL Mortgages Limited Arkose Funding Limited
Martin Stewart (08.09.1966)	Non-Executive Director	01.09.2018	Clayton Stewart Properties Limited Clayton Stewart Limited Northern Bank Limited
David Thorburn (09.01.1958)	Non-Executive Director	28.04.2022	None

Documents may be served on the above named directors at: Coventry Building Society, c/o PwC LLP, One Chamberlain Square, Birmingham, B3 3AX.

The Society has entered into service contracts with the following directors: Stephen Hughes (Chief Executive); and Lee Raybould (Chief Financial Officer). These are terminable by the individual on six months' notice and by the Society on one year's notice.

Glossary

Alternative Performance Measures

The Society reports its results using a number of financial measures which are not driven by accounting standards (non-IFRS measures). These measures are used to understand our performance and are used internally when assessing the Society's results.

Measure	Definition	Calculation
Cost to income ratio	A measure of costs relative to income more generally used by banks. Unlike cost to mean asset ratio, this ratio will be impacted by significant changes in interest rates or widening margins.	Administrative expenses, depreciation and amortisation as a percentage of total income.
Cost to mean asset ratio	A measure of cost efficiency through the ratio of the Society's operating expenses in relation to its balance sheet assets. This ratio is not impacted by changes in interest rates and as such, aids comparability of the Society's efficiency in times of significant interest rate changes.	Administrative expenses, depreciation and amortisation as a percentage of average total assets.
Member value	This measure is widely used across the building society sector.	The Society's average month end savings rate compared to the CACI savings database for market average rate for savings accounts, excluding current accounts and offset savings.
Net interest margin	A measure of profitability which is used throughout the building society sector.	Net interest income as a percentage of average total assets. Net interest income is the difference between interest receivable on assets and interest payable on liabilities.

Glossary

The following glossary defines terminology within the Annual Report & Accounts to assist the reader and to facilitate comparison with publications by other institutions:

Additional Tier 1 (AT 1) capital	Capital that meets certain criteria set out in CRD V. In particular, the criteria require that upon the occurrence of a trigger event, the AT 1 capital instrument converts to a form of Common Equity Tier 1 capital or the principal is written down on a permanent basis; or grandfathered instruments such as Permanent Interest Bearing Shares (PIBS).
Arrears	The financial value of unpaid obligations, which arise when contractual payments are not paid as they fall due.
Bank	The Co-operative Bank Holdings plc and the ultimate holding company of The Co-operative Bank plc. Term used to refer to the overall Bank group.
Basel 3.1	The Basel Committee's final implementation of its Basel III Banking Supervision reforms, published in December 2017, addressing credit risk and operational risk. The proposal will update the risk weighted asset calculation and improve comparability across firms and is now effective from January 2027.
Basis point	One hundredth of a percent (0.01 percent). Used when quoting movements in interest rates and yields on securities.
Buy to let mortgage	A mortgage secured on a residential property that is rented out to tenants.
Capital Conservation Buffer (CCoB)	A CRD V risk adjusted capital requirement for all banks that can be used to absorb losses whilst avoiding breaching minimum capital requirements.
Capital requirements	Amount of capital required to be held by the Group to cover the risk of losses and to protect against excessive leverage. The level is set by regulators and the firm's own assessment of its risk profile.
Capital Requirements Regulation and Capital Requirements Directive V (CRD V)	CRD V is the European Union legislation (part regulation and part directive), which came into force to implement Basel III, revising the capital requirements framework and introducing liquidity requirements, which regulators use when supervising firms.
Capital resources	Capital comprising the general reserve, fair value through other comprehensive income reserve, eligible Additional Tier 1 capital less all required regulatory adjustments.
Collateral	Security pledged by the borrower to the lender in case of default.

