HALF-YEAR REPORT

COVENTRY BUILDING SOCIETY

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Commenting on our results, Steve Hughes, Chief Executive Coventry Building Society, said:

"This is a transformational year with the addition of The Co-operative Bank into the Coventry Building Society Group and it is pleasing to see such a robust performance in the first six months.

We remain focused on delivering the right outcomes for our members and customers as we continue our journey of building a purpose-led organisation that will stand out in UK financial services."

Performance highlights

- Underlying profit before tax[1] of £200m (H1 2024: £159m)
- Statutory profit before tax of £722m (H1 2024: £159m)
- UK leverage ratio 4.5% (FY 2024: 5.7%)
- 4.3% market share[2] of mortgages (FY 2024: 3.1%)
- 3.3% market share[2] of savings (FY 2024: 2.7%)
- 1.7% market share[2] of current accounts (2024: not applicable)

Strong Group financial performance, whilst effectively managing our underlying cost base

- Statutory profit before tax increased to £722 million (H1 2024: £159 million), including a gain of £584 million on the acquisition of The Co-operative Bank ('the Bank'). The day one gain reflects the agreed purchase consideration being over 40% below the fair value of the net assets acquired.
- Underlying profit before tax increased to £200 million (H1 2024: £159 million).
- Total underlying income of £554 million (H1 2024: £316 million) and net interest margin of 1.24% (H1 2024: 1.05%).
- Group underlying costs of £345 million (H1 2024: £171 million), including £186m of Bank costs. The Society sub group costs remained flat at £158 million (excluding deal related costs in H1 2024), demonstrating our focus on efficiency.
- Leverage ratio of 4.5% (FY 2024: 5.7%) and CET 1 ratio of 19.1% (FY 2024: 28.0%), well above regulatory levels[3].
- In the year to date, it is encouraging to see the Bank's performance is in line with expectations, providing confidence in the financial benefits of the acquisition. Good progress is being made in integrating the two organisations.

Delivering for our members and our personal and business customers

- The acquisition of the Bank has increased our market share[2] of mortgages to 4.3% and savings to 3.3%, and creates an opportunity to build on the 1.7% market share acquired in the personal current accounts segment.
- Excluding the growth associated with the acquisition, Group lending balances remained stable in the period as we focus on capital in a low margin and highly competitive market and given our significant inorganic growth in the period.

- The Group launched a successful limited company buy to let proposition in April, broadening our reach to the residential rental sector with a strong pipeline of applications in the first three months of launch.
- Excluding the growth associated with the acquisition, Group retail savings balances increased by £2.0 billion to £62.8 billion. The Society has continued to offer member value with a £201 million premium[4] above the market average being paid to members, despite the lower bank rate environment.
- Over 40,000 personal current accounts were opened in the first half with positive net switching of almost 10,000.
- The Society continues its record of outstanding customer service with an NPS score[5] of +76 and an average call wait time[6] of just 83 seconds. The Bank has increased its focus on service and it is pleasing to see a material improvement across direct channels, including telephony. At four minutes, the average speed to answer calls is now three times faster than June 2024.

Supporting our colleagues and the communities we serve

- Colleague feedback and engagement remains a priority during integration. Our latest quarterly survey, which was conducted across the Society and the Bank, shows that 79% of colleagues believe this is a great place to work.
- The Society has been named as one of the UK's Best Workplaces™ for Development[7], recognising our commitment to making colleague development a key part of our culture.
- Following on from the £1 million donation to support homelessness in Manchester in December 2024, the Group continues to invest in our communities. Over £1 million ongoing donations have been made in the first half and we remain committed to an additional £1 million to support youth homelessness in Coventry.

1. Profit before tax for the period to 30 June 2025 excluding items that are one off in nature relating to the purchase and integration of The Co-operative Bank.

2. Source: Bank of England. Market data as at 31 May 2025 (31 December 2024).

3. The UK leverage ratio framework is not yet binding for the Group and is expected to apply at the point retail deposits exceed £50 billion at the subsequent annual reporting date.

4. 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 the year (H1 2024: five months).

5. A measure of customer advocacy that ranges between -100 and +100 which represents how likely a customer is to recommend our products and services.

6. Based on Society average call waiting times between 1 January 2025 and 30 June 2025.

7. by Great Place to Work.

