Coventry Building Society – end of year results 2024 transcript

Sophie

Hello and welcome.

Thank you for joining us for Coventry Building Society's 2024 full year results. I'm Sophie from the Coventry Building Society and I'm joined here today by Steve Hughes, our Chief Executive Officer, Lucy Becque, our Chief People Officer. And Lee Raybould, our Chief Financial Officer.

2024, it's been a landmark year for the Society, not only marking our 140th birthday, but also setting the stage for more expansive, diversified and impactful future with the acquisition of The Co-operative Bank on the 1st of January 2025. Steve, 2025 feels like the start of a new chapter for the Society. Can you share some of your key highlights in 2024 and since joining us in 2020?

Steve

Hi Sophie. Look, when you reach a landmark like your 140th year, it's always a good time to reflect. Our roles we're stewards of this organisation. It's lasted long, long before we've joined. And it'll still be there long long after we go. And I think our roles, are to write a chapter. Right. And it's probably my fifth year in the organisation. And if I, reflect on the last five years, we've steered ourselves through a pandemic, through a number of economic, and geopolitical challenges.

But if I look at the performance of the organisation over that five years, significant investment in, our digital and technology capability, sustained brilliant service and value to, to our members, which is really important to them.

Sustained improvement in colleague engagement, across that period as well. And, we've also added £1.4 billion of equity to the balance sheet in terms of our profitability. And it's that sustained performance, really, that gives us the platform to do something as transformational as, the combination with The Co-operative Bank. And I think that now draws a line on an exciting next chapter.

And I'm really confident that the bringing together of a purpose-led member-based organisation with, the original ethical bank, gives us fantastic strategic opportunity. So, really, that's a bit of a reflection on the platform that we've built, over the course of the last 4 or 5 years.

Sophie

As a building society, delivering value to our savers is at the heart of what we do. Can you share how our financial performance this year has supported better returns, improved service, and greater security for our members?

Steve

So, Sophie, as you know, we run the business in the form of a balanced scorecard, really of which are our financial performance is an absolutely critical part.

But if I reflect on 2024, colleague engagement with a trust index of 83, being recognised as a top hundred place to work in Europe. Yeah. Coventry made Europe. Right. I think that's the bedrock of what we deliver having a really engaged and trusting colleague base. It's probably been a year where we've made the biggest impact in our communities. A £4.5 million investment making meaningful differences to the communities in which we operate.

We've sustained our growth but in a really balanced and disciplined way. Sometimes the margins have not been in the market and we've not chased volume. When we don't think the returns were there and it wasn't in our interest met the interest of our members.

But if you think, a 3% mortgage growth, a 3.7% savings growth, that’s ahead of the market. And it's important that we recognise that. Our service, Net Promoter Score of +79, our Net Promoter Score in branches is +92. If there's any score that demonstrates the need for that human service, it's those NPS results.

But I think we need to remember that going forward, we need to be a brilliant digital business. And 2024 has seen some fantastic delivery. The launch of our app, we've now got 140,000 members that use that app day in day out. And 920,000 of our members primarily use digital channels as their primary contact with the Society. So, digital first human always is probably a strapline you've heard me use. And I think that's reflected in in our results.

But the bedrock of that sort of performance is our financial performance, a profitability in year of £323 million, if we add back the transaction costs, that's close to £350 million of underlying profit, which would be the third biggest in our history and with a leverage ratio of 5.7%.

And Lee will talk a little bit to the financial results later. That's what gives us the foundation to invest for the future, protect our members interest and do something as transformational as The Co-operative Bank transaction.

Sophie
Steve, given our continued investments in enhancing service resilience and security, how do you see these investment driving long-term value for our stakeholders?

Steve
So, we've invested £91 million in 2024. And a large amount of that is in technology, resilience and cyber protection, which is important. Our members tell us that security and safety is really important to them.

We've clearly invested heavily in our digital services, both in terms of direct to consumer through our app, but also to support our broker partners, with a new mortgage origination platform.

And I'm a big believer that, making life better for colleagues has a direct correlation with impact for members and customers. And we've invested heavily in our technology for colleagues, in terms of how they collaborate, how they work together, how they communicate and engage.

And I think that the payback for that is clearly demonstrated in in the results we've delivered in 2024 and I believe will be sustained in the coming years.

Sophie

And how is the Society supporting our colleagues and the communities that we serve?