Glossary continued

Common Equity Tier 1 (CET 1)	Common Equity Tier 1 capital comprises general reserve and the fair value through other comprehensive income reserve, less regulatory deductions. Common Equity Tier 1 must absorb losses on a going concern basis. The CET 1 ratio is calculated as CET 1 capital as a percentage of risk weighted assets.
Conduct risk	The risk that the Society's behaviour and decision making fails to deliver good customer outcomes.
Contractual maturity	The date in the terms of a financial instrument on which the last payment or receipt under the contract is due for settlement.
Core Capital Deferred Shares (CCDS)	A form of Common Equity Tier 1 (CET 1) capital. The Society's Perpetual Capital Securities (PCS) convert into CCDS.
Countercyclical Buffer (CCyB)	A CRD V risk adjusted capital requirement for all banks that is varied over the financial cycle to match the resilience of the banking system to the scale of risks faced.
Countercyclical Leverage Buffer (CCLB)	A leverage capital requirement under the UK leverage regime that is set at 35% of the corresponding risk adjusted Countercyclical Buffer (CCyB).
Covered bonds	Debt securities that are backed by both the resources of the issuer and a portfolio of mortgages that are segregated from the issuer's other assets solely for the benefit of the holders of the covered bonds. The Society issues covered bonds as part of its funding activities.
Credit risk	The risk that borrowers or counterparties do not meet their financial obligations to the Society as they fall due. Within this class, the Society considers risks arising from retail credit risk and treasury credit risk to be individual principal risk categories.
Credit valuation adjustment	An adjustment to the valuation of financial instruments held at fair value to reflect the creditworthiness of the counterparty.
Debt securities	Transferable instruments creating or acknowledging indebtedness of credit institutions, public bodies or other undertakings.
Debt securities in issue	Liabilities of the Group that are transferable by external investors that operate within the global financial markets.
Defined benefit obligation/surplus	The present value of expected future payments required to settle the obligations of a defined benefit pension scheme resulting from past employee service.
Derivative financial instrument (swap)	A contract or agreement that derives its value or cash flows from changes in an underlying index such as an interest rate, foreign exchange rate or market index. The most common type of derivative instruments are interest rate swaps.
Effective Interest Rate (EIR)	The rate of interest earned over the life of an instrument that is equivalent to the discounted rate of projected cash flows of the instrument, adjusted for compounding.
Encumbered assets	Assets used to secure liabilities or otherwise pledged. This excludes loans and advances to customers that, although technically encumbered, are held in respect of undrawn self-issued notes under the Group's covered bond and securitisation programmes.
Enterprise Risk Management Framework (ERMF)	A Board approved framework that provides the context, guidance and principles needed for cohesive risk management activity across the Society and its subsidiaries.
Economic Value	Measure of the change in the net present value of interest rate sensitive instruments over their remaining life resulting from a 100 basis points (1%) (EV100), or 200 basis points (2%) (EV200) parallel shock to the yield curve.
Expected credit loss (ECL)	The present value of all cash shortfalls over the expected life of a financial instrument. The term is used for the accounting for impairment provisions under the IFRS 9 standard. ECLs may arise over a 12 month or lifetime basis.
Expected loss	A calculation under the IRB approach to estimate the potential losses on current exposures due to expected defaults over a 12 month time period.
Exposure	The quantified potential for loss that might occur as a result of a risk occurring.
Exposure at default (EAD)	A calculation of the amount expected to be outstanding at the time of default.