Financial Review

Income Statement

				Period to 30 June 2024
	Period to 30 June 2025			
(Unaudited)	Group underlying performance[1]	Items related to acquisition & integration[2]	Group statutory performance	Group statutory performance
Interest receivable[3]	**2,033**	**21**	**2,054**	1,656
Interest payable[4]	**(1,484)**	**10**	**(1,474)**	(1,326)
Net interest income	**549**	**31**	**580**	330
Other income and charges	**10**	**-**	**10**	(3)
Losses on derivative financial instruments[5]	**(5)**	**(47)**	**(52)**	(11)
Total income	**554**	**(16)**	**538**	316
Administrative expenses[6]	**(313)**	**(23)**	**(336)**	(158)
Amortisation and depreciation[7]	**(32)**	**(14)**	**(46)**	(13)
Impairment (charge)/ release[8]	**(9)**	**(9)**	**(18)**	14
Gain on acquisition of a subsidiary[9]	**-**	**584**	**584**	-
Profit before tax	**200**	**522**	**722**	159

1. Group underlying performance includes all underlying performance of The Co-operative Bank from 1 January 2025.

2. The following footnotes detail the acquisition & integration related items and their exclusion from underlying performance.

3. Relates to the unwind of the day one fair value adjustment recognised against the acquired loans & advances to customers.

4. Relates to the unwind of the day one fair value adjustment recognised against certain external wholesale funding issuances acquired with the Bank.

5. Represents the impact of acquiring derivative instruments but not acquiring the linked hedge accounting relationships and therefore the resulting restart of hedge relationships on the acquired derivatives.

6. Represents one off costs relating to the bringing together of people, systems and processes.

7. Represents the amortisation against the Core Deposit Intangible asset, which arose on acquisition.

8. Represents the recognition of the reset Expected Credit Loss allowance against Bank acquired loans & advances to customers.

9. Represents the resulting gain calculated as the fair value of the consideration paid less the net assets acquired.

Underlying Group net interest income increased to £549 million (30 June 2024: £330 million). The increase is mainly due to the acquisition of the Bank, however, there is a £16 million reduction in Society net interest income partly due to the impact of base rate reductions and lower mortgage and savings margins as a result of more competitive markets.

The underlying Group net interest margin of 1.24% (30 June 2024: 1.05%) has increased as a result of the acquisition of the Bank. Society net interest margin reduced to 0.98% in line with expectations given current trading conditions.

Throughout the period, the Society continued to pay above average savings rates, returning £201 million (30 June 2024: £195 million) in member value[1] compared to market average rates.

Losses on derivative financial instruments

The Group uses derivative financial instruments to manage interest rate and currency risks arising from its fixed mortgage and savings activity and from non-sterling and fixed rate wholesale issuances.

The Group applies hedge accounting where possible and its approach continued to be effective throughout the period. The underlying loss in the first half of the year of £5 million (30 June 2024: £11 million loss) reflects the unwinding of previous gains, as expected due to the nature of hedge accounting.

On acquisition, the Bank's hedge accounting programme ceases as the acquired balance sheet is measured at fair value. The Group has elected to recommence a hedge accounting programme post acquisition in order to manage the volatility of the acquired portfolio of derivative assets, which allows for a more controlled run-off. This has resulted in a charge in the period of £47 million.

Underlying Group management expenses including depreciation and amortisation for the period were £345 million (30 June 2024: £158 million, excluding £14 million of deal related costs). This includes £186 million of costs relating to the Bank. The Society sub-group's underlying costs remained flat at £158 million.

The group statutory management expenses include £23 million of acquisition and integration related expenses as we begin the journey of integrating the businesses.

Our strong financial performance has allowed the Group to continue with its significant business as usual investment programme alongside our integration activities. The total spend on investment and integration, including capital expenditure, of £64 million (30 June 2024: £43 million) has been focused on activity to modernise our services, with good progress on our digital roadmap, mortgage sales platform enhancements, and integration of the Bank. This includes improvements to Group operational resilience and continued finance transformation.

The underlying cost to income ratio[2] has increased to 62% (30 June 2024: 54%), reflecting the impact of the Bank acquisition. Excluding the impact of the acquisition, the Society cost to income ratio would be 51%, demonstrating effective management of our operating cost base, whilst continuing to invest for the future.

Provision for expected credit losses (ECL)

The performance of the Group mortgage book remains resilient, with just 0.36% of loans more than three months in arrears. Lower interest rates and rising house prices has made for a more promising outlook in the first six months of the year, despite the continued geopolitical uncertainty.

It is pleasing to see a similar position in the Bank's lending propositions, and the high level of credit quality across the Group is evident from the low and stable arrears reported in the interim report.

The Group ECL provision has increased to £40 million (31 December 2024: £24 million). The increase includes £16 million recognised for the Bank's lending portfolio (acquired non-credit impaired assets only).

