Coventry Building Society

2024 Half Year Results Presentation

COVENTRY
Building Society

All together, better

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The Presentation may also contain certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Society and The Co-operative Bank Holdings p.l.c ("Co-op Bank") and its subsidiaries following the joint statement of the Society and Co-op Bank regarding the cash acquisition (the "Acquisition") (the "Acquisition Announcement"). Any decision taken in relation to the Acquisition should only be taken by reference to the information set out in the Acquisition Announcement. All forward-looking statements contained in the Presentation are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

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The Society at a glance

All together, better

Who we are

We are a mutual building society and have been providing savings and residential mortgages to our members and customers for over 140 years. We lend over £50 billion and have over two million customers.

What we do

We provide residential mortgages to people to enable them to buy their own home or a property as an investment. We are a low-risk lender, so our members' savings are always safe and secure. We provide savings accounts to suit the needs of our members.

How we do it

We earn interest and fee income from mortgage loans to members buying their own homes and private sector landlords. We pay interest to savings members and wholesale investors who have placed deposits with us or bought our debt securities.

64
Branches

Over 2 million
Customers

Our products

Whether buying a first home or saving for retirement, our wide range of products help our members achieve their goals.

Over 140
Years of history

Over 3,000
Colleagues

Our purpose

Making people better off through life

guides our values

Caring
Ambitious
Responsible
Empowering
Straightforward

and influences our strategy

A people and purpose-led mutual
Offering the best value products and services we can
Delivered in a resilient way

to create value for our stakeholders

Members/customers
Colleagues
Investors
Suppliers
Community groups
The environment

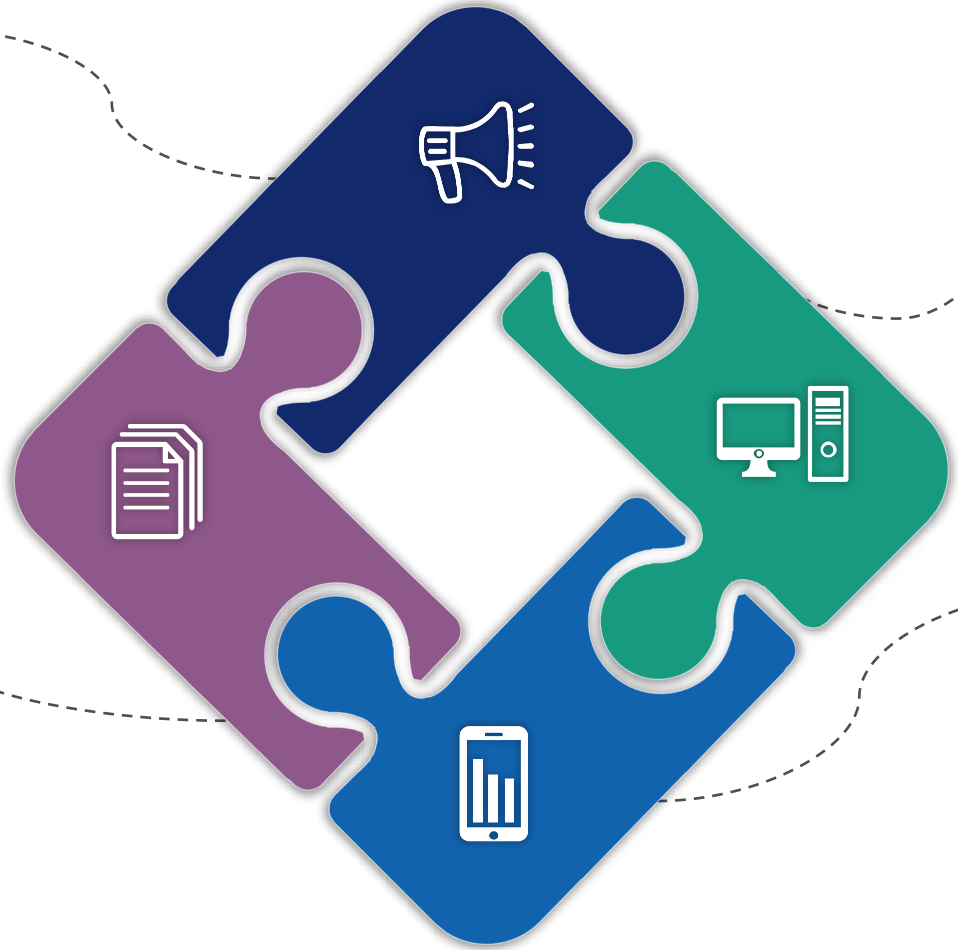
Excellent service to members and colleagues

Better for service, better for colleagues

48-hour pledge

Intermediary franchise

Strong intermediary franchise based on the Society's pledges to brokers. The pledges include a 48-hour notice period on removing products which has been important in these fast-changing times.



11th

Super large category

We are now 11th[1] (2023: 13th) in the Super Large category of organisations that met the Great Place to Work benchmark.

We achieved an overall Trust score of +81%[2].

1,000

Mortgage charter support

Supported over 1,000 customers who have experienced mortgage payment difficulties by granting support through the mortgage charter.

62 seconds

Call waiting time

We have answered calls on average in just 62 seconds (FY 2023: 105 seconds). Our overall Net Promoter Score[3] (NPS) is +79 and at times has peaked in the +90s during the period. This is exceptional in the financial services industry.

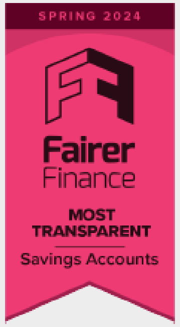
1. Position in the Super Large category of 50 UK organisations that met the Great Place to Work benchmark.
2. A measure indicating a trust-based people first workplace based on positive responses to the annual Great Place to Work survey.
3. A measure of customer advocacy that ranges between -100 and +100 which represents how likely a customer is to recommend our products and services

Franchise

Delivering value to members and colleagues

2024
Fairer Finance
Number 1 for
Customer Experience -
Savings

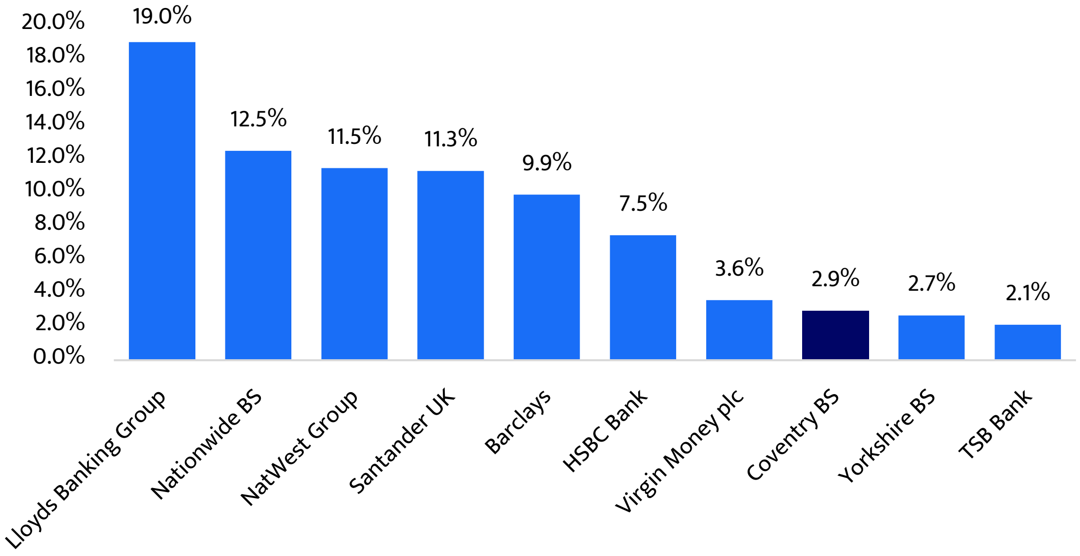
2024
Fairer Finance
Gold ribbon for
Customer Experience -
Mortgages



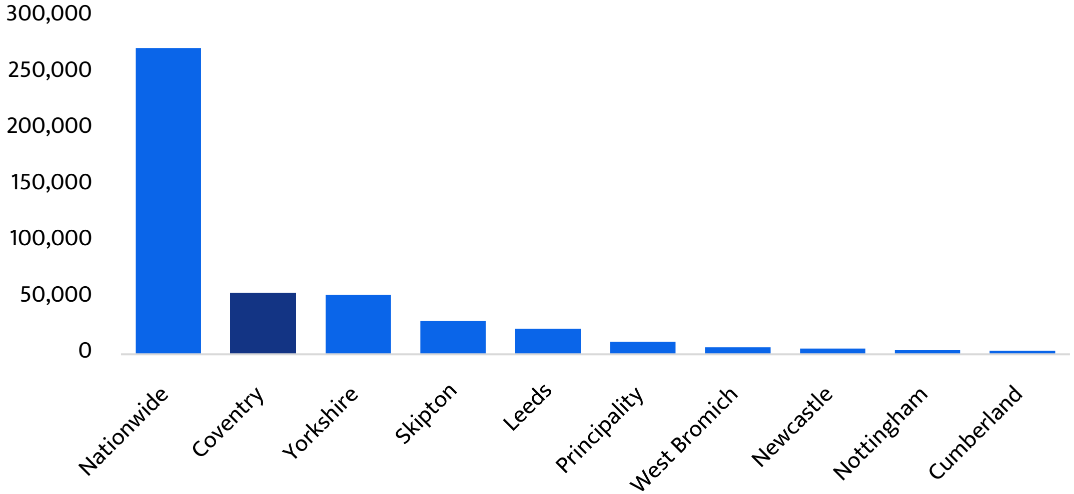
2024
Fairer
Finance
Most
transparent
for savings

Certified Great Place to Work
81% Trust Index Score

Top 10 mortgage lenders by outstanding balance[1]



Top 10 building societies by total group assets[2]



1. UK finance. outstanding balance market share as at 13/07/23 (latest public available data)
2. Source individual ARA's as at 31 December 2023 (except Nationwide which is September 2023).

Performance highlights

Measured financial growth, in a deliberately controlled and disciplined way

Savings balances increased by 2.6% (H1 2023: 7.5%)

The Society continues to offer great value and products to savers increasing overall savings balances to £48.8bn, a rise of £1.2bn in the first half of 2024.

The Society has deliberately limited growth of our savings franchise to match asset growth.

During the first half of 2024 our average savings rate increased by 1.47% to 4.17% from H1 2023.

The savings app, which was launched in Q1 2024, has been downloaded by 100,000 members.

Mortgage growth 2.2% (H1 2023: 1.7%)

The Society continued growing the mortgage book into H1 2024, with growth of 2.2% or £1.1 billion in the first half of the year, to £51.4 billion.

Delivered a balanced performance, growing mortgages in a deliberately controlled and disciplined way, balancing the interests of our saving and borrowing members.

During H1 2024 3,000 first homes purchased by 4,900 members (H1 2023: 3,200 homes, 5,300 members).

Profit before tax £159m (H1 2023: £269m)

In H1 2024, profit decreased in line with our expectations, due to lower interest rate increases than previous years, with profit before tax of £159 million (H1 2023: £269 million).

Net interest income for the period was £330 million (H1 2024: £404 million), a decrease of £74 million. The reduction is driven by an increase in the cost of retail funding which rose more slowly than asset repricing during 2023.

Value returned to members was £195m[1] (H1 2023: £163m)

The value returned to members increased by 20% against the same period last year.

This is in line with expectations, following the high performance of 2023.

The mutual business model continues to benefit members in a competitive period, protecting our savings members with loyalty products and fair value savings.

On average, our savings rates were 0.9% above the market average.[1]

1. Based on the Society's average month end savings rate compared to the CACI market average rate for savings accounts, excluding current accounts and offset savings, for the first five months of 2024.

Performance highlights

Measured financial growth whilst maintaining capital strength

Common Equity Tier 1 ratio 28.9% Leverage ratio 5.6%

We retain enough profit to maintain our capital strength and ensure we remain a safe place for our members to save and borrow.

In 2024, we have seen a further improvement in our Leverage ratio to 5.6% (H1 2023: 5.5%).

Our Common Equity Tier 1 ratio has remained broadly stable at 28.9% (H1 2023: 30.4%), as a result of an increase in RWAs in the period.

The Society expects leverage will be its binding constraint in the future.

>3m in arrears including possessions of 0.31% (H1 2023: 0.22%)

The Society's mortgage book continues to perform well with only 0.31% of mortgages more than 3 months in arrears (H1 2023: 0.22%).

We are mindful of the longer-term impact of increased cost of living seen to date and expected in the future. We are working with our members to help manage through this difficult time, taking proactive steps to identify borrowers who may need our support.

The level of possessions in the book of 315k mortgages was 40 (19 BTL, 17 OO and 4 Equity Release).

Liquidity Coverage Ratio 272% (H1 2023: 263%)

On-balance sheet liquid assets have decreased slightly to £10.6 billion (H1 2023: £11.7 billion).

The Society continues to hold heightened levels of liquidity due to retail funding gathered in previous years, and the increased liquidity risk from higher rates.

The Society continues to have a prudent liquidity risk appetite which informs the amount of liquidity held.

The Society remains well funded to repay upcoming TFSME as due, with £2.95bn outstanding. (H1 2023: £3.9bn).

Costs as a percentage of overall assets 0.55% (H1 2023: 0.49%)

The cost to mean assets ratio has increased in the first six months of the year but is expected to remain among the lowest in the building society sector.

Management expenses of £171m (H1 2023: £147m) include one off costs of £14m relating to the acquisition of The Co-operative Bank, and the new Bank of England levy of £7m.

We invested £43m (H1 2023: £44m) in the first half of the year with a continued focus on digital, mortgages and improving resilience and the financial control environment.

Summary Financial Performance

Balance Sheet summary

	As at 30 Jun 2024 £m	As at 30 Jun 2023 £m	% change
Assets			
Loans and advances to customers	51,397.4	48,849.4	5%
Liquidity	10,579.4	11,736.3	(10)%
Other	951.4	1,071.3	(11)%
Total assets	**62,928.2**	**61,657.0**	2%
Liabilities			
Retail savings	48,823.7	45,460.7	7%
Wholesale funding	10,003.5	12,380.6	(19)%
Subordinated liabilities and subscribed capital	57.0	57.0	0%
Other	460.4	577.1	(20)%
Total liabilities	**59,344.6**	**58,475.4**	1%
Equity			
General reserve	2,662.4	2,437.5	9%
Other equity instruments	691.9	415.0	67%
Other	229.3	329.1	(30)%
Total equity	**3,583.6**	**3,181.6**	13%
Total liabilities and equity	**62,928.2**	**61,657.0**	2%

Income Statement summary

	Period to 30 Jun 2024 £m	Period to 30 Jun 2023 £m	% change
Interest receivable	1,656.0	1,346.4	23%
Interest payable	(1,326.4)	(942.5)	41%
Net interest income	**329.6**	**403.9**	(18)%
Other income	(2.8)	(2.0)	40%
(Loss)/ gain on derivatives and hedge accounting	(10.5)	24.6	(143)%
Total income	**316.3**	**426.5**	(26)%
Management expenses	(171.3)	(146.8)	17%
Impairment release / (charge)	13.8	(11.1)	(224)%
Profit before tax	**158.8**	**268.6**	(41)%

Key ratios	As at 30 Jun 2024 %	As at 30 Jun 2023 %
Net interest margin	1.05	1.34
Cost income ratio (including investment)	54.2	34.4
Cost as a percentage of average assets	0.55[1]	0.49
Cost of Risk[2] (bps)	(3)	2

1. Excluding the acquisition-related costs, our cost income ratio would be 50%,.
2. Cost of Risk = impairments charged to income statement / average loans to customers

The Co-operative Bank acquisition

Timeline

The Society announced **on 21st December 2023** that it had entered exclusive talks in relation to a possible offer to acquire The Co-operative Bank

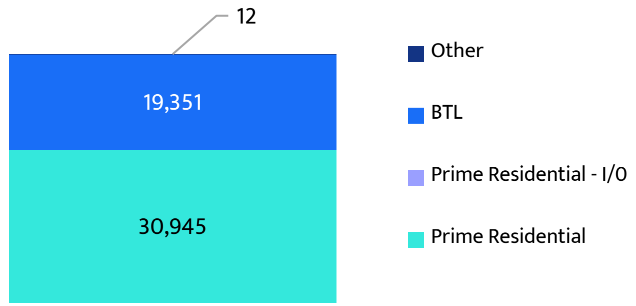
On **24th May 2024**, the Society and major owners of The Co-operative Bank signed a Sale and Purchase Agreement