Steve

Part of our social purpose and reason for being, sees colleague and community, in a large way, form part of our balance scorecard. We had a 90% response rate for our colleague engagement survey and a trust index of 83. In a way, I'm more proud of the number of colleagues that responded than I am, the score, because I think it demonstrates that the level of engagement and the level of trust.

And I firmly believe there's direct correlation between an engaged colleague base and the results that we deliver. And I'm really proud of the progress we're making around our inclusion and diversity agenda. And Lucy will talk more to that.

There's always more to do, but creating a work environment where people feel they can bring their true selves to work is of critical importance to me. And that's really important.

Our communities, again, we have a little bit of a motto, really. We want to be locally loved, but nationally known. And some of the work our colleagues do around our branch network footprint in the city of Coventry is absolutely fantastic. Whether that be your local hospice, whether it be a schools partnership, we do some fantastic stuff that makes a real difference to our members and their world.

But then, on a UK wide basis, I'm immensely proud of our partnership with Centrepoint and who wouldn't want to partner with an organisation that has the aim to end youth homelessness.

And some of the investment we've made both in in terms of Coventry and Manchester to establish, places where young people can live, get a bank account, get a job and transform their lives is something that I believe is true to our social purpose.

So, I'm immensely proud of what my colleagues do. I'm immensely proud of the organisations that we partner with.

And I do think we're absolutely walking the talk in terms of our social purpose.

Sophie

With the successful completion of The Co-operative Bank acquisition, how is it strengthening our position as a building society, and what benefits can our members expect in terms of value, service and long-term stability?

Steve

Sophie, I use a phrase, internally around the power of the combination, a 140-year-old mutual organisation with a strong social purpose, with members at its core and the original ethical bank.

And I believe that shared heritage is a really powerful bedrock for the future.

In terms of the organisation and colleagues within it, we've been really clear around the strategic rationale for the combination, scaled entry into the personal current account market, an opportunity to develop a really compelling business banking proposition, a UK wide branch footprint, an opportunity to develop an even more compelling mortgage and savings business at a real scale.

The pro-forma balance sheet of both organisations is approaching £90 billion. I just believe that this gives us a platform and the opportunity to sustain our performance into the long term, and that's why the Board made the decision that it did.

So, a lot of work to do. We will seek to bring both organisations, together safely over a number of years. And a lot of that in the in the near term will be around support and enablement functions and building centres of excellence.

Currently we'll continue to operate two brands and, each entity has its own FSCS protection, etc. So, this is something we will do thoughtfully, safely. But I just think gives us a fantastic opportunity to build a combined organisation that can be a true challenger, you know, in UK financial services.

Sophie

Thanks Steve. Lee, can we delve into the financial results and would you start by showing some highlights?

Lee

Well, I guess the ultimate highlight Steve's already given you. Right. Which is a fantastic profit performance in the year.

The Society's 140 years old and we've just delivered the third highest ever profit. We've reported £323 million that had £26 million of acquisition costs. So, as Steve said, just below £350 million, which I think is excellent. It's probably the balanced performance and Steve's used the word balanced already that I would highlight because not only have we delivered the third highest profit performance but we've also delivered record value back to members, over £400 million, 17% higher year on year.

The credit performance is very, very strong. In fact, we've actually released, expected credit losses in the year, reflecting a very strong, credit performance.

And in terms of capital, we've added 30 basis points of leverage in the year. So, we're reporting leverage at 5.7%. And that has been a key objective of ours, not just this year but over recent years as well. And of course, we've delivered all of that whilst also, concluding the acquisition of The Co-operative Bank.
So, for me, you know, a really pleasing period.

Sophie
Lee, you've talked about strong profitability, but profit has fallen year on year. So, can you provide insight into what's driving that?

Lee
I think this time last year I would have said 2023 was an exceptional year and it was an exceptional year. So, profit, although our third highest is £150 million lower year on year. So why? Well, by far and away the biggest driver is, is income. I've already mentioned that there was £26 million of, of acquisition costs. So that's probably the other reason.

Now, if you actually look at our results more broadly and we'll probably come onto it. Underlying cost did rise £21 million period on period. And we did release credit provisions, as we've already touched on by £18 million. So, they largely offset. So, it's really income and acquisition costs. So, income was lower by £130 million thereabouts. So that was the lion's share really of the movement.