As a result of the acquisition, the Group is required under IFRS 9 to reset all of the Bank's non-credit impaired assets to stage 1. This has resulted in a £9 million one-off charge in the first half of 2025 and has been excluded from underlying performance measures given the acquisition related nature of this charge.

A further impairment charge of £7 million for new lending and changes in credit quality on the Bank's lending assets has been recognised by the Group in the period.

The Group has a deliberately cautious approach to estimating ECLs and we continue to hold £5 million of post model adjustments (PMA) to cover where core models do not fully reflect the risk of ECL given the market environment.

The overall Group ECL provision equates to 0.06% of the overall lending book (31 December 2024: 0.05%), which is reflective of very strong credit quality with very low arrears and losses. The marginal increase in this coverage ratio is due to the inclusion of the Bank's unsecured and SME and corporate assets.

Items relating to acquisition and integration

As a post balance sheet event to the Society 2024 Annual Report and Accounts, we announced a £603 million gain on acquisition of the Bank and pro-forma Group leverage and CET 1 ratios of 4.5% and 19.7% respectively.

The accounting standard for acquisitions provides a 12 month measurement period post completion to conclude the opening fair valued position as final, when more granular information is accessible to the acquiree. This has resulted in small adjustments to the previously disclosed gain of £603 million on acquisition to an updated gain of £584 million in these interim financial results. It is possible that the gain may see further small changes in the second half of the year.

The movement in the gain on acquisition together with the £9 million charge for ECL reset against the Bank's non-credit impaired assets and risk weighted asset methodology alignment to the Society has resulted in an updated opening Group leverage and CET 1 ratios of 4.4% and 19.1% respectively.

Balance Sheet

	30 June 2025 (Unaudited) £m	31 Dec 2024 (Audited) £m
Assets		
Loans and advances to customers	**72,332**	51,801
Liquidity	**13,563**	10,724
Other	**1,575**	1,506
Total assets	**87,470**	64,031
Liabilities		
Retail, SME and corporate deposits	**71,149**	49,425
Wholesale funding	**11,088**	10,475
Subordinated liabilities and subscribed capital	**294**	57
Other	**683**	446
Total liabilities	**83,214**	60,403
Equity		
General reserve	**3,425**	2,754
Other equity instruments	**665**	665
Other	**166**	209
Total equity	**4,256**	3,628
Total liabilities and equity	**87,470**	64,031

Loans and advances to customers

The Group's lending remains focused on high quality, low loan to value owner-occupier and buy to let lending within the prime residential market, distributed mainly through mortgage intermediaries in a cost-effective way. This has been complemented by the addition of the Bank, which has increased both our scale and the breadth of our already regionally diverse mortgage portfolio.

The Group manages its growth according to economic conditions, market pricing and funding conditions. The mortgage book has grown £20.5 billion to £72.3 billion (31 December 2024: £51.8 billion) in the first six months of the year. The growth was through the acquisition of the Bank (£20.4 billion), with organic growth flat over the period.

During the period, the Group advanced £4.0 billion of mortgages (30 June 2024: £3.5 billion) which was offset by redemptions and other repayments. Growth in the sector in the first half of 2025 has seen more lending in the higher loan to value segments and the Group has taken a measured approach to participation given new business margins and the acquisition.

The balance weighted average indexed loan to value of the mortgage portfolio has seen a small increase to 54.1%[3] at 30 June 2025 (31 December 2024: 53.5%).

Despite the current economic conditions, the Group continues to have a robust and high quality asset book. This is demonstrated by very low arrears with only 0.36% of mortgages more than three months in arrears (31 December 2024: 0.33%).

The Group acquired £0.2 billion in unsecured credit card asset with flat growth during the first half of the year. Credit quality remains stable with low arrears rates.

In addition, a further £1.0 billion of SME and corporate loans were acquired with flat growth over the first six months of the year. 55% of this portfolio represents PFI and housing association loans. Despite a provision charge being booked in the first half for a specific single customer exposure which is currently up to date, credit quality remains strong with a low level of arrears.

Liquidity

The Group liquidity position remains very strong, with on-balance sheet liquid assets increasing to £13.6 billion (31 December 2024: £10.7 billion) and the Liquidity Coverage Ratio (LCR) at 30 June 2025 was 253% (31 December 2024: 207%), significantly in excess of the regulatory minimum.

Retail, SME and corporate deposits

The Group continues to be predominantly funded by retail savings, with balances of £62.8 billion at 30 June 2025 (31 December 2024: £49.3 billion), this includes £11.5 billion for the Bank. The Group has seen organic growth of 3% in the first six months of the year, which is reflective of our focus on offering competitive savings propositions for our Society members and Bank customers.