Glossary continued

Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.
Fair value through other comprehensive income (FVOCI)	Financial assets held at fair value on the Balance Sheet with changes in fair value recognised through other comprehensive income.
Fair value through profit and loss (FVTPL)	Financial assets held at fair value on the Balance Sheet with changes in fair value recognised through the Income Statement.
Financial Conduct Authority (FCA)	A statutory body responsible for the conduct of business regulation and supervision of UK financial institutions in the UK.
Financial Ombudsman Service	The Financial Ombudsman Service provides an independent and impartial service to resolve individual complaints that consumers and financial institutions have been unable to settle themselves.
Forbearance	Forbearance takes place when a concession, which can be temporary or permanent, is made on the contractual terms of a loan in response to the borrower's financial difficulties.
Free capital	The aggregate of gross capital and collective impairment less intangible assets and property, plant and equipment.
General reserve	The general reserve is the accumulation of historical and current year profits and includes remeasurements of the defined benefit pension scheme and distributions to holders of Perpetual Capital Securities (net of tax).
Gross capital	The aggregate of reserves, other equity instruments, subscribed capital and subordinated liabilities.
Impaired loans	Impaired loans are defined as those which are defaulted loans in IFRS 9 stage 3.
Interest rate risk	Interest rate risk arises from the different interest rate characteristics of the Society's mortgages and savings products and from other financial instruments. The Society is subject to the risk that changes in interest rates will cause material variations in earnings because of differences between interest rates received and paid on mortgages, deposits and financial instruments.
Internal Capital Adequacy Assessment Process (ICAAP)	The Society's own assessment of the amount of capital that it needs to hold to support all relevant current and future risks. This assessment includes determination of a number of capital buffers to be held in case of potential future economic stress, and provides confirmation that the Society has appropriate processes in place to ensure compliance with regulatory requirements.
Internal Liquidity Adequacy Assessment Process (ILAAP)	The Society's own assessment of the liquidity resources that are required to remain within the risk tolerances it has set. This will include an evaluation of potential stresses based on regulatory benchmarks and on Society-specific tests.
Internal Ratings Based (IRB) approach	An advanced approach to measuring capital requirements in respect of credit risk under Pillar 1. The IRB approach may only be used with permission from the PRA.
ISDA	International Swaps and Derivatives Association is the global trade association for over-the-counter derivatives and providers of the industry-standard documentation for derivative transactions.
Leverage ratio	A calculation as part of CRD V, which measures the relationship between eligible Tier 1 capital and exposures to on and off-balance sheet items. UK institutions are subject to the PRA's interpretation of the leverage ratio - see UK leverage ratio.
Liquid assets	This comprises cash in hand, balances with the Bank of England, debt securities (including Government investment securities (gilts)), loans to credit institutions and other liquid assets.
Liquidity and funding risk	Liquidity risk is the risk that the Society has insufficient funds to meet its obligations as and when they fall due. Funding risk is the inability to access funding markets or to only do so at excessive cost and/or liquidity risk. Liquidity and funding risk are the principal risk of the Society.
Liquidity Coverage Ratio (LCR)	A measure which is part of CRD V which aims to ensure that an entity maintains an adequate level of liquidity to meet its needs for a 30 day period under severe stress conditions.

Glossary continued

Loan to value (LTV)	The amount of mortgage loan as a percentage of the value of the property. Average loan to value is either a simple average, or balance weighted. Indexed loan to value is calculated on the basis of the latest property valuation being adjusted by the relevant house price index movement since that date.
Loss given default (LGD)	A parameter used to estimate the difference between exposure at default (EAD) and the net amount of the expected recovery expressed as a percentage of EAD.
Management expenses	The aggregate of administrative expenses, depreciation and amortisation.
Market risk	Market risk is defined as the risk of a reduction in Society earnings and/or value resulting from adverse movements in financial markets.
Medium term notes	Securities offered by a company to investors, through a dealer, across a range of maturity periods.
Member	A person or individual who holds a share in the Society or has a mortgage loan with the Society.
Minimum Requirement for own funds and Eligible Liabilities (MREL)	A requirement under the Bank Recovery and Resolution Directive which requires deposit takers to hold minimum levels of capital plus debt eligible for bail-in.
Model risk	The risk that an ineffective model or incorrectly interpreted model output leads to a loss, reputational damage or regulatory censure.
Mortgage backed securities (RMBS)	Asset backed securities that represent interests in a group of mortgages which give the investor the right to cash received from future mortgage payments of both principal and interest. These can also be known as Residential mortgage backed securities (RMBS) where the underlying security is a residential mortgage.
Net interest income	The difference between interest receivable on assets and similar income and interest paid on liabilities and similar charges.
Net interest margin	Net interest income as a percentage of average total assets.
Net Stable Funding Ratio (NSFR)	A ratio which assesses the amount of stable funding in place as a proportion of the on and off-balance sheet funding requirements of an institution.
Operational risk	The risk of loss arising from inadequate internal processes, systems or people, or from external events.
Other Systemically Important Institutions (O-SII) Buffer	Buffer set for ring-fenced banks and large building societies to reduce their probability of failure or distress, reducing the risk of disruption to the supply of credit in the UK economy.
Owner-occupier mortgage	A mortgage on residential property that is to be occupied by the borrower.
Past due	A financial asset such as a loan is past due when the counterparty has failed to make a payment when contractually due.
Permanent Interest Bearing Shares (PIBS)	Unsecured, perpetual deferred shares of the Society offering a fixed coupon. Also defined as subscribed capital.
Perpetual Capital Securities (PCS)	Securities that pay a non-cumulative coupon at the discretion of the Society and qualify as Additional Tier 1 capital.
Pillar 1/2/2A/3	Components of the Basel capital framework. Pillar 1 covers the minimum requirement, Pillar 2/2A covers capital requirement of risks not covered in Pillar 1 and Pillar 3 covers disclosures.
PRA buffer	A buffer to ensure that banks that are more at risk of loss than the system in aggregate have additional capital buffers to reflect that risk.
Post Model Adjustment (PMA)	A PMA is 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.
Probability of default (PD)	An estimate of the probability that a borrower will default on their credit obligations over a fixed time period. With respect to impairment provisions under IFRS 9, 12 month ECLs use 12 month PDs, whilst a lifetime ECL uses the estimated PD over the remaining contractual life of the loan.
Principal risk	Principal risk is a class of significant inherent risk which could materially compromise the Society's ability to grow and provide attractive products to savings and borrowing members.
Prudential Regulation Authority (PRA)	The statutory body responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The PRA is a subsidiary of the Bank of England.