And there were probably two areas I would highlight. First, net interest income. And then the second area was hedge accounting and fair value adjustments. The biggest was net interest income. So that was down, just under £90 million period on period.

So why was it down? Well, last year, as I've already said, exceptional year. And what I mean by that is in an interest rate environment that's rising rapidly, what we find is that the interest that we receive from borrowers, reprices the moment the base rate moves. Whereas most of our funding costs come from retail savings, and they tend to lag by 2 or 3 weeks, when we're doing the administration of rate changes following a base rate move.

So, you get a small timing difference, but a small timing difference on a big balance sheet. And when rates move frequently, that adds up. So that was included really within our 2023 results.

If I step back from that, what's really going on? Well, it is fair to say, both mortgages and savings, competitive markets and on the mortgage side, we've definitely seen a level of repricing from borrowers switching at the end of their deal. And we've seen borrowers switch out of the period that was covid when margins were higher, into this more normalised period.

So, we are seeing lower interest receivable from, from borrowers as a result. And on the savings side, it is also true competitive market and we're definitely seeing people switch out of some of our back book products into some of our front book products.

Great for members reflected in the member, value that we're delivering back to members. But it does hit income, a little bit as well.

Now, what I want to say is that when we are now in a more normal period, we just reported a net interest margin of 107 basis points for the for the, which I would say is a more normalised period. Now the other element was fair value and hedge accounting. We've seen about a £40 million delta year on year. So, last year we reported a credit of £30 million. We've seen some unwind of that in, in the period and will always seek to economically hedge the balance sheet.

But in an environment where there are quite big swings in market rates, you do get some small ineffectiveness that feeds through. So that's really the kind of other component of income. So, you know, you know, in overall terms, you know, profit is down. It's mostly income.

Some of its 2023 exceptionally and some of its trading environment.

Sophie
Lee, as Steve mentioned, the Society has invested significantly over recent years in modernising services and improvements to operational resilience. Could you talk us through the key drivers behind the Society's cost base and approach to balance and efficiencies with investment in growth?

Lee
Yeah, well, I would reiterate, we have been investing over recent years in modernising the Society. And I think we're afforded to take a long-term view. And we're absolutely determined that the Society into the future is very competitive and very relevant.

And that does require some modernisation, which we've been focused on. Costs are up £47 million, period on period. I've already touched on acquisition costs. That's the biggest component. £26 million of the 47 is actually acquisition costs. So, there's £21 million of if you like, underlying, growth coming through that. The biggest component of that is £8 million in relation to a new Bank of England levy.

The other area, we've got £7 million of costs, higher costs coming through which relate to staff. Now that is mainly inflationary. Pay rises in this high inflation environment that we've been in, a little bit in terms of headcount. And then we've seen probably about £6 million of other inflation costs come through.

And I would say that is mainly centre in the technology area, reflecting the investments that we've been making. I think it's important Steve's already referenced we've invested £91 million, in investment in this period. That's pretty comparable, actually, with what we've been investing in the last in the last couple of years.

And I do think we're starting to see really good value from that investment. The new app, Steve has already touched on 140,000 members. Really, really important. That's the start of something, not the end of the digitisation journey.

Clearly, as a mortgage and savings provider, we've invested a lot in a new mortgage platform. And actually, the speed to offer that we're starting to see come through is being transformed, which is fantastic to see.

We're also seeing much more self-service of people being able to digitally switch when they come up, up to the end of their deal. Really, really important components of what we've done and the overall resilience and stability of the organisation is critical.

We're growing. We need to invest in that, in that infrastructure. And of course, we want to make ourselves more agile and be able to push through more change more quickly all the time. That's the world we're living in. And that does require some modernisation of that kind of core technology stack.

In terms of our cost income ratio, in terms of what that all adds up to our cost income ratio. If you exclude those £26 million of kind of one-off costs, is about 50%. And the cost efficiency of the Society has always been central to the strategy. It enables us to give good value back to members, which is really important. That remains a core part of our strategy moving forward.

So, in the round, very, very pleased with our cost performance.

Sophie
You mentioned upfront and strong credit performance. Can you provide some insight into expected credit loss movement in the year?

Lee
Yeah, sure. I think where I'd start is to say that we always approach this prudently, and the fact that we do that, I think is, very much feeding through into our results this year.