The transaction is expected to close in **Q1 2025**, subject to the receipt of relevant regulatory permissions

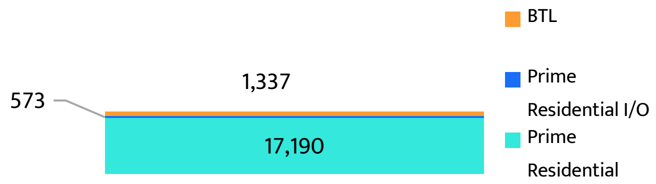
The Society would seek to integrate The Co-operative Bank **gradually over several years**

Mortgage Product Split[1]

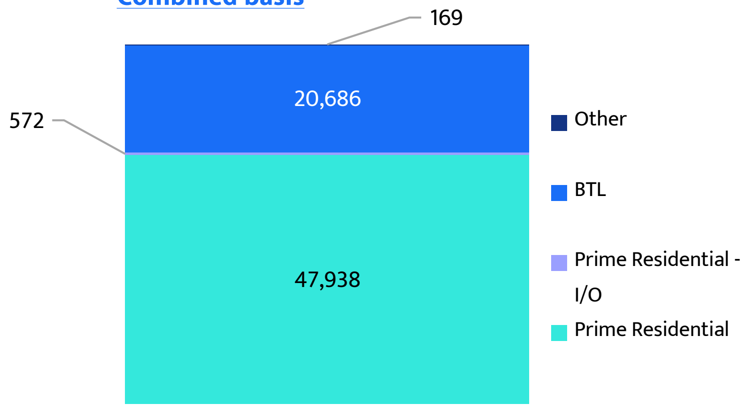
Coventry Building Society



The Co-operative Bank

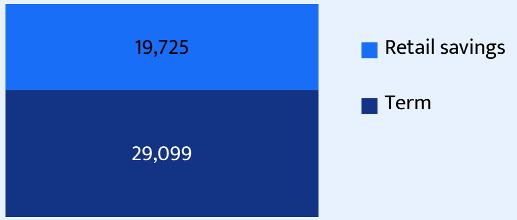


Combined basis

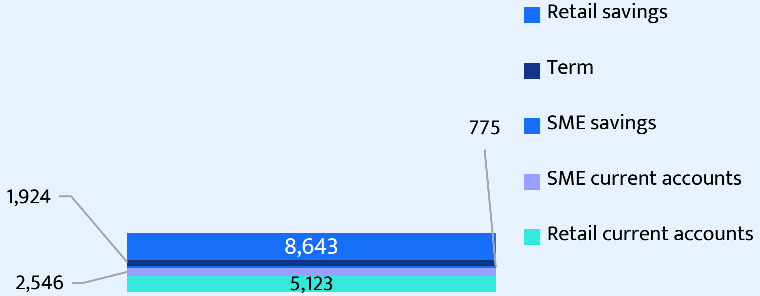


Retail Product Split[1]

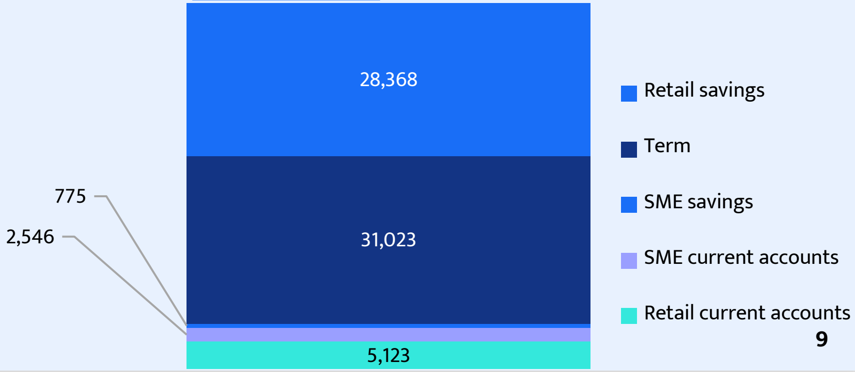
Coventry Building Society



The Co-operative Bank



Combined basis



1. Based on the FY 2023 published results.

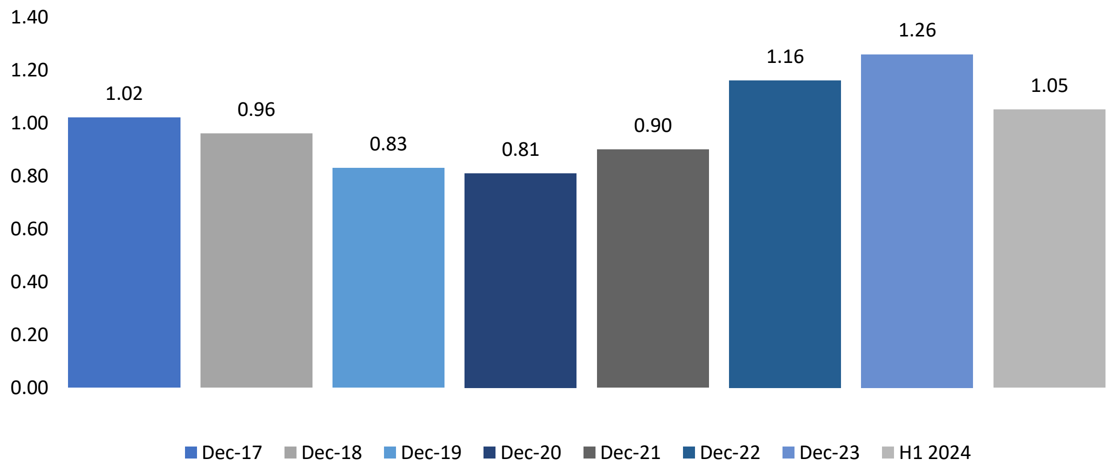
Profit returning to more normal levels

Reduced NIM due to no base rate increases and increased savings rates

Condensed Income Statement

	H1 2024 £m	H1 2023 £m
Total income	316.3	426.5
Management Expenses	(171.3)	(146.8)
Impairment release/ (charge)	13.8	(11.1)
Profit Before Tax	**158.8**	**268.6**

Society NIM %



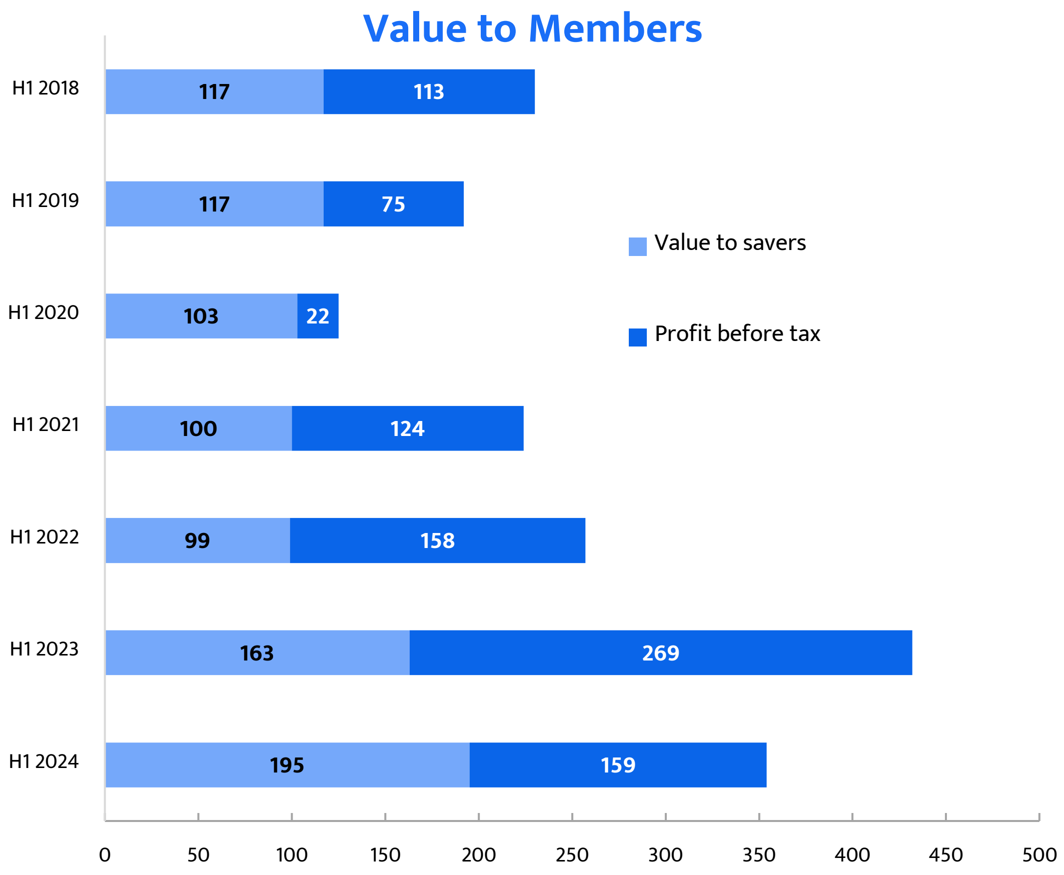
Interest payable on retail savings increased by £412 million following the increase in deposit balances and higher average rates paid.

The results for the period includes:
- A reported loss on derivative financial instruments of £10.5 million, as the gains seen in previous years begin to unwind;
- £14 million of costs associated with the anticipated acquisition of the Cooperative Bank; and
- £7 million relating to the new Bank of England levy.

Net interest income decreased to £330 million (30 June 2023: £404 million). The reduction is due to the timing of asset and liability repricing from prior year base rate increases and increased retail savings competition flowing through from the second half of 2023. As base rates stabilised, mortgage customers repriced to lower margin products.

Delivering value to our members

Now, and into the future



Following the high performance of 2023, we had planned for and anticipated lower profitability against the same period last year.

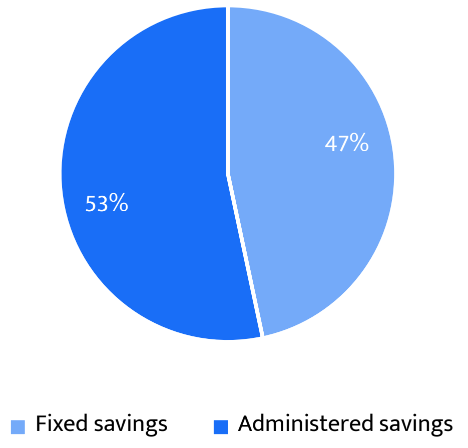
Profit before tax of £159 million (H1 2023: £269 million sees a normalisation to previous levels of profitability .The Society's capital base remains robust.

Member value of £195m[1] returned in the six months to June 2024, up from 2023 as interest rate hikes fully passed through.

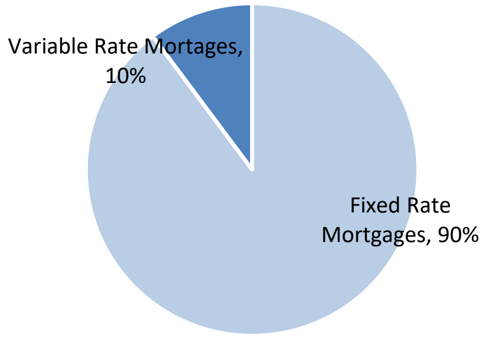
The average rate paid by the rest of market was 3.31%. We continue to reward members paying an additional 87bps to the market average rate.

Rate Type Profile

Saving products



Mortgage products



1. Based on the Society's average month end savings rate compared to the CACI market average rate for savings accounts, excluding current accounts and offset savings, for the first five months 2024.

Mortgage business in H1 2024

Measured mortgage growth as the Society prepares for acquisition

In 2024, the rate on mortgages have been fairly stable, however swap rates have been more volatile impacting margins tranche by tranche

Market expectation is a rate decreasing environment with further Bank rate cuts assumed in 2025.

The Society managed its growth in the first half of 2024 in response to the market conditions. We grew the mortgage book by 2.2% or £1.1 billion in the year.

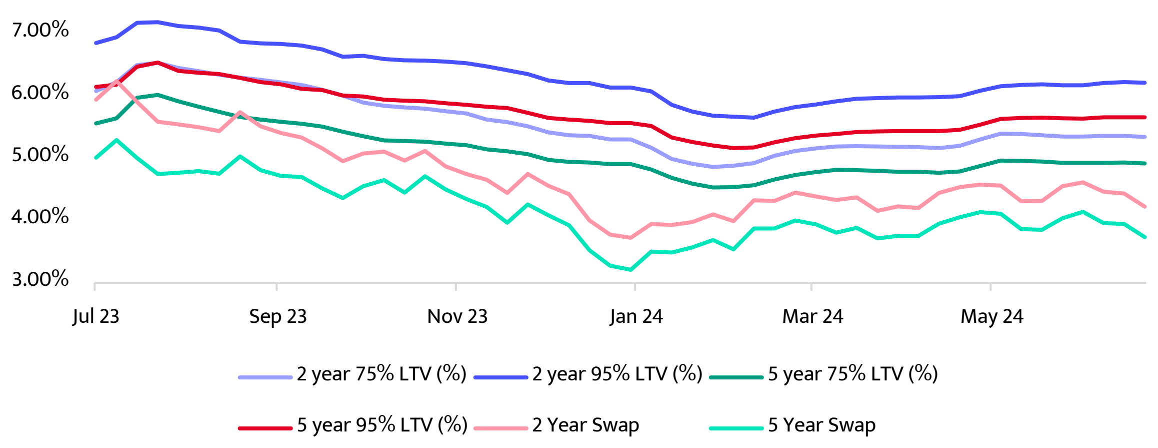
Total mortgage assets at 30 June 2024 stood at £51.4 billion (H1 2023: £48.8 billion) reflecting modest improvement in housing market activity. This comprised £32.0 billion (H1 2023: £29.5 billion) of owner-occupier and £19.4 billion (H1 2023: £19.4 billion) buy to let loans.

The balance weighted average indexed loan to value of the mortgage portfolio was 53.4% at 30 June 2024 (H1: 2023: 52.5%).

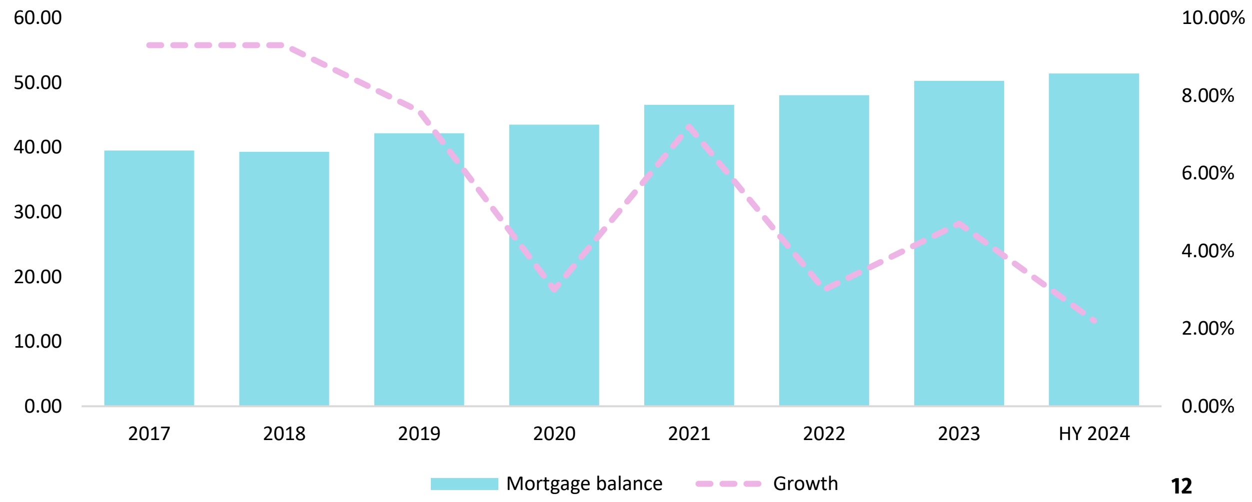
New business LTV on the overall book in H1 2024 was 66.1%[1] (H1: 2023: 64.8%).

The LTV distribution of the mortgage book has remained broadly stable during the first half of 2024 with 87.8% of the mortgage book having an LTV of 75% or lower (H1 2023: 89.3%).

Mortgage Rates Versus Swaps in 2024



Mortgage Balances (£bn) and growth %



1. Including fees and excluding porting.

Savings business in H1 2024

Savings performance deliberately moderated to remain below £50bn in 2024

The cost of retail savings has risen over 2023, and over H1 2024 as new acquisition variable rate savings products have caught up with base rates.