Glossary continued

Retail deposits	See Shares.
Reverse stress test	A regulatory stress test that requires a firm to assess scenarios and circumstances that would render its business model unviable, thereby identifying potential business vulnerabilities.
Risk appetite	An articulation of the level of risk that the Society is willing to accept in order to safeguard the interests of the Society's members, whilst also achieving its business objectives.
Risk weighted assets (RWAs)	The value of assets, after adjustment to reflect the degree of risk they represent in accordance with the relevant capital rules.
Sale and repurchase agreement (repo)	An agreement to sell a financial security together with a commitment by the seller to repurchase the asset at a specified price on a given date. In substance, this forms a secured loan, with the difference between the purchase price and repurchase price being the interest rate.
Securitisation	A pool of loans used to back the issuance of new securities. The loans are transferred to a structured entity which then issues securities (RMBS) backed by the assets. The Group has used residential mortgages as the loan pool for securitisation purposes.
Shares	Funds deposited by a person in a retail savings account with the Society. Such funds are recorded as liabilities of the Society. These are also referred to as retail deposits.
Shares and borrowings	The total of shares, deposits from banks, other deposits, amounts due to customers and debt securities in issue.
Significant increase in credit risk (SICR)	A significant increase in credit risk on a financial asset is judged to have occurred when an assessment, using quantitative and qualitative factors, identifies at a reporting date that the credit risk has increased significantly since the asset was originally recognised.
SONIA (Sterling Overnight Interbank Average)	A rate reflecting actual overnight funding rates, at a weighted average overnight deposit rate for each day.
Stage 1	Assets that under IFRS 9 have not experienced a significant increase in credit risk since the asset was originally recognised on the Balance Sheet are classed as stage 1.
Stage 2	Assets that have experienced a significant increase in credit risk since initial recognition under IFRS 9 are classed as stage 2.
Stage 3	Assets identified as in default and considered credit impaired under IFRS 9 are classed as stage 3.
Standardised approach	The basic method used to calculate capital requirements for credit and operational risk. In this approach, the risk weighting used in the capital calculation is determined by specified percentages.
Strategic risk	Strategic risk is the risk that changes to business model or macroeconomic, geopolitical, regulatory or other factors may lead to the business model, strategy or Strategic Plan becoming inappropriate. This includes the risk of an overly ambitious Strategic Plan as well as unforeseen market, consumer, competitor or regulatory changes.
Stress testing	Testing undertaken to provide an understanding of the Society's resilience to internal and external shocks.
Structured entity	An entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are consolidated when the substance of the relationship indicates control.