So, what do I mean? Well, we've actually released provisions by £18 million in the period, and that takes us to £24 million on the balance sheet at the end of the year. And that gives us about 5 basis points of, of loss coverage. So, you know why such a big increase sorry, such a big decrease. The decrease is coming through from our cost of living, post model adjustment that we made. We made that a couple of years ago. And we've released most of that provision, £16 million of it. We've actually released it because we really haven't seen the impacts that we thought of cost of living and also borrowers remortgaging from relatively low rates to quite high rates as interest rates have risen.

And that's really pleasing to see. It's great financially. It's great for borrowers that they've not got into, financial difficulty.

In truth, would I have liked to put more provision on the balance sheet? Yes, I would, but the credit performance is so strong that we haven't been able to, we haven't been able to justify that.

You see, in the disclosure, we have stage one, stage two, stage three assets that we disclosed. Our stage two assets were 15% 12 months ago. They've actually come down by a third now to about 10%. And what I'd say about those stage two assets is that the vast majority of them are borrowers that are up to date, so they are not showing, signs of any significant deterioration. They're not in arrears. 96% of them are, up to date accounts.

So overall, in terms of our credit performance, very, very strong, and the book has just performed more resiliently than we had thought a couple of years ago, which is why we have now released £18 million of, expected credit losses in the period.

Sophie
Building on our discussions of mortgages, shall we now turn to the balance sheet performance?

Lee
I'd probably start by saying that there's been no significant change in how we're thinking about balance sheet strategy. We're fundamentally, concentrating on originating really good quality prime buy to let residential assets low LTV. They are funded by, savers by retail, by retail deposits. In terms of mortgages, we've seen £1.5 billion of growth in the period. That's actually all come through owner occupied.

So, the buy to let book is static period on period. There's clearly some headwinds I would say in the buy to let market which we've been, you know, which we've been quite conscious of. The average LTV of the book pretty stable. It's improved a little bit. It's down at 53.5%. And actually, when you look at the stock of mortgage assets on the balance sheet, we've actually only got £4 billion, which sit above 75% LTV. So, a very good quality balance sheet. You've heard me talk about our credit performance. That is very much kind of reflective of that.

On the savings side, we pretty well-matched retail savings to the lending that we've done. So, we've seen £1.7 billion of retail, funding coming in. And that takes the book to just under £50 billion, £49.3 billion. And I would say in the period we've really been focused on rewarding loyalty, really focused on existing customers, members and giving value back to them more than we've been trying to acquire lots of new balances.

I would say on the wholesale funding side, it's fair to say it's been a busy year. We've had five issuances across a range of formats. It's probably two trades I would highlight. We did a sterling senior unsecured trade back in in March. £500 million. That went incredibly well. We were really, really pleased with the support that we got.

And then off the back of announcing, the intention to acquire The Co-operative Bank in May, we went out in June with a tender on a reissue of an 81 instrument. We issued £665 million. And, we couldn't have been happier with the support that we got from investors for that.

So that was that was absolutely, absolutely fabulous. And that has enabled us to repay £1.5 billion of TFSME in the period and we've taken now outstandings down to £2 billion, and we intend to see that repaid in 2025.

And then on the liquidity side, there hasn't been an awful lot of change. We continue to run a very prudent liquidity position. We've got just north of, £10.5 billion of, liquidity balances and an LCR of 207%. So, a very, very strong liquidity position.

Sophie
Stronger earnings this year have further strengthened capital. But there's a lot going on in this capital space. Perhaps you could share current thinking.

Lee
There is a lot going on in the capital space. That's fair to say. In terms of summarising our performance, I've already talked about leverage. We've added 30 basis points to leverage in the period 5.7%. In terms of the CET1 ratio, the CET1 ratio is 28%.

That is a little lower, actually, than 2023. Why is that? That's because RWAs, Risk Weighted Assets, are up 10%. And that's really driven from the lending that we've done in the period. We've seen kind of consecutive peaks in house prices. And when that happens, we apply a higher risk weight in anticipation that there could be the risk of a fall in house prices. So, it's just reflecting, that risk. But on both counts, we've got really, really strong capital position as a Society.

And we're very pleased with where we're at. In terms of the kind of landscape, I would say more broadly, it is complex and it is changing. And there's probably three things I would say.