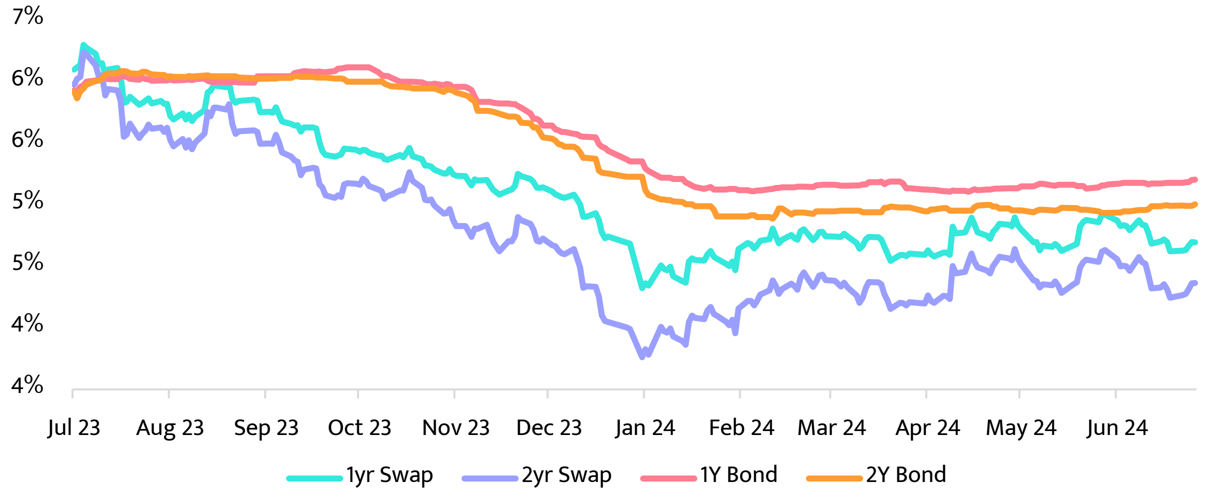
Market leading fixed rate savings became more expensive as swap rates fell, with closer to swap rates more recently. The Society has attracted funding below the top 10 rates in H1 2024.

Retail funding forms the majority 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.

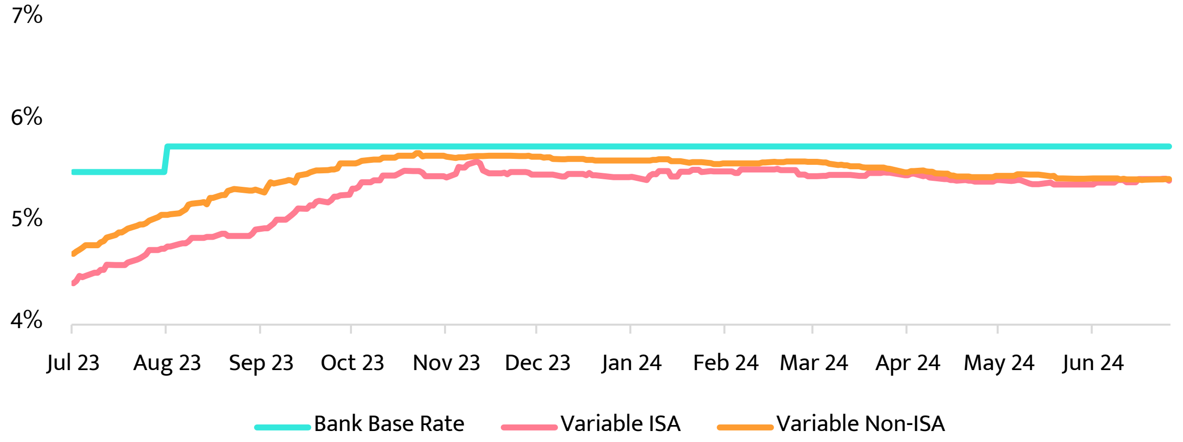
We have grown savings by offering market-leading products. Savings grew by £1.2 billion (2.6%) in the first half of the year (H1 2023: £3.2 billion) taking our overall savings balance to £48.8 billion.

In H1 2024 we again offered savings rates above the average in the market, delivering a higher member premium than in H1 2023. The Society paid 0.90% above the market average to our savers.

Fixed Products Versus Swaps 2023-2024[1]



Variable Products Versus Swaps 2023-2024[1]



1. Product rates are the average of the market top 10 products.

Retail Funding

The Society continues to be predominately funded by retail savings

Savings App

100k downloads

The mobile app went live in Q1 as planned and has been downloaded by 100,000 members.

Value

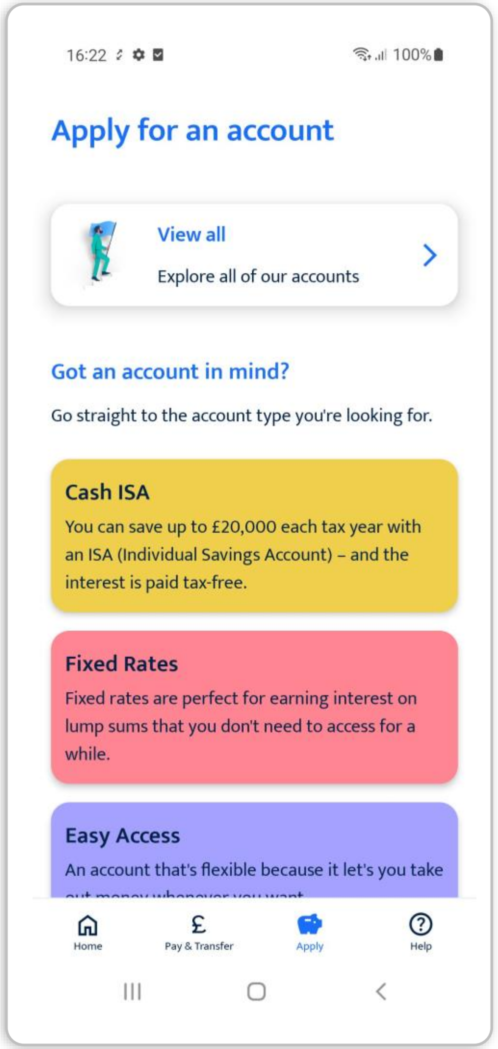
Long term value to members

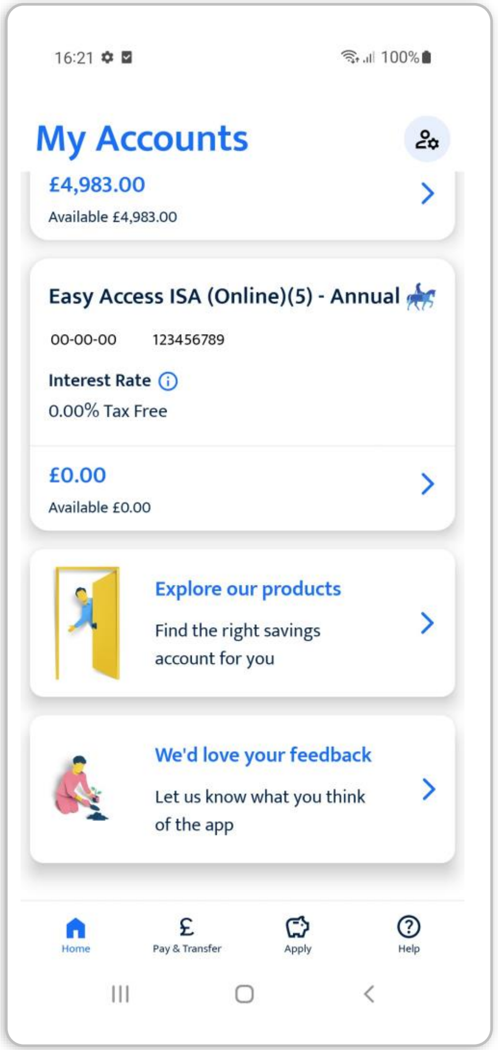
The Society has paid 0.9% above market rates on savings, in line with continued strategy of returning value to members and only retaining profits needed to maintain capital ratios and fund investment.

Product Set

Focus in ISA markets has remained

Lending is primarily funded through retail deposits. The Society has a wide range of products and have focused on ISA flows. Over 45% of savings balances are ISA.





Financial Strength

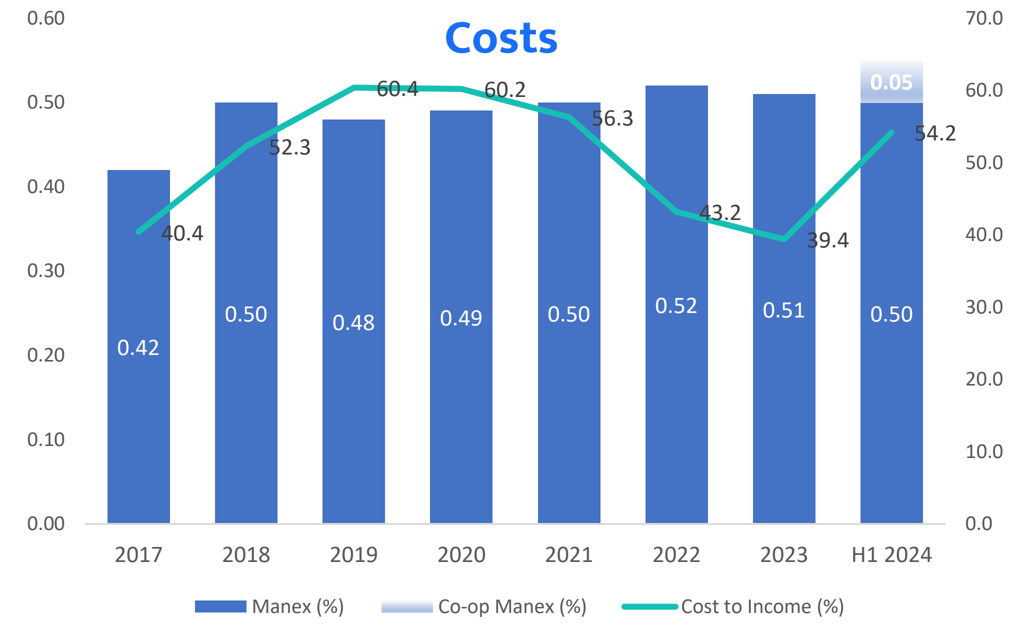
Key metrics remain robust

%	2019	2020	2021	H1 2022	FY 2022	H1 2023	FY 2023	H1 2024
Net interest margin / mean assets	0.83	0.81	0.90	1.11	1.16	1.34	1.26	1.05
Cost/ mean total assets (including Investment)	0.48	0.49	0.50	0.50	0.52	0.49	0.51	0.55[1]
Cost / income ratio (including Investment)	60.4	60.2	56.3	46.3	43.2	34.4	39.4	54.2
UK Leverage Ratio	4.4	4.6	4.8	5.0	5.2	5.5	5.4	5.6

1. Excluding the £14m cost associated with acquisition of The Co-operative Bank is 0.50%

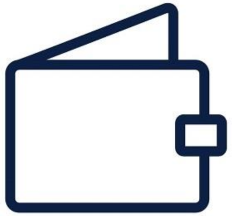
Management Expenses and Investment

Long term view enables investment in future service



Management expenses for the period were £171 million (H1: 2023: £147 million).

The rise in costs of £24 million was due to one off costs of £14 million relating to the acquisition of The Co-operative Bank, the new Bank of England levy included as a £7 million cost to the Society and the impact of inflation on both employee costs and third party costs.



The Society remains focussed on operating efficiency whilst navigating investment priorities.

The cost to mean assets ratio of 0.55% has increased in the first six months of 2024 (H1 2023: 0.49%) but is expected to remain among the lowest in the building society sector.

Excluding the acquisition-related costs, our cost income ratio would be 50% and our manex 0.50%.

Our robust financial performance has allowed the Society to continue with its significant investment, a total spend on investment of £43 million[1] (H1 2023: £44 million).

We are making significant progress in our technical infrastructure, thereby reducing risk as we enhance the resilience and security of the services we provide

This ongoing investment includes the transformation of our financial systems where we have successfully delivered new systems that automate elements of our regulatory and capital markets reporting as well as a new procurement sourcing system.

1. In addition to the £14million of costs associated with the anticipated acquisition of The Co-operative Bank.

Asset Quality

Early signs of economic environment from a very low base

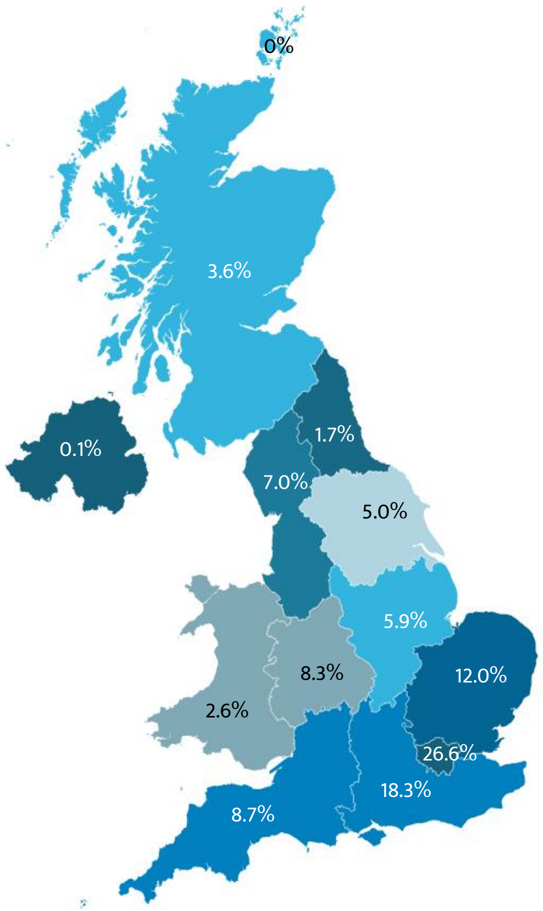
	2019	2020	2021	HY 2022	FY 2022	HY 2023	FY 2023	HY 2024
>3 Months Arrears (including possessions)	0.17%	0.19%	0.18%	0.17%	0.18%	0.22%	0.27%	0.31%
2.5%+ Arrears[1]	0.08%	0.09%	0.10%	0.09%	0.10%	0.14%	0.18%	0.23%
Number of Possessions	33	22	27	20	27	21	25	40
Impaired Loans / Gross Loans	0.47%	0.48%	0.41%	0.40%	0.42%	0.46%	0.53%	0.63%
Expected Credit Loss provisions (balance sheet)	12.0	48.1	18.9	21.2	35.5	46.6	42.5	28.2
Impairment (charge) or release	(2.1)	(36.4)	28.7	(2.3)	(16.6)	(11.1)	(6.9)	13.8
Portfolio LTV	55.4%	52.8%	50.9%	48.6%	51.0%	52.5%	53.8%	53.4%
New Business LTV[2]	63.7%	63.7%	65.7%	62.2%	65.3%	64.8%	64.9%	66.1%

1. Including possessions
2. Including fees and excluding porting

Overall mortgage portfolio

Well diversified mortgage portfolio reflecting the national coverage of the Society's distribution channels

Geographical distribution by Value



The Society's lending strategy remains focussed on high quality, low risk owner-occupier and buy to let lending within the prime residential market.

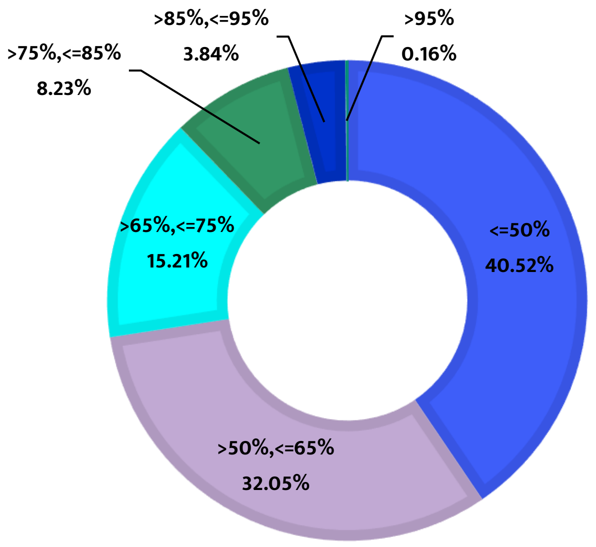
Intermediaries introduce over 95% of cases leading to a national distribution of mortgages.