Glossary continued

Subordinated liabilities	A form of Tier 2 capital that is unsecured. Subordinated notes rank equally with each other and behind all other creditors of the Society and the claims of Shareholding Members (other than holders of Permanent Interest Bearing Shares and Perpetual Capital Securities) as to principal and interest.
Subscribed capital	See Permanent Interest Bearing Shares.
Term Funding Scheme with additional incentives for SMEs (TFSME)	A scheme (now closed to new drawings) launched by the Bank of England designed to boost lending to households and businesses by providing term funding to banks and building societies participating in the scheme at rates close to Bank Rate.
Tier 1 capital	A component of regulatory capital comprising Common Equity Tier 1 and Additional Tier 1 capital.
Tier 2 capital	A component of regulatory capital comprising qualifying subordinated debt and eligible collective impairment allowances.
Total Capital Requirement (TCR)	The minimum amount of capital the Society should hold as set by the PRA under Pillar 1 and Pillar 2A and informed by the Internal Capital Adequacy Assessment Process (ICAAP).
UK leverage ratio	A ratio prescribed by the PRA based on the CRR leverage ratio but modified to restrict the amount of AT 1 capital that can be included in Tier 1 capital and to exclude eligible central bank holdings from leverage ratio exposures.
Unencumbered assets	Assets readily available as collateral to secure funding. This includes loans and advances to customers that, although technically encumbered, are held in respect of undrawn self-issued notes under the Group's covered bond and securitisation programmes and are therefore readily available as collateral to secure funding or to pledge as collateral against margin calls.
Wholesale funding	Funding received from external counterparties that operate within the global financial markets (for example, insurance companies, pension funds, large businesses, financial institutions and sovereign entities).
Write off	To write off a financial asset when it has exhausted all practical recovery efforts and it is concluded that there is no reasonable expectation of recovery.

Glossary continued

Glossary of terms used in reference to climate risk

Climate Biennial Exploratory Scenario exercise (CBES)	Bank of England initiative to explore the financial risks posed by climate change. The exercise will test the resilience of the current business models of the largest banks, insurers and the financial system to climate-related risks and therefore the scale of adjustment that will need to be undertaken in coming decades for the system to remain resilient.
Climate-related risks - physical	The physical risks arising from the direct physical impacts of climate change. Physical risks from climate change arise from a number of factors, and relate to specific weather events (such as heatwaves, floods and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise and rising mean temperatures).
Climate-related risks - transition	The transition risks arising from the transition to a low-carbon economy. Transition risks arise from the process of adjustment towards a Net-Zero Carbon economy. The UK Government has set a target of achieving Net Zero greenhouse gas emissions by 2050 to respond to the challenge climate change poses. A range of factors influence this risk, including: climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences and the potential for 'stranded assets' to be created.
Climate-related opportunities	Refers to the potential positive impacts that climate change may have on the Society's business model and the opportunities this may present, for example, by growing our lending by supporting borrowers who make energy efficiency improvements on their homes.
Energy Performance Certificate (EPC)	A report that assesses the energy efficiency of a property and recommends specific ways in which the efficiency of a property could be improved. Certification is graded from A (most efficient) to G (least efficient).
Greenhouse gas (GHG) emissions	GHGs are atmospheric gases that absorb and emit radiation within the thermal infrared range and that contribute to the greenhouse effect and global climate change. Many different GHGs are produced as a result of human activities. The seven gases mandated under the Kyoto Protocol and to be included in national inventories under the United Nations Framework Convention on Climate Change (UNFCCC) - carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF) and nitrogen trifluoride (NF3).
ISO 14064-1 certification	An international standard that quantifies the reporting of greenhouse gas (GHG) emissions and the verification.
Partnership for Carbon Accounting Financial (PCAF)	Global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas emissions associated with their loans and investments.
Representative Concentration Pathway (RCP)	A method for capturing assumptions about climate change and global mean temperature increases over the 21st century. Each pathway results in a different range of global mean temperature, which helps the Society to understand how its assets will perform under a range of scenarios.
Scope 1 emissions	Scope 1 emissions are direct greenhouse gas (GHG) emissions that occur from our own operations (e.g. our company vehicles, gas usage & fugitive emissions).
Scope 2 emissions	Scope 2 emissions are indirect GHG emissions associated with the purchase of our electricity.
Scope 3 emissions	Scope 3 emissions are the result of activities from assets not owned or controlled by the Society, but that the Society indirectly impacts in its value chain. Scope 3 emissions include all sources not within an organisation's Scope 1 and 2 boundary and can be separated into the following two categories: • **Upstream Scope 3 emissions:** business travel by means not owned or controlled by the Society, waste disposal and purchased goods & services; • **Downstream Scope 3 emissions:** the emissions from the properties financed through the Society's operations – i.e. our mortgage customers.
Task Force for Climate Related Financial Disclosures (TCFD)	The Financial Stability Board created the TCFD to improve the quality and quantity of reporting of climate related financial information, including the concentration of carbon related assets within the financial sector and the financial system's exposure to climate related risks.