So, I would have talked before, about hybrid, IRB. That's been going on in the UK now for some time. It's almost two years ago that we submitted some new models to the PRA. We haven't yet had any feedback off the back of those submissions, but the numbers that I've just talked about and the numbers that we've announced, are based upon the models that we've submitted to the PRA.

There's also Basel 3.1, a new international, standard, that has been delayed in terms of its implementation, delayed now for, for the second time. I think there are, uncertainties about how and exactly when that becomes implemented. The US, I think are playing into that agenda. So, we'll have to see how that plays out.

And then you've got the leverage regime. We've talked about leverage quite a lot. We've been very focused on it as a business. There is some upcoming consultation on leverage and, we'll see how that lands. And ultimately, whether we get, caught by the leverage regime. If we do, it's something that we've been planning for a number of years. So, it's not something that I'm overly concerned about.

Sophie

Sticking with capital strength, can you provide an update on key day one financial metrics for the combined Group?

Lee

It's important that I say that the results that we're announcing are pre the acquisition. The acquisition took place on the 1st of January. But we have disclosed some pro-forma results on capital to give an indication of the position. And obviously the numbers that we're disclosing are reflective of the price we pay, the net assets that we've acquired and then a series of fair value adjustments, that apply on day one.

And what we've announced is a day one gain on the acquisition of £603 million, and that £603 million is accretive to, to capital. So, in terms of the CET1 ratio, that number is 19.7%. Post the acquisition, the leverage ratio is 4.5%. And I think on both counts, we gave some indication, some pro-forma numbers back in May. And I think they are broadly, very broadly aligned to that position.

Obviously, when we get to our interims at the end of June, I think we will announce at the end of July, then that will be the first formal set of combined numbers that we'll disclose.

Sophie

What is the combined Group net interest margin, including The Co-operative Bank?

Lee

So, we haven't, announced any combined ratios. What I would say is, I think I've quoted for the Society, we've just announced a 1.07% net interest margin for the, 2024 period. The Bank’s is 1.83%. Probably the other thing I would say about, a feature of the Bank's net interest margin is that more than half of that actually is attributable to the structural hedge, and that does provide some stability through periods of rate volatility.

As I said, in terms of combined numbers, when we get to, the interims end of June, we'll then do our first set of combined reporting.

Sophie

Do you expect any immediate changes to the capital structure of the Bank or the combined Group as a whole?

Lee

So, I don't expect any immediate changes to the capital structure. We've already announced that the Bank of England have used their discretion and we have a waiver for four bonds, that the Bank have, that will count for Group MREL, through to May 2027.

Notwithstanding that, it is something that we will give consideration to. So, we'll be thinking about that through 2025. Not notwithstanding the waiver that we've that we've got.

Sophie

Thanks, Lee. Before moving on to Lucy, could you touch on the outlook going forward? And, Steve, perhaps if you could round it off by providing details of key strategic integration goals for 2025?

Lee

Let me kick off. So, to 2024, it's fair to say it was a was a pretty challenging period. Clearly, we've had conflicts. Ukraine, Middle East, we've had high inflation, through this period, as well, and actually a huge amount of global elections, which has caused uncertainty, through 2024, I'd say, as I think about 2025 and in future, it is still quite uncertain, I would say. And whilst inflation is lower, I think it's hard to be certain about where rates go from here. We think down. But the question is how quickly. And I think that it's hard to determine with any confidence. I think what that's going to mean is that we are going to see a level of swap volatility which will cause some volatility, I think into the mortgage market.

Now, that said, as I've said, I think rates are headed lower. So, the question is how quickly and how supportive that will then be in terms of the mortgage market. Clearly the quicker they come down, I think the more healthy, a more buoyant the mortgage market will be.

I think for us we're prepared for a range of eventualities. And in many respects, I think our focus and Steve can pick this up. But I think our focus will be on the integration, of the Society and The Co-operative Bank. That's where our focus will be. And consistently, executing the strategy that we've set out. So that strategy will continue to be about exceptional service to members delivering, great value.

So, we are prepared for a range of eventualities. But I think the core strategy will remain. But I don't know whether you want to pick up that thread Steve.

Steve

I think in relation to integration or bringing both organisations together, I think it's really important for me through the course of this year that we have a clearly defined purpose for the combined organisation, that we have a clearly defined strategy and a shared culture which I think is really important, we will definitely bring some really focused work to personal current accounts, the business banking and what a combined mortgage and savings business looks like.