Total mortgage assets at 30 June 2024 stood at £51.4 billion (H1 2023: £48.8 billion) reflecting modest improvement in housing market activity. This comprised £32.0 billion (H1 2023: £29.5 billion) of owner-occupier and £19.4 billion (H1 2023: £19.4 billion) buy to let loans.

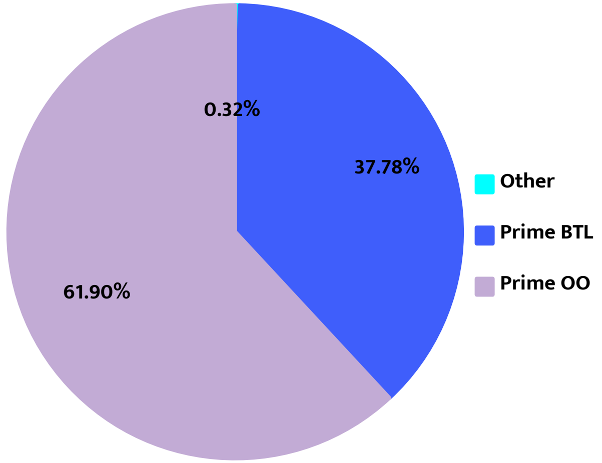
The balance weighted average indexed loan to value of the mortgage portfolio has seen a small increase to 53.4% in H1 2024 (H1 2023: 52.5%) due to house price movements and new lending.

The LTV distribution of the mortgage book has remained broadly stable during the first half of 2024 with 87.8% of the mortgage book having an LTV of 75% or lower (H1 2023: 89.3%).

Total book split by LTV

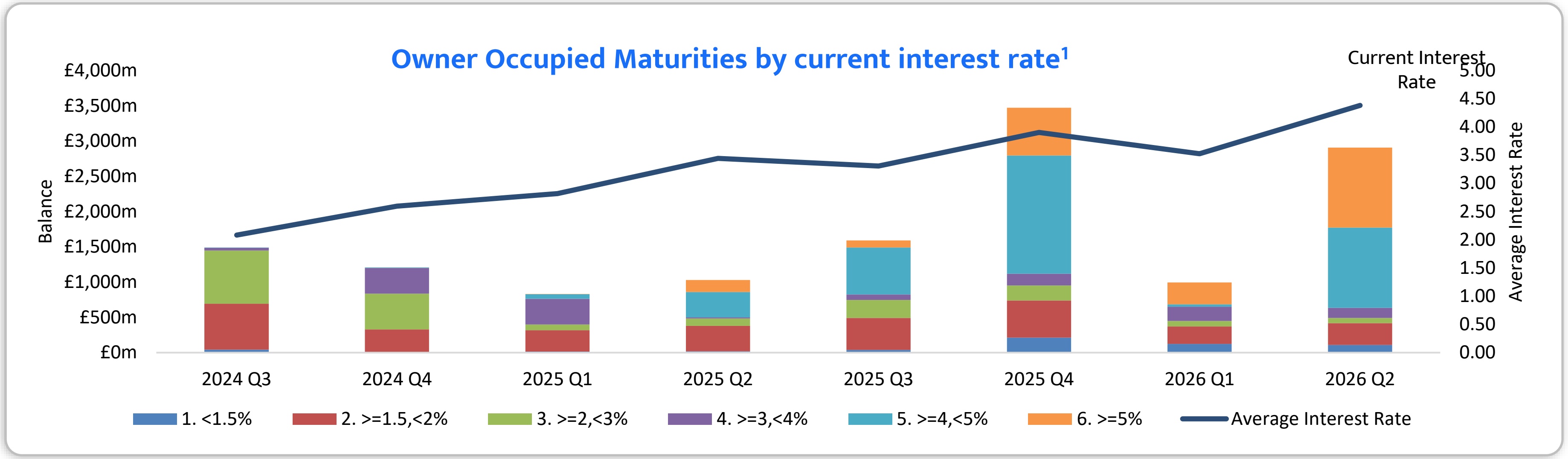


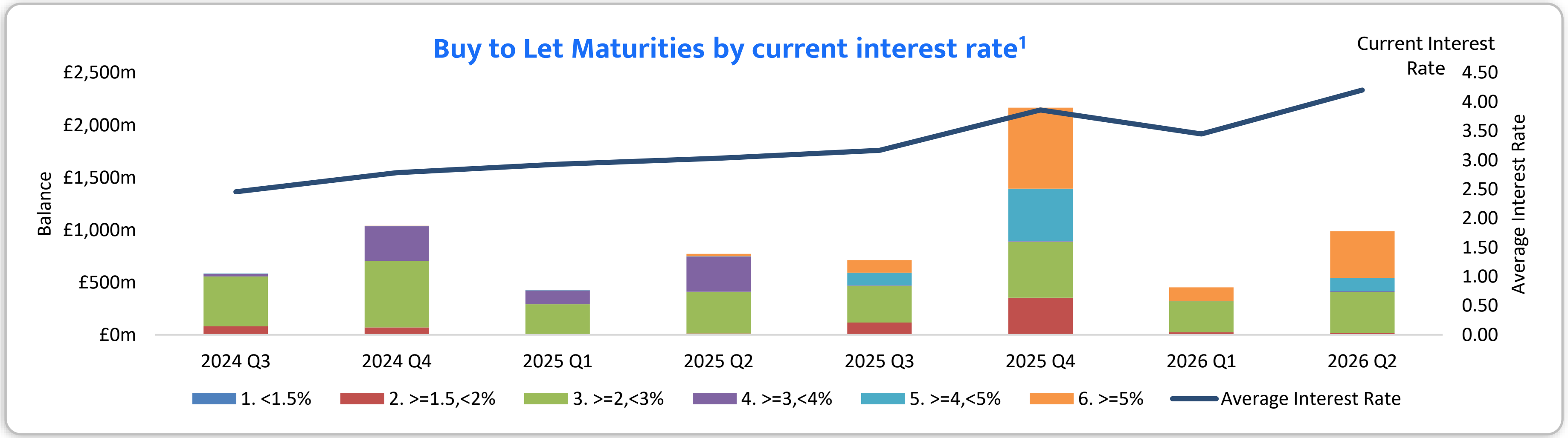
Total book split by product



Fixed rate maturities

We remain alert to helping those most vulnerable





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.

Affordability continues to be partly based on a stress rate for all applications.

The OO stress rate started out at 7.74% in January 2023, and moved to 8.24% in March, and is currently 8.99%.

Total accounts exiting a fixed rate in the next 12 months is £7,364m (volume of accounts: 44,112).

43% of Owner Occupier and 57% of BTL due to mature in the next 2 years have an interest rate below 3%.

Average interest rate on lending for H1 2024 was 4.80%

1. Average interest rate on maturity.

Resilient Asset Performance

Proactive arrears performance monitoring reflected in arrears levels consistently below industry averages

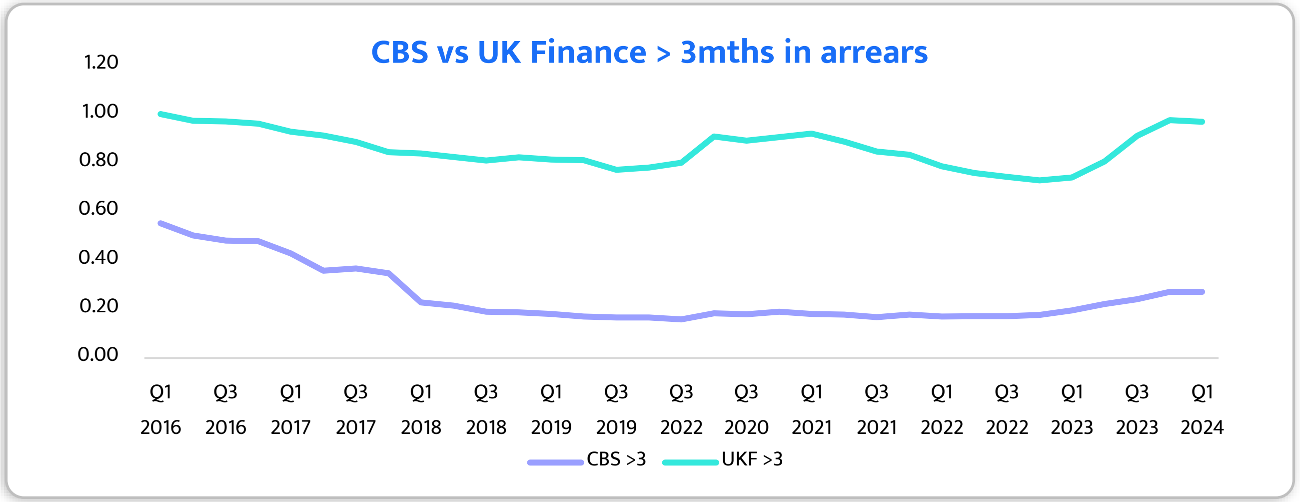
Arrears performance

The Society's longer-term arrears position has worsened marginally in the first half of 2024 with £157.4 million (30 June 2023 £93.5 million, 31 December 2023: £126.7 million) of accounts being more than three months in arrears, but still compares well to the industry average.

The overall increase in arrears balances since the year end is reflective of the continuing challenging external economic environment currently facing borrowers. Whilst interest rates have remained flat and inflation has reduced, the cumulative impact of their growth over the last two years continues to impact household finances.

The balance of accounts in 1+ month arrears totalled £409.6 million (2,565 cases) compared to £263.7 million (1,873 cases) in H1 2023.

The overall credit quality of the book however does remain high and arrears levels compare favourably to the UK finance average.



1. UK Finance data as at 31 March 2024

Lending strategy

The Society's lending strategy has remained focused on high quality residential mortgages, reflected in the low loan to value of the mortgage book and low levels of arrears and possessions.

Possessions

Our track record of lower risk lending has kept arrears and repossessions to a very low level compared to the industry average.

The Society will only seek repossession of a property when all reasonable efforts have failed or where the mortgage is unsustainable in the longer term. As at 30 June 2024 the Society has 40 (FY 2023: 25) properties in possession (19 BTL, 17 Owner Occupied and 4 Equity Release), out of the c.315,000 properties that the Society has lent on.

Average time from possession to sale was 264 days in H1 2024 (H1 2023: 203) days. The Society made a loss on 7 possession sales in H1 2024 and a surplus on 8 cases (a loss on 47% of cases and a surplus on 53% of cases) with an average loss amount of £80k (H1 2023: £33k).

Arrears Capitalisation minimal

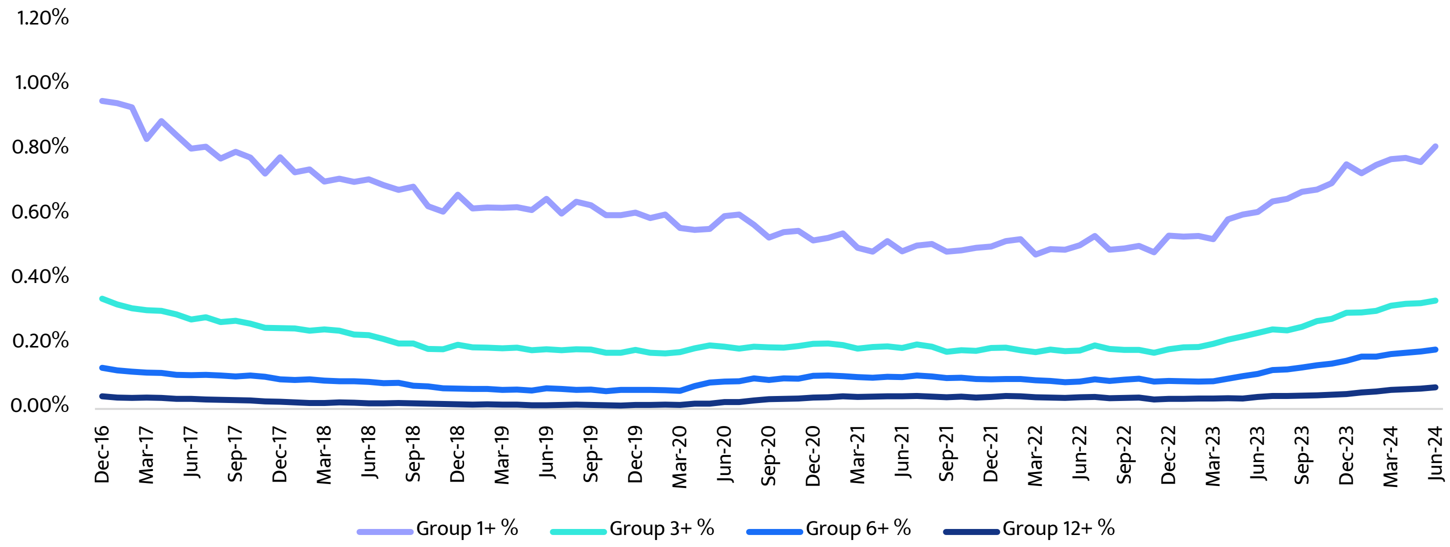
Capitalisation of arrears is only used where we have exhausted other options to regularise an account and, as a result, no cases (2023: 4 cases) had arrears capitalised as at H1 2024.

Arrears over time…

Slight uptick in arrears from a very low base

The Society has seen an increase in Buy to Let arrears levels over the last few months and while some of this is inevitably the result of the increasing cost of living, and higher interest rates impacting both landlords and tenants, there has not at this stage been a significant increase in arrears cases for customers maturing off fixed rate deals.

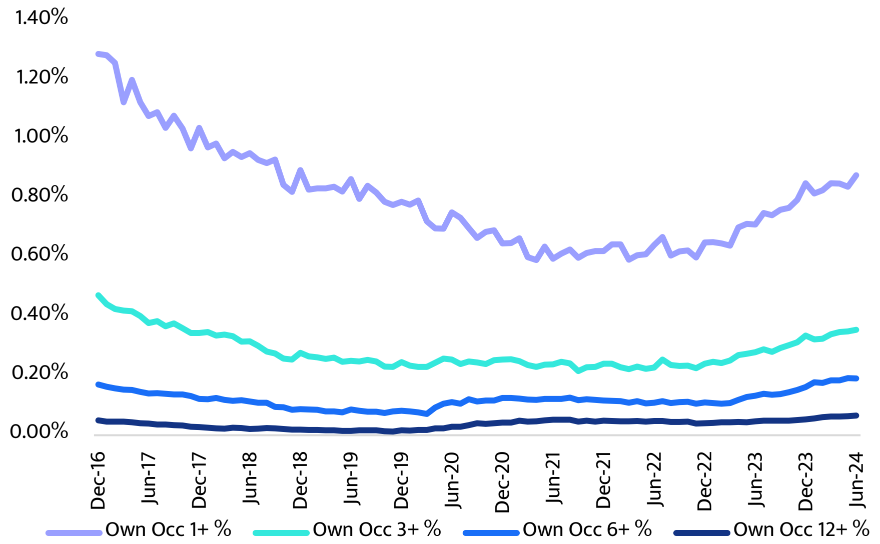
Overall Book Arrears %



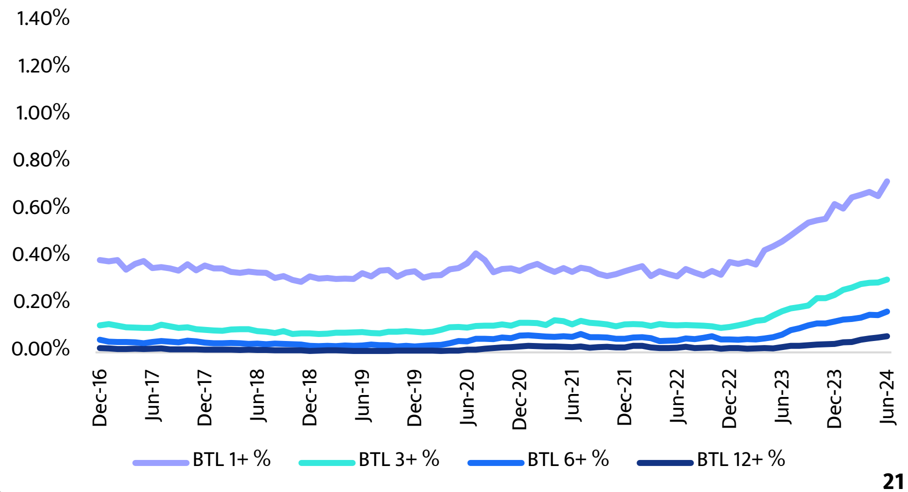
The BTL book saw a proportionately larger increase in arrears but from a very low base and the quality of the portfolio is evident with only 394 cases (0.31%) in the BTL book being 3 or more months in arrears at H1 2024 (H1 2023: 221 cases (0.17%)). As at H1 2024, only 665 cases (0.36%) of Owner Occupier loans were 3 or more months in arrears, slightly up from 503 accounts (0.28%) at H1 2023.