In addition, the Group acquired £4.9 billion of personal current account balances from the Bank, and we see modest but a positive trajectory on the volume of customers switching to the Bank, with almost 10,000 net switches so far in 2025. The balances have remained stable in the first six months of the year, in line with the market.

The Group also acquired £3.4 billion of SME and corporate savings and current account balances, and we have seen a £0.1 billion increase in the first six months of the year.

Wholesale funding

The Group 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 retail deposit customers through better savings rates and lending customers by enabling us to offer more competitive long-term rates. Wholesale funding in the period has remained stable at £11.1 billion (31 December 2024: £10.6 billion) and includes £2.4 billion of Bank wholesale funding.

The Society and Bank both previously accessed the Bank of England's Term Funding Schemes. Group repayments of £2.5 billion have been made in the period and the outstanding drawings at 30 June 2025 are £2.0 billion (31 December 2024: £2.0 billion).

Equity

The Group's equity is predominately made up of 140 years of retained profits and Additional Tier 1 (AT 1) capital of £0.7 billion.

The Group made post tax profits of £700 million in the six months to 30 June 2025 and total equity increased by £0.7 billion, inclusive of a £29 million distribution to AT 1 capital holders and a £44 million adverse movement in the cash flow reserve.

Capital Ratios

(Unaudited)	**End-point 30 Jun 2025 £m**	End point 31 Dec 2024 £m
Capital resources:		
Common Equity Tier 1 (CET 1) capital	**2,840**	2,616
Total Tier 1 capital	**3,505**	3,281
Total capital	**3,545**	3,321
Risk weighted assets	**14,879**	9,340
CRD V ratios	**%**	%
Common Equity Tier 1 (CET 1) ratio	**19.1**	28.0
UK leverage ratio[4]	**4.5**	5.7

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

Leverage

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

The Group UK leverage ratio reduced to 4.4% on the acquisition of the Bank (31 December 2024: 5.7%) and has subsequently increased to 4.5% due to the increase in retained profits and remains above the current regulatory expectations of 3.25% minima.

Capital

The capital ratios include additional risk weighted assets (RWAs) held for regulatory changes that are currently not reflected in the IRB models, as previously disclosed within the 2024 Annual Report & Accounts. The Society and Bank have both submitted updated models to the PRA and we are awaiting approval for changes to their calculation of RWAs. When approval is granted, the final model output may vary from those calculated, impacting the capital ratios, effectively bringing forward some of the effect of increasing RWAs envisaged in Basel 3.1.

On acquisition of the Bank, the updated pro-forma Group CET 1 ratio was 19.1% and a leverage ratio of 4.4%. The increase in capital as a result of retained profits in the period since then has been offset by an increase in RWAs of 3.9%, resulting in a stable CET 1 ratio of 19.1% at 30 June 2025. Our CET 1 ratio remains significantly ahead of the Total Capital Requirement for the Group which was 11.5% of RWAs as at 30 June 2025. The leverage ratio increased to 4.5%.

Basel 3.1 RWA floors are currently expected to be phased in from the introduction of the new regulations in 2027 and in time will reduce the Group's reported CET 1 ratio further, as they do not give full credit for the Group's very low risk mortgage book. Applying the Basel 3.1 RWA floors to the 30 June 2025 figures on a full transition pro-forma basis would result in a CET 1 ratio of approximately 17.5%. However, on expected Basel 3.1 implementation in January 2027, the Group estimates a 0.9% increase to its pro-forma 30 June 2025 CET 1 ratio due to the removal of the IRB scalar of 1.06%.

The projected changes in reported CET 1 measures has been included within the Group's financial plans, ensuring we remain safe and secure.

The capital disclosures above are on a Group basis, including all subsidiary entities.

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 the year (H1 2024: five months).

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

3. LTV is calculated using the Nationwide Building Society quarterly regional house price index (HPI).

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

Other Information

The Interim Financial Report has also been placed on the website of Coventry Building Society at www.thecoventry.co.uk.

The directors are responsible for the maintenance and integrity of the information on the Society's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Forward Looking Statements

Certain statements in this Interim Financial Report are forward looking. The Group, defined in this Interim Financial Report as Coventry Building Society and its subsidiary undertakings, believes that the expectations reflected in these forward looking statements are reasonable based on the information available at the time of the approval of this report. However, we can give no assurance that these expectations will prove to be an accurate reflection of actual results; because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward looking statements. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

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