Because we're seeing some really exciting opportunities at the moment through a dual brand strategy, for example. Right. Which we just want to test and learn through the course of 2025.

Clearly from my perspective, I want to build one business. And that will start with bringing together what I describe as the support and enablement functions. Where we will seek to build sort of centres of excellence for finance, for treasury, for the people function, for risk management, that absolutely serves both brands, and I think that's going to be really important for us.

So, as I said earlier, we will do that in a very very thoughtful, measured way. And the whole sort of purpose of what we're trying to do is to unlock the power of this combination and allow us to build something that can really challenge in the market.

Sophie

Thank you, Lee and Steve. Moving away from financials, Lucy, can you provide an update on the company's people strategy over the past year?

Lucy

Gosh, there's so much that we could talk about. I'll try and give you just some of the highlights because I think without a doubt, the achievements that you heard Lee talk about in terms of the financials, whether it's the app launch, whether it's for service, all of that comes back to having brilliant colleagues.

So let me just give you a feel for some of the elements of the strategy.

So, I'll start with D&I if I can. We have really paid attention to the recruitment process through the course of this year. So that's looking at every aspect and making sure that we give candidates the best possible chance to succeed.

We've become a disability confident, committed employer. During the course of the year, we have really thought about adjustments. So, things like making the competencies available in advance. So, we create a platform for people to show us what they can do. We now sit at a position where 21% of our colleagues come from an ethnic minority background. That's increasing year on year, and it's up 5% across the last three years. 16% of our colleagues in manager and above roles come from an ethnic minority background. And again, that's increasing year on year. So as Steve said, there's still more to do. But we're really pleased with the progress that we've made to date.

I've talked previously on these calls, what a difference I feel being part of an Executive team that's gender balanced. And I'm really pleased that in bringing together the Group Executive team, we've maintained that same gender balance.

Every year we survey colleagues, about their D&I experience. This year we heard from 1,800 colleagues. So, we can really place reliance on the results. And again, we saw an improvement in how colleagues are feeling about the experience they have, what it feels like to work at the Society. And in particular, I’m really delighted we've had a real focus on colleagues with a disability, and we saw a 20% uplift in their positive scores. So, we can see the difference that that's making.

The next area I want to touch on if I can this development. So, we continued the theme that I’ve talked about before about colleagues moving internally, being able to build their career with the Society that was 300 colleagues last year. So, we can really see the difference that we're able to make to people's careers, to their lives by being able to get that progression.

We're part of the 5% club now. So, the first building society, that means we're committed to 5% of our workforce being enrolled in apprenticeships or graduate programmes in the coming five years. And aligned to that as part of our, Sustainable Development Goals, we committed to creating 250 new apprenticeships in a five-year period. We nailed it in four years. So, I'm absolutely thrilled because the vast majority of those go to our colleagues. So again, that really supports that development piece.

Steve talked an awful lot about colleague engagement 83% trust score. We were absolutely thrilled with that. Last year we ranked 11th, in the next two, three weeks we'll find out where we rank. But on the back of an 83% score, we're feeling quietly confident. Every year a number of the questions are very consistent. That's prescribed by Great Place to Work, but we have a small number of questions that are quite specific to areas we want to test in the Society.

And this year, we had a real focus on consumer duty and wanting to get a sense of how that feels for colleagues. So, we asked a question around, I believe that good customer outcomes are important to my organisation, and our positive responses from colleagues through the Great Place to Work survey were 98%.

And I think if there's going to be one measure that you take a stand back and say, what does it mean to work for a building society, what does it mean for what we do for our customers and how do colleagues feel about that? I think that's the measure I'd take.

Sophie
Given the recent acquisition of The Co-operative Bank, how is a people strategy evolving to ensure a smooth integration of talent and culture?

Lucy
I think a number of the areas that have always been important will continue to be important. So, the pieces I just talked about around development, that's still going to be so important to colleagues and actually what amazing opportunities do we have through the integration for some of those really career defining, development opportunities.

Wellbeing is something that we've always paid attention to in the Society and will be really important that there are some real challenges ahead of us.

So very important that stays top of our agenda, Diversity & Inclusion. So, a number of the core aspects of the people strategy that we've built over a number of years continue to be really important.

As part of the people workstream, we have a separate strand on culture. That's something that the Board are paying particular attention to. Right now, we're going through listening sessions. So, the intention is that we create that go to culture with colleagues from the Bank and colleagues from the Society.