The arrears increase is primarily a consequence of the current economic situation (cost of living and increased interest rates). The Society continues to monitor arrears for root causes. We monitor ourselves using an external benchmarking group to track performance against other lenders and this data shows that our 1-3 and 3+ BTL arrears levels continue to be one of the lowest amongst our peers.

Owner Occupied Arrears %



BTL Arrears %



Proactively helping our members

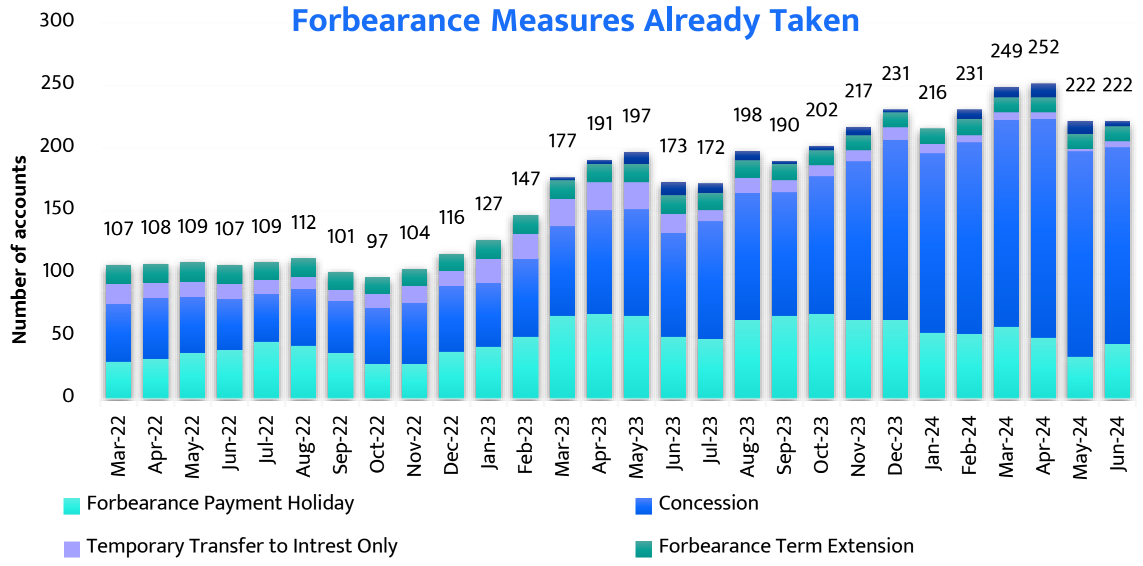
As a mutual, the Society proactively helps customers

Proactive arrears management

The Society has used an in-house assessment to identify customers who are potentially vulnerable to the cost-of-living crisis and has proactively written to members identified as potentially vulnerable, with around two thirds subsequently contacted by a customer service call.

Only a very small number have needed any additional help to date.

This proactive approach and the extensive forbearance arrangements already in place have been further underlined by signing up to the Government's Mortgage Charter Initiative.



Mortgage Charter

The Society signed up to the mortgage charter in June 2023 to help support customers during the cost-of-living crisis.

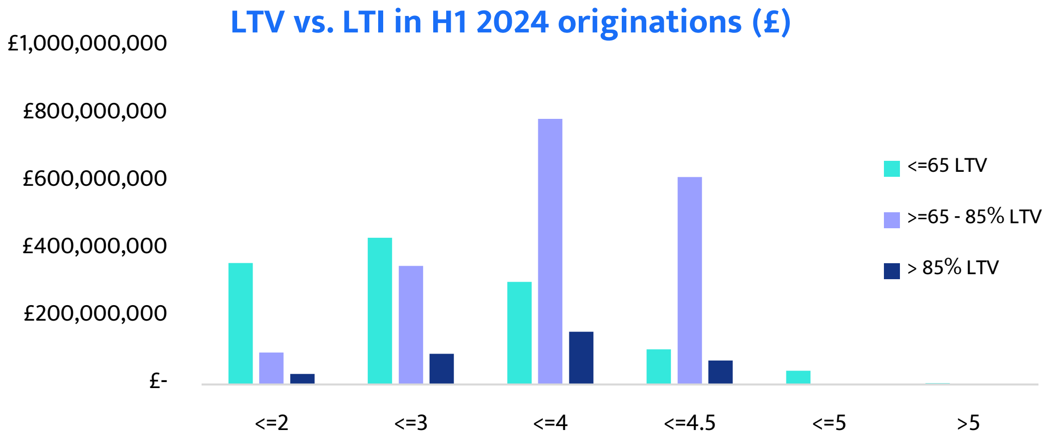
The main initiatives in the charter are:

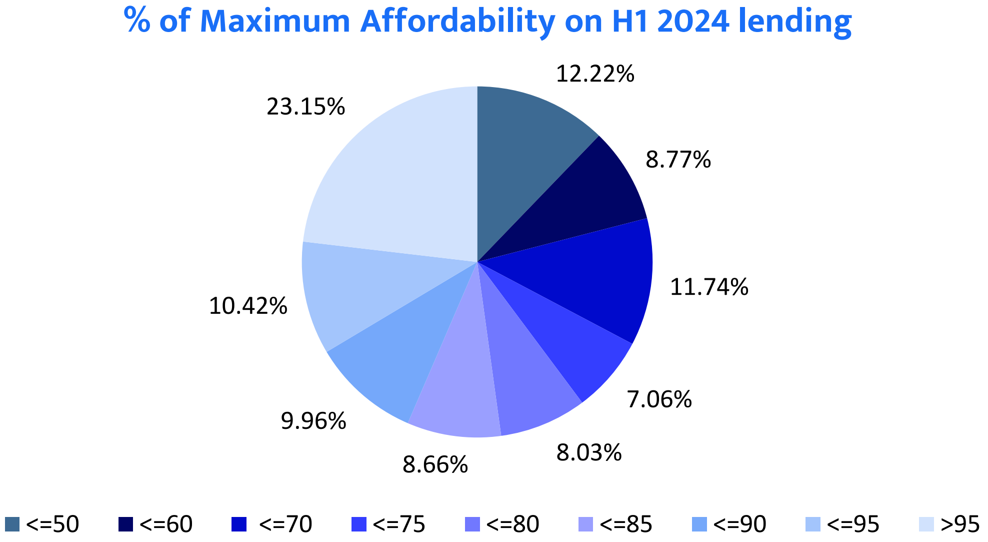
- Anyone worried about their mortgage repayments can contact their lender for help and guidance, without any impact on their credit file.
- Support will be available for customers who are up-to-date with payments to switch to a new mortgage deal at the end of their existing fixed rate deal without another affordability check.
- Lenders will provide well-timed information to help customers plan ahead should their current rate be due to end.
- Lenders will offer tailored support for anyone struggling and deploy highly trained staff to help customers. This could mean extending their term to reduce their payments, offering a switch to interest only payments, but also a range of other options like a temporary payment deferral or part interest-part repayment. The right option will depend on the customer’s circumstances.

The Mortgage Charter has hardly been used by our customers, and is starting to run off. Approximately 1000 cases (out of a book of over 315k mortgages) have used the Charter, 600 of which were in the first 2 months from launching the initiative. There are currently 360 live cases, with the remaining 640 having reverted back to repayment.

Spotlight on owner-occupied

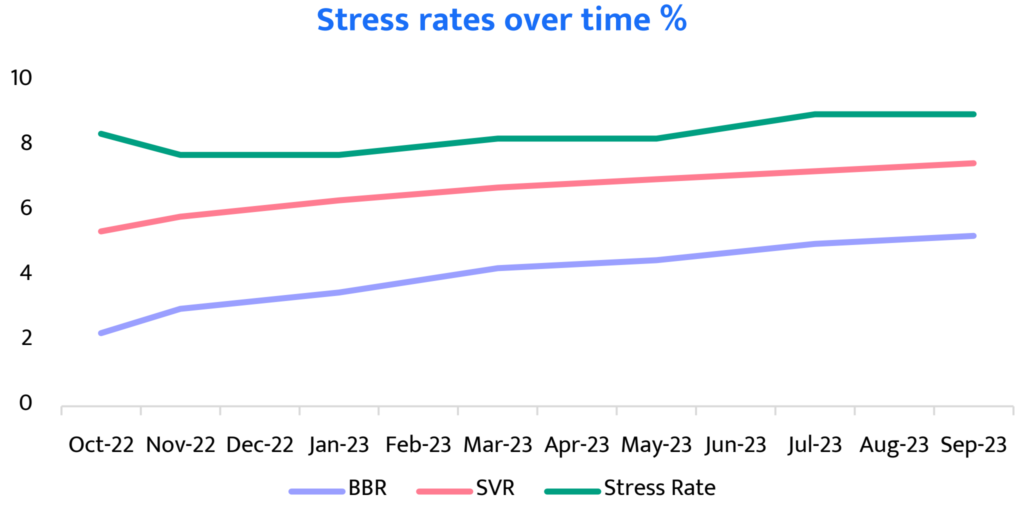
Affordability remains strong and stresses at 8.99%





Affordability continues to be assessed using both an affordability model and loan to income ratios. A key element of the affordability model is the stress rate applied for all applications.

The Society currently only uses one stress rate and there is no differentiation between transaction types.



On lending YTD, 18.7% of mortgage completions were restricted by the back stop income multiples. The average rate of loan amount vs maximum loan amount was 77.2% for H1 24 lending (H1 2023: 79.7%). Approximately 47.8% of completions were for lending amounts <=80% of the maximum loan amount.

Analysis by LTI (loan to Income) shows that only 1.9% of completions had LTI ratio of >=4.5.

The Society restricts the maximum income multiple above 65% LTV to 4.49.

Spotlight on Buy to Let

Resilient performance coupled with low arrears

Prudent assumptions regarding rental voids, rent increases etc. are included.

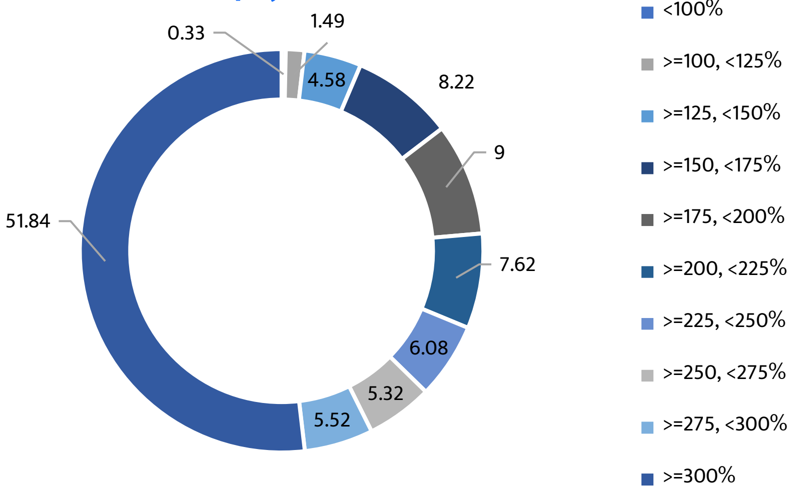
Concentration risk for portfolio landlords is low because the majority of our BTL borrowers have one property (85%).

Only 2.9% of BTL borrowers are portfolio landlords (have four or more properties).

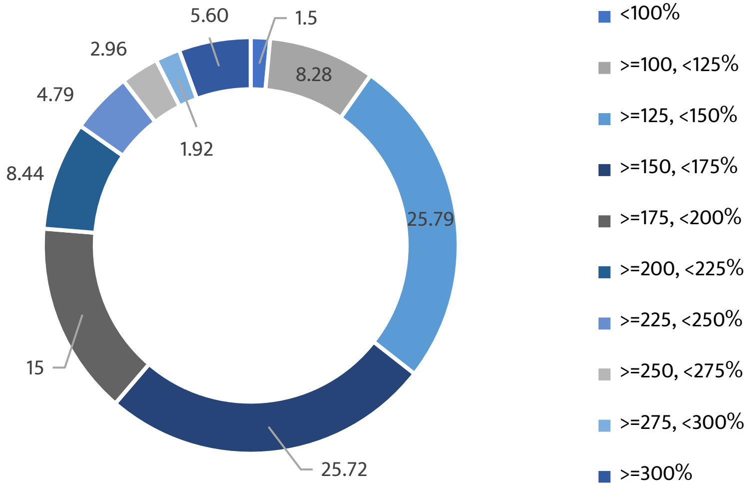
Losses and impairments have been very low. On circa £36.8bn of lending granted since 2010 we have only seen £111k of losses. There are only 19 buy-to-let properties in possession as at H1 2024, from a book of c.130,000.

The Society's actual average interest coverage ratio at half year 2024 using a 6% interest rate is 185.10% and 222.12% at 5% stress rate. At a stress rate of 7%, 30.58% are below 125% ICR.

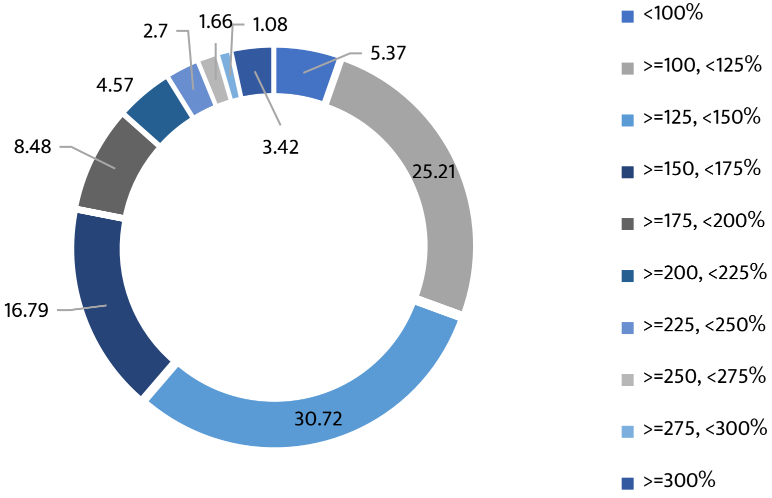
Interest Coverage Ratio 30 June 2024 at payrate



Interest Coverage Ratio at 6% Stress Rate[1]



Interest Coverage Ratio at 7% Stress Rate[1]



1. From Jun 2022, the Society started to use AVM ICR not ONS regional indexing for better data

Expected Credit Losses

Performance of our mortgage book remains strong with a release of £14m recognised in the period

As at 30 June 2024	Stage 1 Performing	Stage 2 Deteriorating	Stage 3 Default	Impairment	Total	Proportion of book
Indexed loan to value	£m	£m	£m	£m	£m	%
<50%	20,158.9	570.7	134.3	(1.2)	20,862.7	40.6
50% to 65%	14,542.0	1,820.7	104.9	(8.1)	16,459.5	32.0
65% to 75%	5,946.9	1,802.3	50.3	(7.5)	7,792.0	15.2
75% to 85%	3,542.9	655.0	18.0	(4.7)	4,211.2	8.2
85% to 90%	1,134.4	133.8	7.0	(2.0)	1,273.2	2.5
90% to 95%	645.0	43.4	3.0	(0.9)	690.5	1.3
95% to 100%	74.2	5.0	0.7	(0.2)	79.7	0.2
> 100%	0.2	0.9	3.0	(1.7)	2.4	-
Unsecured loans	8.3	1.1	0.4	(0.5)	9.3	-
Mortgage pipeline	-	-	-	(0.3)	(0.3)	-
Other[1]	-	-	-	(1.1)	(1.1)	-
Total H1 2024	**46,052.8**	**5,032.9**	**321.6**	**(28.2)**	**51,379.1**	**100.0**
H1 2024 %	**89.6%**	**9.8%**	**0.6%**	**(0.05)%**	**100%**	
Total H1 2023	**42,278.7**	**6,384.7**	**225.3**	**(46.6)**	**48,842.1**	
H1 2023 %	**86.5%**	**13.1%**	**0.5%**	**(0.1)%**	**100%**	

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 overall increase in arrears balances since the year end is reflective of the continuing challenging external economic environment currently facing borrowers. Whilst interest rates have remained flat and inflation has reduced, the cumulative impact of their growth over the last two years continues to impact household finances.