So, being really deliberate about what is the culture that we want to create and as importantly, how will we know, how will we go about measuring it?

So, I think the cornerstones that have been really successful in our people strategy today remain the same cornerstones that will be really important to us as we go forward.

Sophie
As part of the Society's corporate responsibility initiatives, can you share some of the highlights of the community engagement efforts over the past year?

Lucy
I can, Steve's talked about £4.5 million of investments. We can impact an awful lot of lives with investment of that scale. I'm particularly pleased to see 1.9 of it go directly into the city of Coventry. We've made a commitment to make an impact on the city, in which we have an awful lot of our operations.

That impact starts up right in the early years. So, we look at numeracy and literacy in primary schools. Just some of the basics, like making sure that children own a book. How can you have a love for reading if you don't own a book of your own? So, 15,000 young people have been impacted by our work. We then look at employability. So, some of the older children that are thinking about leaving school, how is it they get the skills and experiences that they will need to perform in an interview to build a CV? Schools don't have the time and resources to be able to build that. We can help with some of that.

We've looked at, both young people and later in life, experiencing homelessness. Our partnership with Centrepoint is a really powerful one. We have a Youth Hub now in the city of Coventry. So particularly for young people trying to navigate a system when they're either at risk of or experiencing homelessness is really difficult. Doing that without any adult supervision support even more so. So, our Youth Hub in Coventry is that one stop shop where when a young people comes, everything wraps around them as opposed to them needing to navigate that complex system. We were absolutely thrilled to be able to get the funding on the acquisition for the Living and Working Scheme in Manchester, and in Coventry, because quite often those two things don't work well together. So young people who get into employment then lose housing benefit. So, it is finding a way that people can get that start in life that they need. So, we're absolutely thrilled that that will be new housing stock that would not have existed without this investment.

And then I have to make a shout out to our branches. They do an amazing job supporting some of the most vulnerable people in their communities. What we do then, through our community programme is wrap a befriending programme around them. So, people that would otherwise be really quite lonely and isolated come together, meet regularly, and I have to say is a bit of a highlight quite often for Steve and I, when we get some of the stories about that befriending, quite often it's people's families writing in that talk about it being the highlight of the week, month for people to get that social interaction that they otherwise would not get.

Sophie
Sounds great Lucy. You also lead on ESG for the Society and you've covered our colleague and community perspectives. What about our environmental aspect of ESG?

Lucy
So again, let me cover some of the highlights. So, we are carbon neutral for our Scopes 1 and 2. And that has seen a 50% reduction in the last four years. We are making brilliant progress in removing gas from our property estate. So now more than 80% are electrified in terms of their heat generation. We've got some amazing solar panels across our head office estate, that are really, really efficient. So, drive about 30% of the energy that's required from each of those buildings. We do an awful lot of work with our colleagues to make sure that they're engaged and they understand their own impact. So, whether that's electrifying our fleet or helping them understand how they can make savings at home. We believe it's really important that as we are reporting this data, we can rely on it. So, we think carefully about the standards that we feel that we need to align to. So be that TCFD or be that using ISO accreditation, so things like 14064 to make sure we can really place reliance when we report our carbon emissions.

Sophie
Lucy, could you provide us with a quick update on ESG ratings for the Society?

Lucy
Of course. So Sustainalytics, we rank as low risk at 15.6, which puts us in the top quartile for the banks that are assessed. And MSCI as of 1st of January, we are a double AA rating.

Sophie
Thanks, Lucy. It's great to hear what's going on about the Society's commitments to ESG, our communities, and our colleagues. Steve, handing over to you any final thoughts?

Steve
Thanks Sophie. Look, it does feel that we're ending one chapter and starting to write another one in our 140-year history. We've made a lot of progress through the course of the last 4 or 5 years. And I think that's

really sort of played through in 2024 right across the balance scorecard. Our impact on people in the communities our franchise and product performance, really strong financials and transforming our business, for the future.

And I’m very grateful to all of my colleagues for what they've delivered, and what they continue to deliver.

And then if we look forward into 2025, it's a really exciting year for us as we, as we seek to bring two organisations together and build something that can really be something different, in the market.

So really proud of what we've delivered in 24 and really excited by the journey ahead.

Sophie

Excellent. Thank you all. Thank you for your time. Take care.