In the first six months of 2024, stage 2 accounts decreased to 9.8% (31 December 2023: 14.5%, 30 June 2023: 13.1%) driven by the reduction of the cost-of-living PMA, with fewer customers showing signs of payment hardship than initially expected.

89.6% of the mortgage book remains in stage 1 (31 December 2023: 85.0%, 30 June 2023: 86.5%).

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 to £28 million in the period, (31 December 2023: £43 million), with a release of £14 million recognised in the Income Statement (30 June 2023: charge of £11 million).

Whilst a deliberately cautious approach to estimating ECLs continues to be applied, the cost-of-living post model adjustment has been reduced by £12 million, reflecting resilient credit quality and only a modest increase in arrears levels.

The ECL provision now equates to 0.05% of the overall mortgage book (FY 2023: 0.08%), which is reflective of very strong credit quality with very low arrears and losses.

Key economic assumptions

Key economic assumptions as at 30 June 2024

Scenario/ weighting	Assumption[1]	2024 %	2025 %	2026 %	2027 %	2028 %	Peak to trough %	Range %	Average to 31 Dec 2028 %[2]
Base 55%	Unemployment	4.5	4.7	4.7	4.6	4.6	0.3	4.4 – 4.7	4.6
	HPI	(2.3)	1.0	2.0	2.5	2.5	8.0	(2.3) – 5.7	1.3
	GDP	0.2	1.3	1.5	1.5	1.5	5.9	(0.2) – 5.7	1.2
	Base Rate	4.75	3.50	3.25	3.25	3.25	2.00	3.25 – 5.25	3.68
Downside 20%	Unemployment	6.5	6.8	6.5	6.3	6.0	2.0	4.8 – 6.8	6.3
	HPI	(10.5)	(9.5)	(4.5)	0.0	3.0	20.9	(22.6) – (1.7)	(4.9)
	GDP	(3.1)	0.0	1.3	1.3	1.4	3.9	(3.1) – 0.8	0.2
	Base Rate	6.25	6.25	6.25	6.25	6.00	0.75	5.50 – 6.25	6.15
Severe Downside 10%	Unemployment	5.2	8.5	8.0	7.4	6.8	4.1	4.4– 8.5	7.3
	HPI	(3.6)	(14.1)	(16.4)	4.3	6.8	30.9	(31.0) – (0.1)	(5.6)
	GDP	(1.5)	3.0	1.2	1.2	1.2	4.9	(5.0) – (0.1)	(0.2)
	Base Rate	6.50	7.50	6.75	6.00	5.25	2.25	5.25 – 7.50	6.53
Upside 15%	Unemployment	4.3	4.1	4.0	3.9	3.9	0.5	3.9 – 4.4	4.0
	HPI	1.0	2.5	3.5	4.0	4.0	15.7	0.2 – 15.9	3.3
	GDP	0.7	1.8	2.5	3.3	3.8	12.5	0.1 – 12.6	2.7
	Base Rate	4.75	3.50	3.00	3.00	3.00	2.25	3.00 – 5.25	3.54

While the Society's ECL calculation is particularly sensitive to unemployment and HPI movements, GDP and the Bank of England Bank Rate remain key drivers of the provision calculation and the forward economic outlook.

Updates to assumptions made against FY 2023 include changes to Bank rate assumptions (for impairment purposes) and minor adjustments to HPI.

The rates applied to all key measures are shown opposite for the five-year forecast period.

A significant degree of estimation relates to the relative weightings of the scenarios.

If a 100% weighting was attributed to each of the scenarios, ECLs would change as follows:

- Base – decrease by £11.0 million, or 39.0% (FY 2023: £16.4 million, 38.6%), to a total provision of £17.2m.
- Downside – increase by £18.7 million, or 66.3% (FY 2023: £17.1 million or 40.2%), to a total provision of £46.9m.
- Severe Downside – ECLs would increase by £24.5 million or 86.9% (FY 2023: £36.1 million, 84.9%), to a total provision of £52.7m.
- Upside – decrease by £13.8 million, or 48.9% (FY 2023: £24.8 million or 58.4%), to a total provision of £14.4m.

1. Unemployment and Bank Rate are shown at the year-end rate; HPI change and GDP change are for the six months ending 31 December 2024, and 12 months ending 31 December 2025 to 2028.
2. HPI change and GDP change average to 31 December 2028 are shown as the annual compound growth rates..

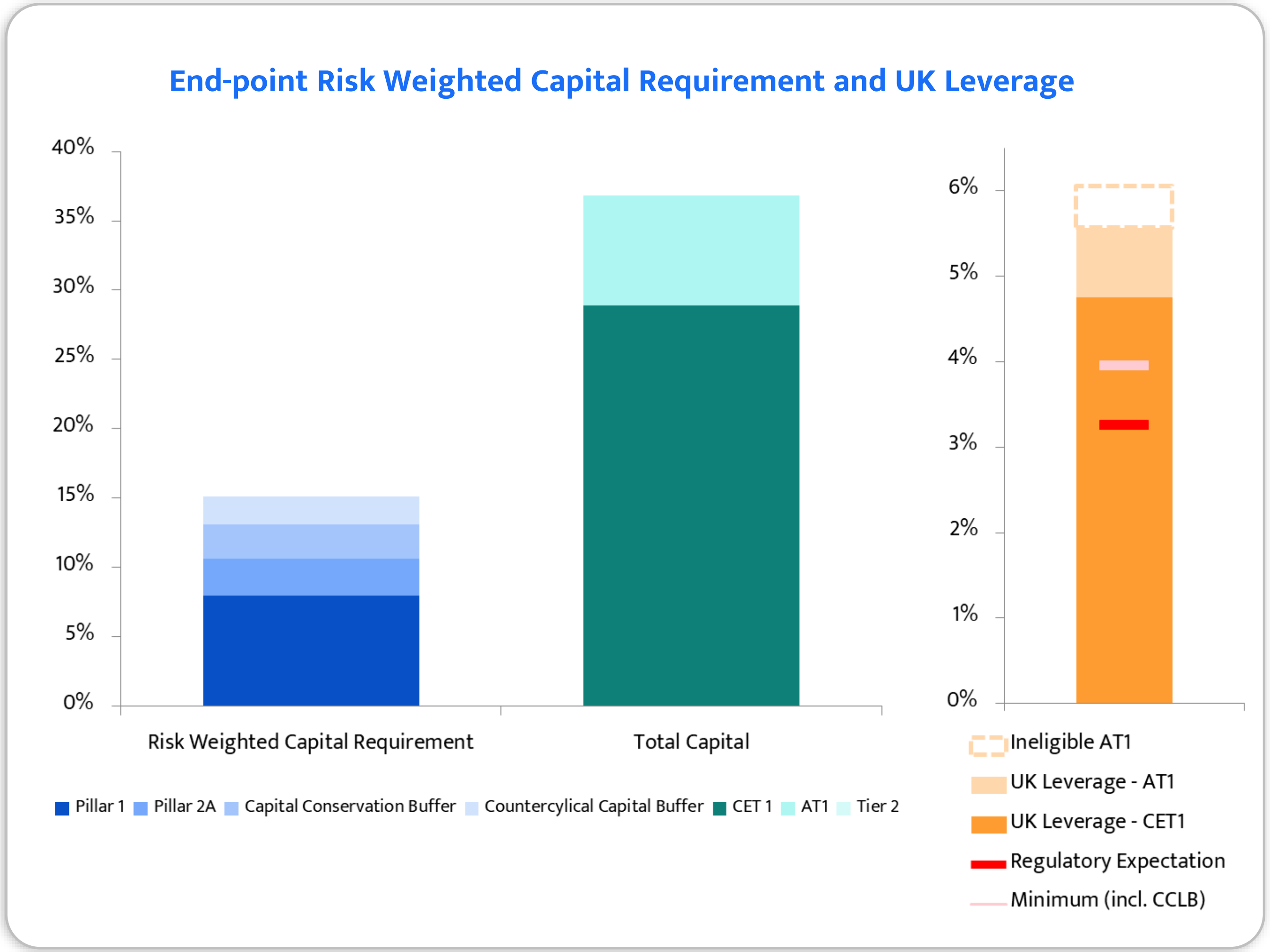
Capital

Capital strength keeping our members and investors safe

	2019	2020	2021	H1 2022	FY 2022	H1 2023	FY 2023	H1 2024
CET1 Ratio	32.0%	33.0%	36.2%	29.9%	27.4%	30.4%	29.1%	28.9%
Total Capital Ratio	39.9%	40.6%	44.1%	36.2%	32.7%	35.7%	34.0%	36.8%
UK Leverage Ratio	4.4%	4.6%	4.8%	5.0%	5.2%	5.5%	5.4%	5.6%

Capital ratios

Capital levels remain stable in 2024



Regulatory Capital

The Society's CET1 ratio decreased slightly to 28.9% at Jun-24 from 29.1% at Dec-23, as profitability and growth has normalised, and the cost of the replacement AT1 is realised.

The Society has submitted updated IRB models to the PRA and is awaiting approval.

The Society was issued an updated Total Capital Requirement (TCR) in the first half of 2022 totalling 10.6% as at 30 June 2024. The Society has not received an update to its TCR following the announcement of the acquisition of The Co-operative Bank.

Coventry's total capital ratio is 36.8% compared to an RWA-based capital requirement of 15.1% (TCR + Capital Conservation Buffer 2.5% + Countercyclical Buffer 2%) giving a 21.7% buffer over TCR on RWA basis.

Leverage

At 5.6%, the UK Leverage Ratio is comfortably above the 3.25% minimum level and including buffers 3.95%.

Whilst the Society currently monitors and reports its Leverage-based capital position, Leverage requirements only become binding when the Society reports £50bn of retail deposits in its Annual Report and Accounts.

On completion of the acquisition, the Society expects leverage to become the binding constraint.

The Society successful refinanced its AT1 in anticipation of the Co-operative Bank acquisition, increasing AT1 to £692m from £415m in H1 2023.

Basel 3.1 Capital implications *(Society only)*

Surplus capital remains even with a lower ratio

PRA published Consultation Paper 16/22 in November 2022 outlining its proposed approach to BCBS proposals to Standardised Risk Weights and output floors, that seek to remove variability in internal models (IRB).

More recently, PRA published PS17/23 in December 2023, detailing the Basel 3.1 implementation of Market Risk, CVA and counterparty credit risk, operational risk, and plans for Pillar 2. A slight rephasing of the output floors and guidance around an off-cycle review of Pillar 2 to avoid double counting capital requirements under Basel 3.1 was outlined. Further details on Credit risk and the Output floor, will be covered in a PS that has been delayed due to the UK General Election.

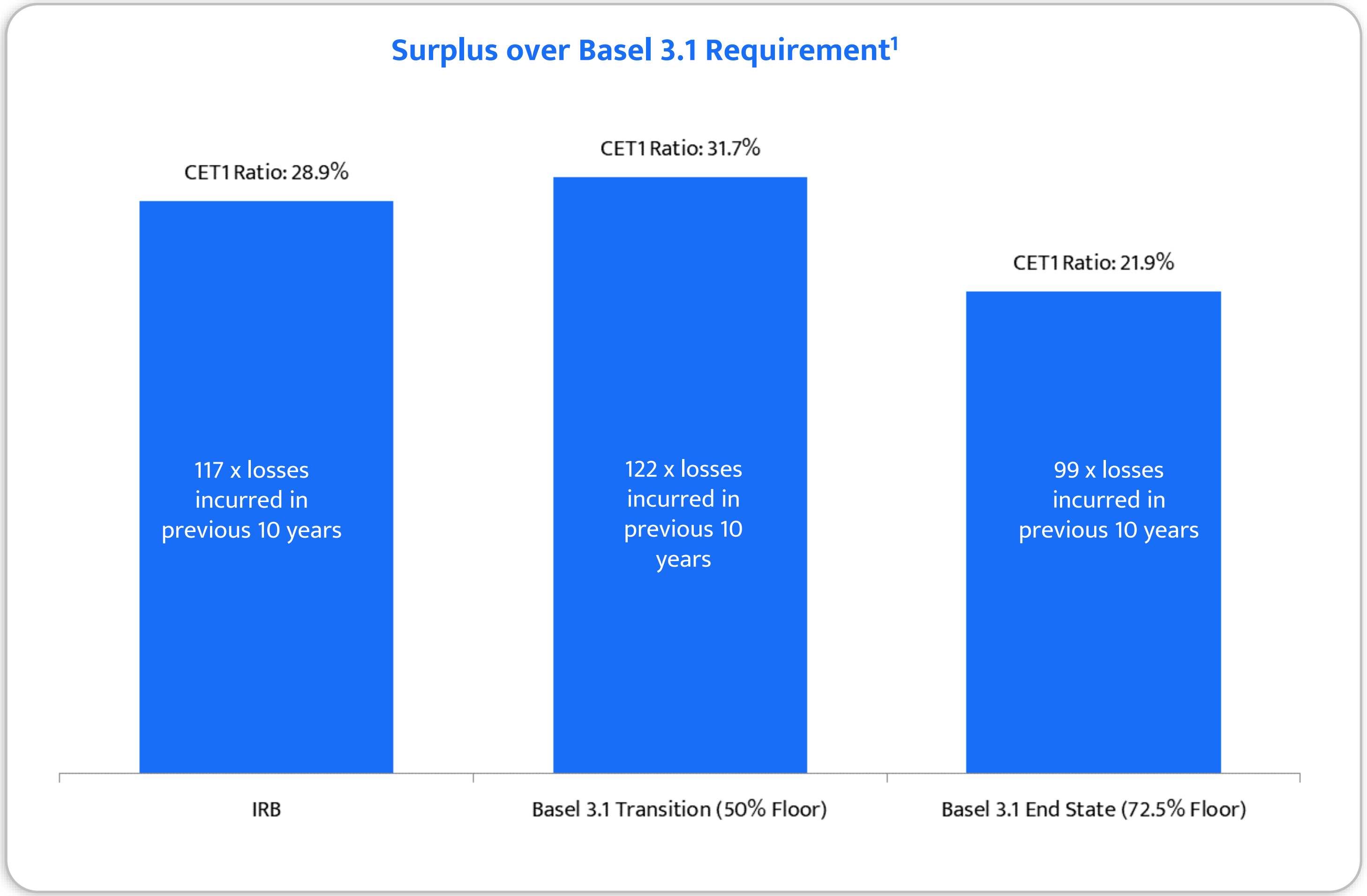
PRA have stayed largely true to BCBS, therefore the Society's long-standing key assumptions hold true.

Output floor is expected to be phased in from July-25 at 50% to 72.5% in 2030.

Implementation of 50% output floor currently expected to produce CET1 ratio above the IRB approach at c. 31.7%.

End-state Basel 3.1 CET1 ratio at c. 21.9%, reflecting the impacts of flooring on a low-risk business model, but the Society remains more than adequately capitalised.

Surplus to regulatory minima remains considerable, equal to over 99 times the actual credit losses experienced in the last 10 years, even after transition.



1. Based on Portfolio Landlords (landlords with 4 or more properties) risk weighted as real estate exposures with repayment materially dependant on cash flows generated by property

MREL

MREL issuance largely complete, in surplus against MREL Leverage

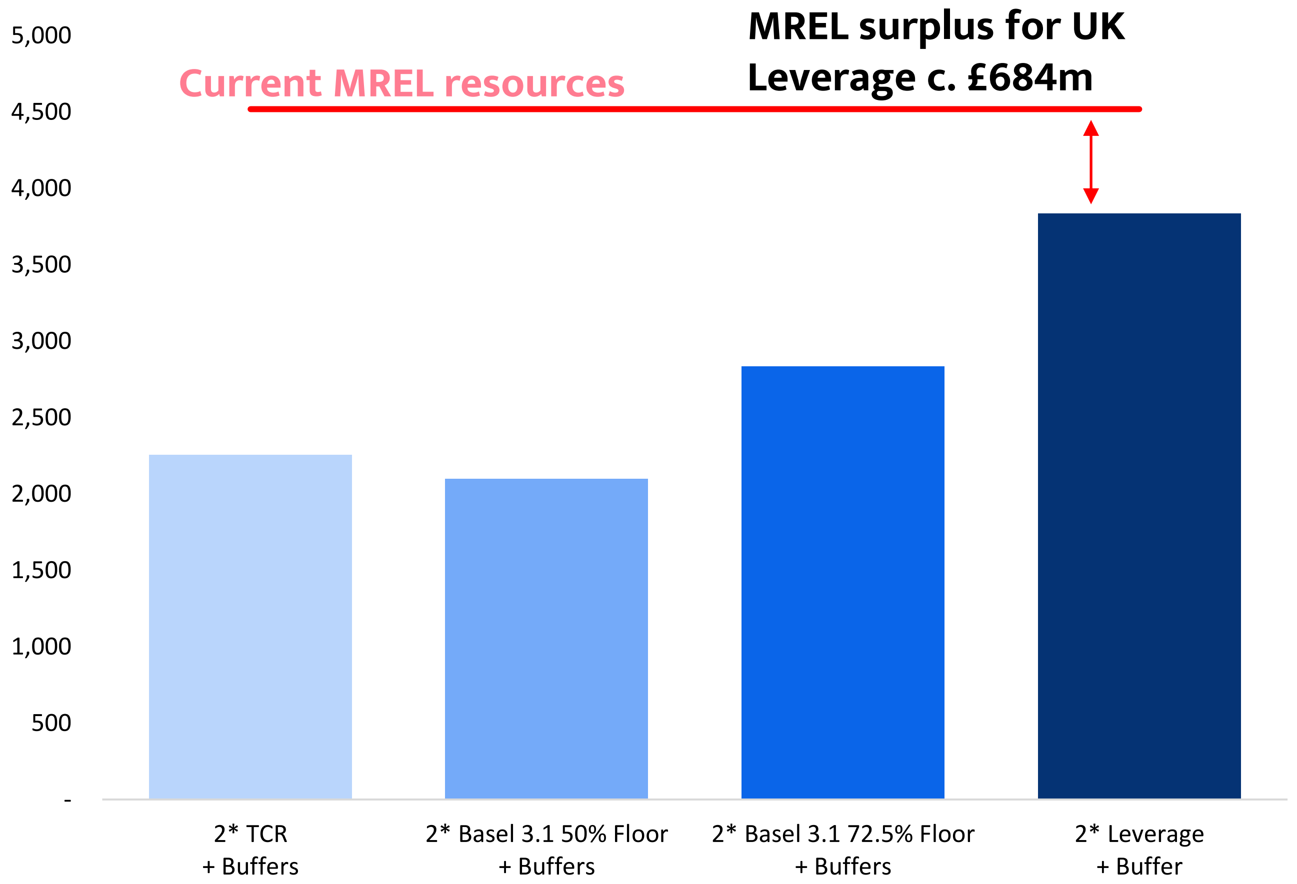
MREL Current

The Society is currently a ‘bail-in’ firm, with a MREL requirement of twice the binding capital requirement; for the Society, this is currently two times Pillar 1 and Pillar 2A, or 21.3% of risk weighted assets (excluding buffers).

MREL Leverage

Currently if the Leverage Ratio becomes the binding constraint the Society would not be required to raise any additional funds (based on Jun-24 balance sheet). The Society expects Leverage to become the binding MREL requirement as soon as the capital requirement does (after reaching £50bn of retail deposits).

The Society expects to remain a single point of entry (SPE) firm post acquisition.



Funding & Liquidity

Strong Retail and Wholesale Franchise, prudent liquidity management

	2019	2020	2021	H1 2022	FY 2022	H1 2023	FY 2023	H1 2024
LCR	214%	179%	187%	206%	195%	263%	227%	272%
Loans / Deposits Ratio	116.5%	114.0%	116.9%	115.8%	113.5%	107.6%	105.7%	105.2%

Liquidity Management

Liquidity levels materially above regulatory requirements

Internal Risk Appetite

The Society has its own liquidity risk appetite with a requirement to survive a severe but plausible stress, a measure which is in excess of regulatory requirements.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) at 30 June 2024 was 272% (H1 2023: 263%), significantly in excess of the regulatory minimum. This reflects very strong deposit inflows.

Loan to Deposit Ratio

The Loan to Deposit ratio was 105.2% reflecting the stable funding profile of the Society.

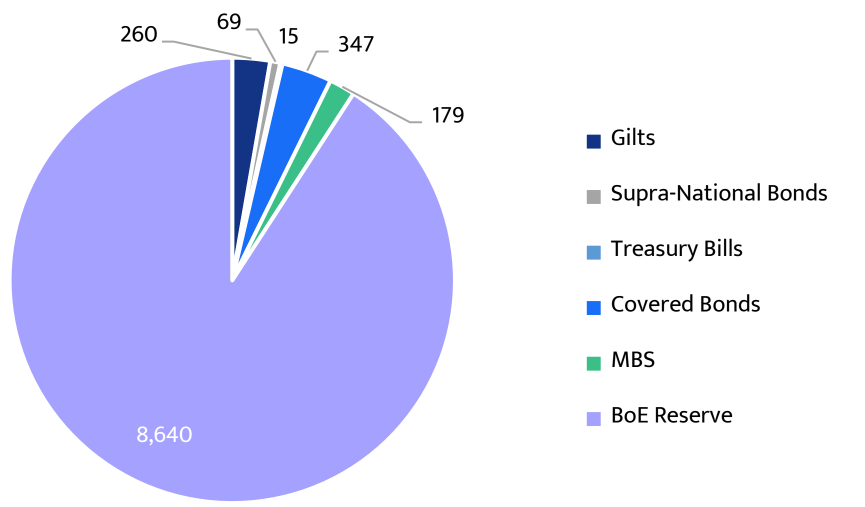
Liquid Assets

On-balance sheet liquid assets have decreased to £10.6 billion (H1 2023: £11.7 billion). The majority of liquid assets are held as cash in the BoE reserve account, with a small holding of UK Sovereign and Supranational bonds and UK issued Covered Bonds and RMBS.

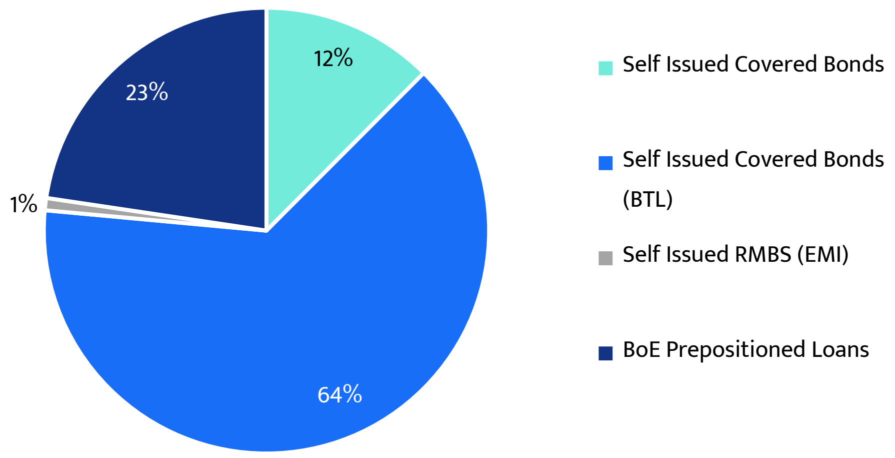
Net Stable Funding Ratio (NSFR)

The Society holds sufficient stable funding to meet the regulatory requirement of 100% NSFR. The NSFR was 150.9% as at 30 June 2024.

High Quality Liquid Assets - £9.5bn



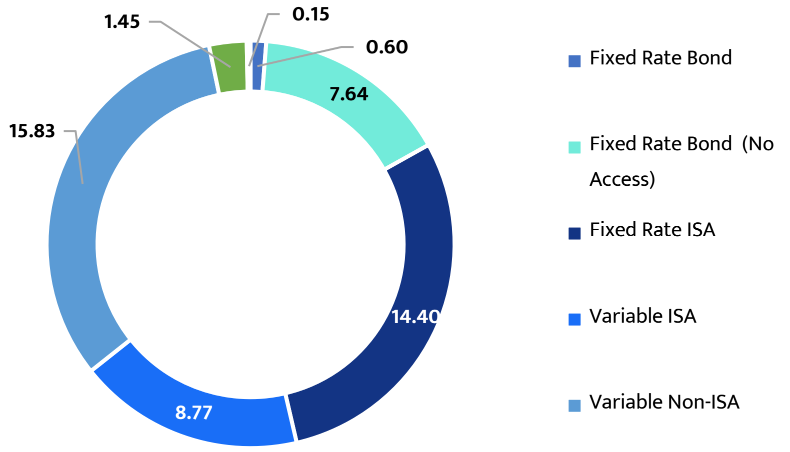
Contingent Liquidity - £6.3bn



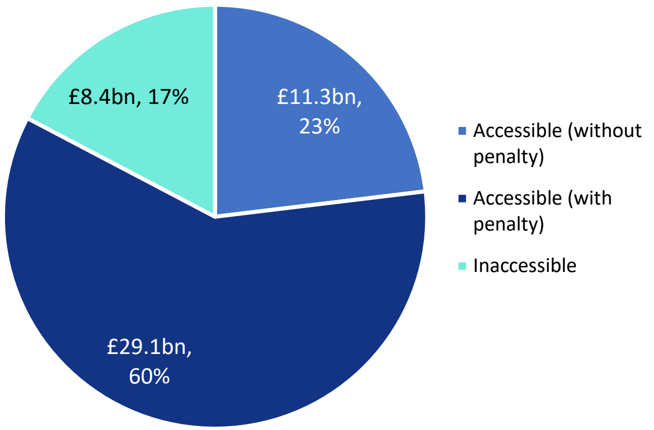
Overview of Liquidity Portfolio

Predominantly funded by retail savings

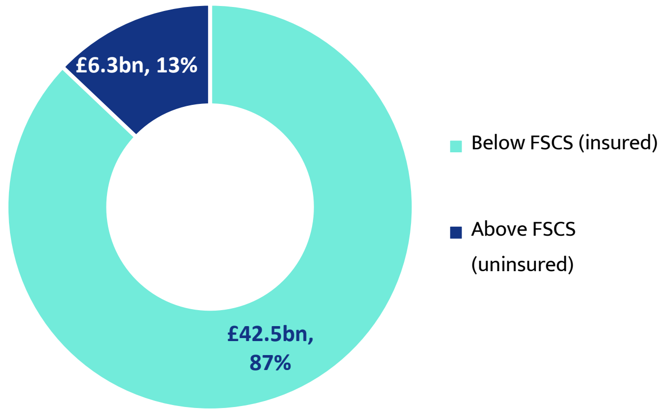
Customer deposit mix split by product type £bn



Customer deposits shown by access £bn and %



Deposits split by insured versus uninsured £bn and %



The Society continues to be predominantly funded by retail savings, with balances of £48.8 billion at 30 June 2024 (HY 2023: £45.5 billion) and growth of £1.2 billion in the first six months of the year, which is reflective of our focus on offering very competitive savings propositions which have proved very popular with savers.

The Society's UK leverage ratio increased to 5.6% due to the increase in retained profits, and remains above the current regulatory minima of 3.25%.

The UK leverage ratio framework will apply to the Society at the point retail deposits exceed £50 billion.

Wholesale funding franchise

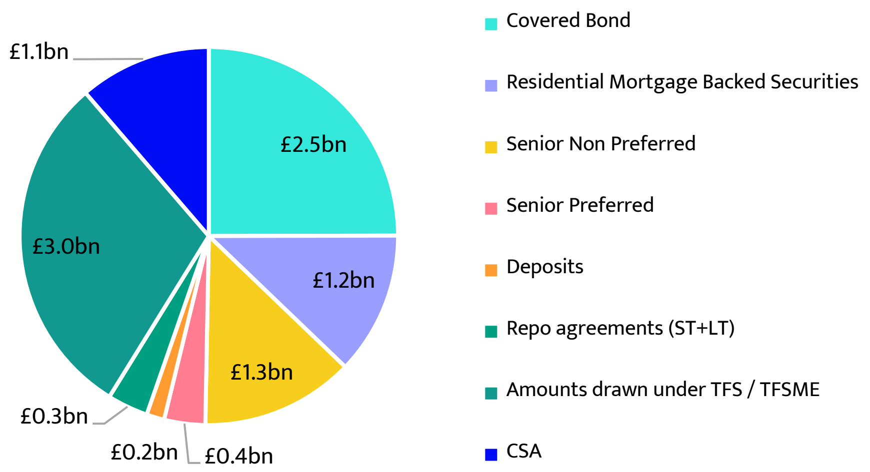
Strong and diversified funding base with access to a range of wholesale funding markets

- The Society uses wholesale funding to provide diversification of funding by source and term, supporting growth and lowering risk by reducing the overall cost of funding. This benefits saving members through better savings rates and mortgage customers by enabling us to offer more competitive long-term rates.
- Wholesale funding in the period has decreased to £10.0 billion (H1 2023: £12.4 billion).

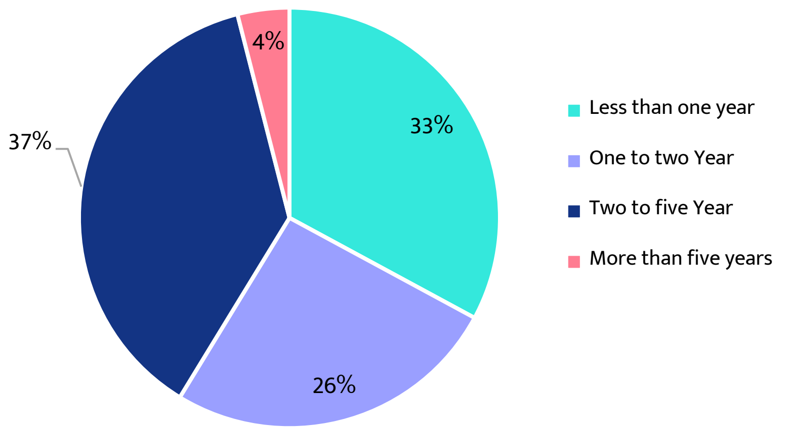
The Society is a programmatic issuer with four different programmes:

- Covered Bonds
- EMTN
- Economic Master Issuer RMBS
- Godiva Covered Bonds (used for retained issuances)
- The Society remains committed to being a regular benchmark issuer in all formats

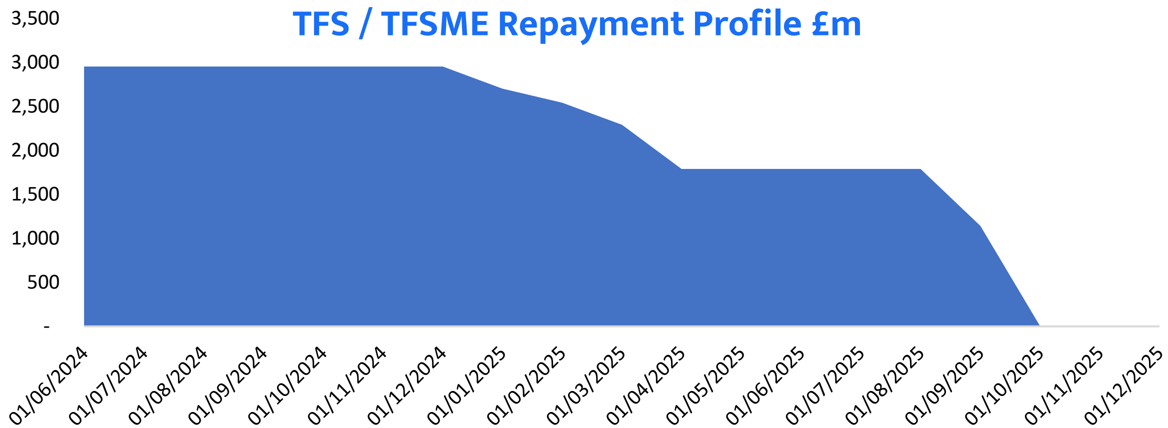
Wholesale Funding Outstanding at 30 June 2024 £10.0bn



Wholesale Funding Profile %



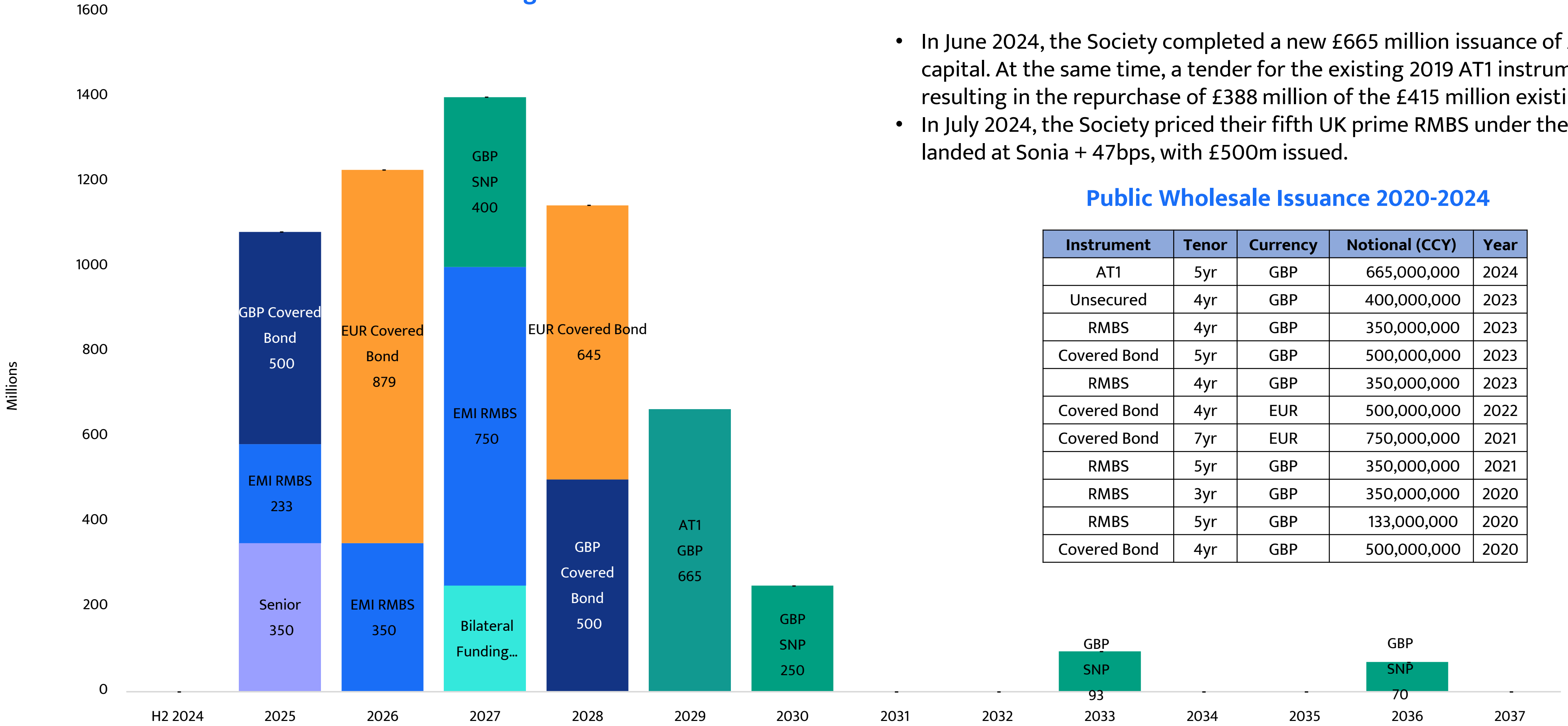
TFS / TFSME Repayment Profile £m



Wholesale funding profile

Diversification, enabling growth and lowering risk

Wholesale Funding Maturities



Issuances in 2024

- In June 2024, the Society completed a new £665 million issuance of Additional Tier 1 (AT1) capital. At the same time, a tender for the existing 2019 AT1 instruments was made, resulting in the repurchase of £388 million of the £415 million existing AT1 capital balance.
- In July 2024, the Society priced their fifth UK prime RMBS under the EMI shelf. Final terms landed at Sonia + 47bps, with £500m issued.

Public Wholesale Issuance 2020-2024

Instrument	Tenor	Currency	Notional (CCY)	Year
AT1	5yr	GBP	665,000,000	2024
Unsecured	4yr	GBP	400,000,000	2023
RMBS	4yr	GBP	350,000,000	2023
Covered Bond	5yr	GBP	500,000,000	2023
RMBS	4yr	GBP	350,000,000	2023
Covered Bond	4yr	EUR	500,000,000	2022
Covered Bond	7yr	EUR	750,000,000	2021
RMBS	5yr	GBP	350,000,000	2021
RMBS	3yr	GBP	350,000,000	2020
RMBS	5yr	GBP	133,000,000	2020
Covered Bond	4yr	GBP	500,000,000	2020

ESG Priorities and Achievements

Strategy focuses on People, Planet and Prosperity

H1 2024 Highlights

Building a sustainable Society

Environmental

Green additional borrowing
In H1 2024, the Society received 123 applications, and advanced 71 additional borrowing loans.

ISO 14064-1 Accredited
We're certified under the Carbon Reduce Scheme

34% reduction in Carbon Emissions
For Scopes 1 and 2 (versus 2020).

50% reduction in waste
(compared to 2020).

We're carbon neutral
For our own operations since 2021.

Electrical heating
6 branches have been converted to electrical heating in H1 2024 and another 6 are planned for the remainder of the year.

Social

81% Trust Index Score
Great Places to Work.

122 apprentices
We are the 1000th member (and the first building society) to join the 5% Club. Furthermore, in H1 42% of vacancies were filled internally.

Over 8,000 hours
Of colleague volunteering.

Over 6,500
Children and young people supported through our Better Futures work with schools and youth charities

£1.5m invested
In our communities.

Governance

B Corp Certified
At the Society sustainability is at the heart of all decision making and we are very proud that this has been affirmed by becoming a certified B Corp.

37%
Of senior manager and above roles held by women.

Demographic data
we've encouraged colleagues to share other demographic data with us, to help us better understand our makeup as well any barriers faced by different groups.

Zero
Identified theft, leaks or losses of customer data in 2023.

Best Workplaces™ in Financial Services & Insurance
Great Place To Work. UK 2023

SUSTAINABLE DEVELOPMENT GOALS

UN environment programme finance initiative

Certified B Corporation

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Ratings	Short Term	Long Term Unsecured SP	SNP	AT1	BCA / IDR	Outlook	Date
Moody’s	P-1	A2	Baa1	Baa3	A3	Ratings under Review	April 2024
Fitch	F1	A-	A-	BB+	A-	Negative	June 2024

ESG Ratings	Rating scale	Our score	Date
MSCI ESG	AAA - CCC	A	November 2023
Moody's ESG	0 - 100	55/100	February 2024
ISS ESG	A+ - D-	C, Prime	February 2024
Sustainalytics	0-100, Negligible to Severe	15.6 Low Risk	April 2024
CDP	A – D-	C	February 2024

Appendix

- EPC Portfolio Ratings
- UK Economy Overview

EPC Portfolio Ratings

Owner Occupied[2]

	A	B	C	D	E	F	G
2023 Year End[1]	0.32%	9.37%	24.42%	43.36%	17.61%	4.09%	0.82%
2024 Half Year[1]	0.43%	10.03%	25.06%	43.00%	16.90%	3.82%	0.76%
Change	0.11%	0.66%	0.63%	-0.36%	-0.72%	-0.27%	-0.06%

BTL[2]

	A	B	C	D	E	F	G
2023 Year End[1]	0.07%	6.01%	33.6%	46.1%	13.2%	0.74%	0.18%
2024 Half Year[1]	0.06%	5.18%	35.7%	45.4%	12.6%	0.66%	0.19%
Change	(0.01%)	(0.83%)	2.12%	(0.65%)	(0.57%)	(0.07%)	0.01%

EPC Ratings for the overall mortgage portfolio[2]

	A	B	C	D	E	F	G
2023 Year End[1]	0.22%	8.02%	28.15%	44.47%	15.84%	2.74%	0.56%
2024 Half Year[1]	0.29%	8.40%	29.09%	44.07%	15.07%	2.56%	0.52%
Change	0.07%	0.38%	0.94%	-0.40%	-0.77%	-0.18%	-0.04%

Owner Occupied[2]

	A	B	C	D	E	F	G
Current	0.43%	10.03%	25.06%	43.00%	16.90%	3.82%	0.76%
Potential	6.99%	49.38%	35.37%	6.36%	1.56%	0.29%	0.05%

BTL[2]

	A	B	C	D	E	F	G
Current	0.06%	5.18%	35.79%	45.46%	12.65%	0.66%	0.19%
Potential	0.08%	5.89%	35.28%	45.70%	12.27%	0.62%	0.16%

Aligning with our Net Zero ambition, we're aiming to improve our customers' home energy efficiency to an average EPC rating of C or above.

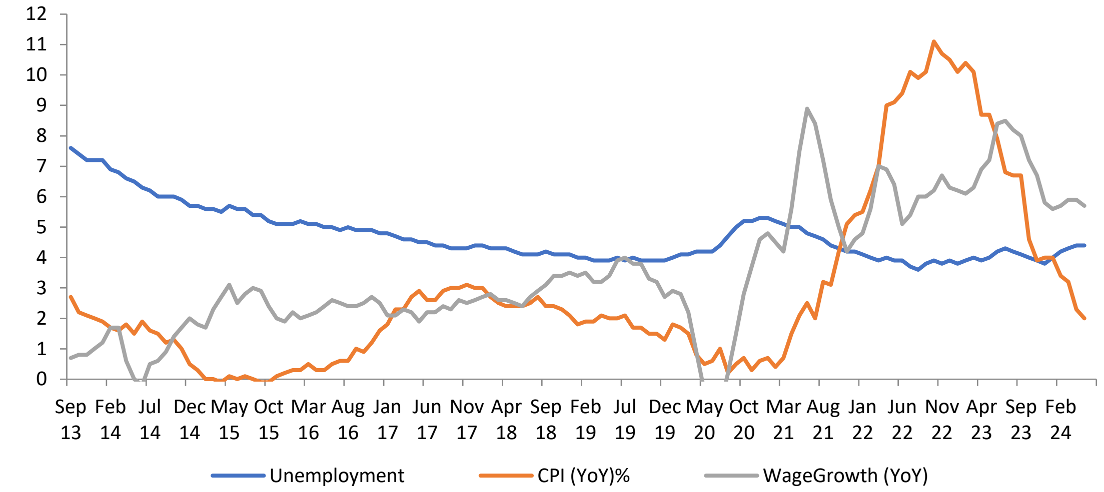
As of June 2024, for the sub-set of properties in our portfolio (84%) that have an EPC, the proportion of EPC A, B or C is 38%. This is an improvement on last year's EPC distribution where 36% were EPC A, B or C.

We will continue to raise awareness of, and support our customers with, potential improvements to the energy efficiency of the properties we lend on through the promotion of our retrofit lending product, our 'Green additional borrowing'.

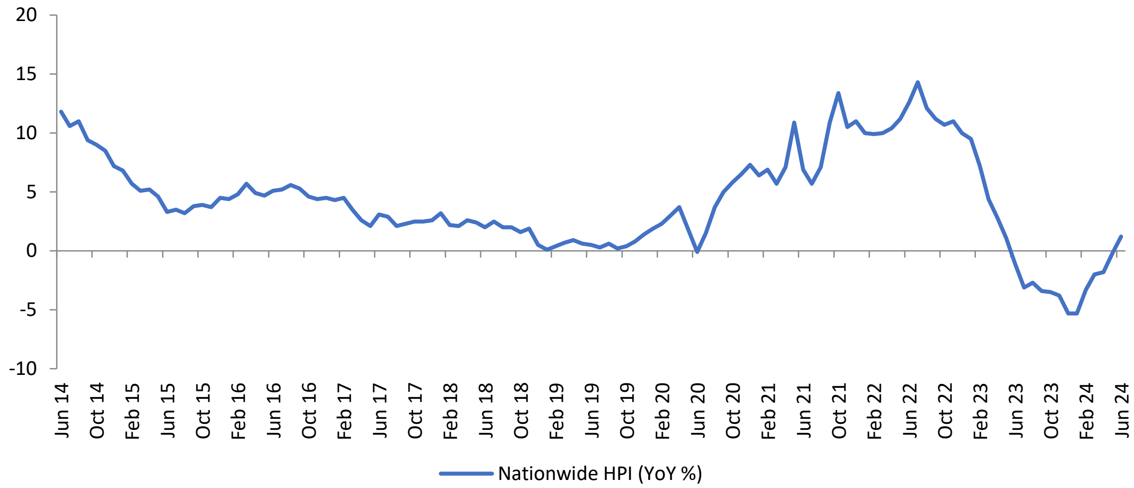
1. The figures exclude properties where no EPC was returned
2. EPC results were returned on 84% of the book (by value) at H1 2024.
3. The Minimum EPC for BTL properties in policy is 'E' unless exempt

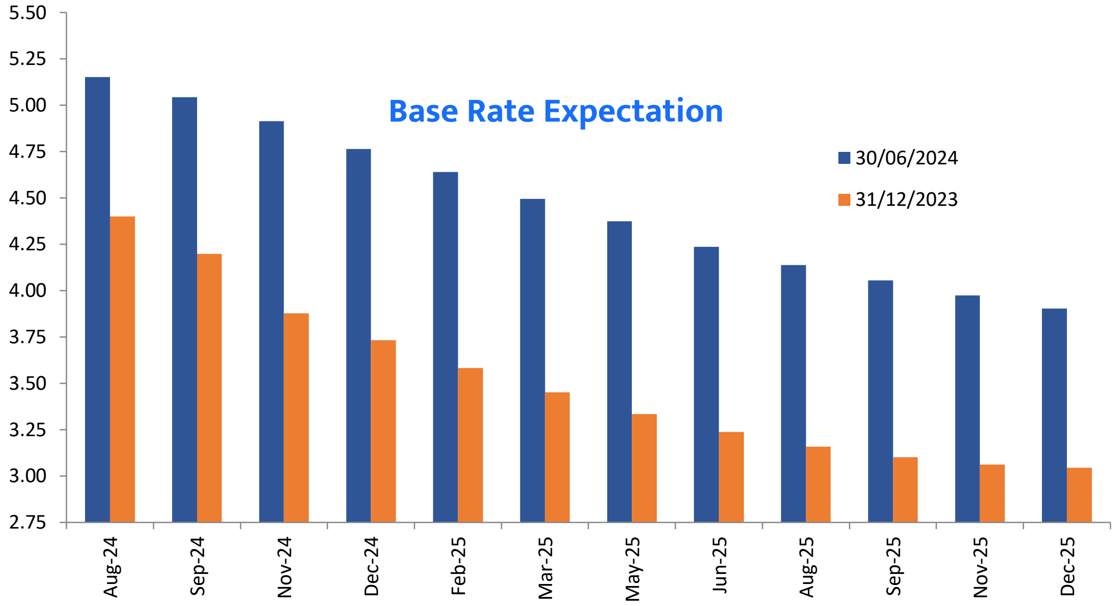
UK Economy

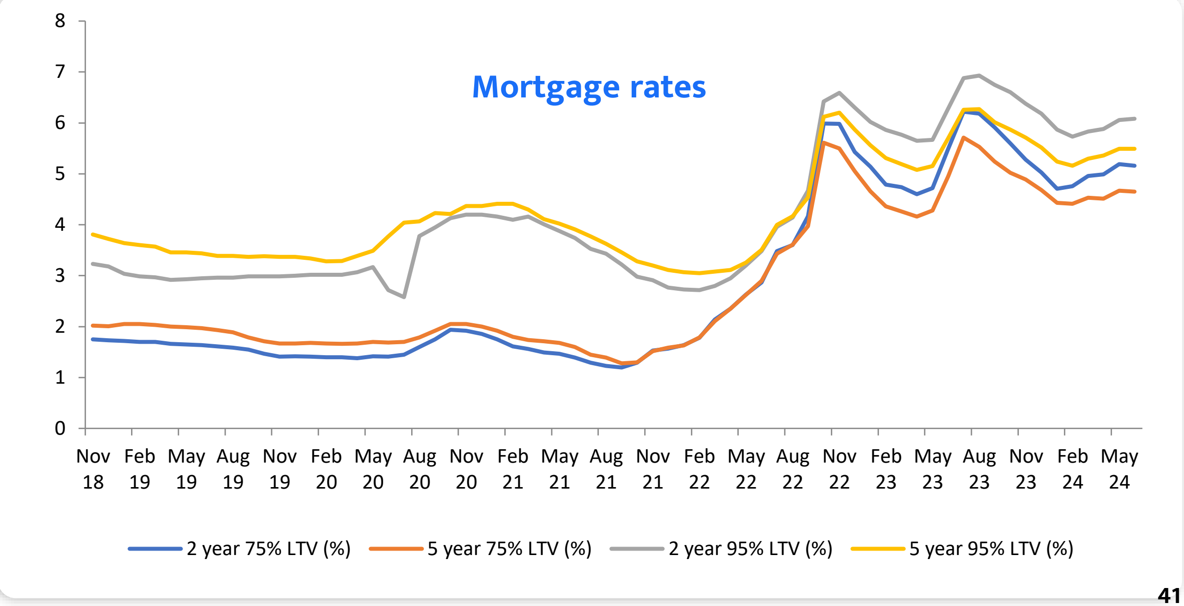
Unemployment and Inflation



House Price Growth







Source: ONS data