



HALF-YEAR REPORT

COVENTRY BUILDING SOCIETY

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A strong performance, that has supported savers and borrowers, invested in colleagues and communities, whilst building resilience for the future through increasing capital strength and continued investment in the business.

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

"Changes to the interest rate environment have created volatility in markets and a fast-moving situation for savers and borrowers alike. In this context we have delivered a strong but importantly a balanced performance by concentrating on great value products and outstanding service, and ensuring we have the right foundations in place to support our future success. We have proactively supported borrowers, delivered greater benefit to savers and enhanced our financial resilience. Our growth has been ahead of the market, creating jobs and delivering on our sustainability goals. These are important proof points of the mutual model."

Growing mortgages and savings

- **Mortgage balances grew by £0.8bn (1.7%) to £48.8bn.** We have grown mortgage balances in a broadly flat market by taking a responsible approach to lending that reflects current market conditions and the needs of our members. Gross advances of £4.0bn increased by 5.2% on H1 2022.
- **Savings balances grew by £3.2bn (7.5%) to £45.5bn.** We have grown savings by offering exceptional and competitive products, with a focus of rewarding loyalty. We have paid higher savings rates than the market average, increasing the premium we pay members by more than 60% from £99m to £163m.

Strong financial performance

- **Profit before tax of £269m** (H1 2022: £158m). The rising interest rate environment supported an improved income performance with a net interest margin of 1.34% (H1 2022: 1.11%) even after offering better rates to savers and protecting variable rate mortgage customers from the full rises in interest rates.
- **The Society's leverage ratio increased to 5.5%** (FY 2022: 5.2%). Strong profitability has strengthened our capital position and resilience facing into a weaker economic outlook. The Common Equity Tier 1 (CET 1) ratio has also strengthened and remains well above statutory requirements at 30.4% (FY 2022: 27.4%).
- **Continued low arrears balances of 0.22% of mortgages more than three months in arrears (FY 2022: 0.17%).** The credit quality of our mortgage book remains resilient and less than a third of industry average¹.

Delivering on our service promise whilst continuing to invest for the future

- **Excellent customer service** with Experience Net Promoter Score of +74 (FY 2022: +75) and investment in operational capacity during a period of exceptional demand from members, customers and brokers.
- **Invested £44m in H1 2023** in technology infrastructure, digital transformation, operational and financial resilience with further key milestones due in H2.

Supporting colleagues and the communities we serve

- We launched our new **corporate partnership with Centrepoin**t to support its national and local programmes to end youth homelessness.
- **First building society to achieve B Corp status.** We're the first UK building society to be awarded B Corp accreditation, global gold standard for sustainability.
- **Improved our ranking in the Great Place to Work table of super large organisations from 17 to 13,** as well as being recognised as one of the best places to work for women in super large UK companies.

Chief Executive review

Significant change in the interest rate environment

The last 18 months has seen significant change in the interest rate environment, with the Bank of England raising the base rate to 5% in a bid to reduce inflation, which has been running at levels not experienced for 40 years. It is now clear that, in the UK at least, inflation is proving more difficult to bring down than initially anticipated and that further interest rate rises are likely during the year. There is no doubt that the speed and extent of these changes is an increasing concern for many borrowers, particularly those who are coming to the end of fixed rate deals.

The impact on homeowners, landlords and tenants is significant and the full implications of the increased borrowing costs have yet to be seen. In this context, I expect the Society's track record of responsible customer-focused lending to hold us in good stead, and we will continue to support those who need our help. We have already contacted several thousand of our mortgage borrowers who we felt were the most affected. Our care and support has been welcomed but thankfully 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.

It is unsurprising given this context that the mortgage market has been fast-moving and unpredictable during the first half of 2023. Uncertainty about costs of funds, pricing and service has led lenders to re-price or withdraw products with little notice, which has been challenging in turn for brokers and borrowers.

Supporting borrowers and intermediary partners

We have stayed open for business, protecting our customers and distribution partners by our long-held commitment to provide 48 hours' notice of product withdrawal and the strength of our overall mortgage proposition. We continue to enhance our service through the delivery of our mortgage transformation programme where we have already implemented digital rate switch and are soon to launch new digital mortgage journeys.

We have grown mortgage balances by £0.8 billion (H1 2022: £nil), taking a responsible approach to lending that reflects the uncertain market conditions and the needs of our customers. This growth, which includes gross advances of £4.0 billion, up 5% on H1 2022, and an increase in our share of the first time buyer market, was achieved in a broadly flat market and really demonstrates the strength of our overall proposition.

Whilst we must be responsive to the overall market to remain competitive, our record in increasing Standard Variable Rate by 2.75% since December 2021, the period in which the base rate has increased by 4.9%, as well as offering some of our best rates to existing customers when switching products, demonstrates that loyalty is rewarded on the mortgage side as well as the savings side of the business. And, as I've mentioned, we are proactively contacting people we believe may need additional support.

Our customer-focused approach and quality of our underwriting capability is clearly demonstrated in our continued low level of arrears. At just 0.22% (FY 2022: 0.17%), these remain appreciably lower than the market average¹ and consistent with our position last year. The application of prudent stress testing is clearly a factor in this, and it is encouraging that relatively few borrowers have made use of additional help we can offer where needed.

This approach extends to our buy to let lending where we remain one of the leading providers in the UK. There is no doubt that regulatory requirements and rising interest rates are proving challenging, particularly to small-scale landlords. It is our belief that a healthy private rental sector is a critical part of the overall housing market and attention must be given to supporting landlords, and of course tenants, if the current housing challenges are going to be addressed. However the resilience of our lending to the buy to let market, both in terms of maintaining volumes and our strong credit risk position, shows this sector remains viable in challenging circumstances.

Overall, redemptions are still running slightly higher than in previous years, and it is to be expected that speculation about further base rate rises may encourage some borrowers to seek more security over the coming months. But our growth in mortgage balances shows we remain very much open for business and are doing all we can to support borrowers and our intermediary partners.

Delivering value to savers

We have grown savings by offering exceptional and market-leading products, with a particular focus of rewarding loyalty. During the ISA season, we launched a Loyalty Fixed Rate ISA that was 0.2% above its nearest rival. Nearly 60,000 members applied, over half having been members of the Society for more than 10 years. At a time when building societies are finding innovative ways to underline the benefits of the mutual business model, our simple strategy of providing fantastic value backed by outstanding service to all members is making a strong contribution to the debate. Over the last 18 months over 190,000 members have benefited from our loyalty propositions.

During the first half of 2023 our average savings rate² was 2.7%, compared to 0.9% for the first half of 2022, and was around 0.8% higher than the market average. This increased the amount of additional interest we pay to our savers from £99 million in the first six months of 2022 to £163 million³ in the first six months of 2023 than if we'd simply matched the average in the market. This 65% increase in the value we pay our members clearly demonstrates our commitment to paying the best rates we can afford, and our performance in passing on the benefit of the rising interest rate environment where we can.

The result is equally clear. Great products and great value have attracted more savers to the Society, increasing our overall savings balances by £3.2 billion (7.5%) to £45.5 billion as a result (H1 2022 1.0%). An important proof point of the benefits of mutuality.

Delivering on our service promise

Value is important to our members in terms of our rates but many stay with us because of our fantastic service. This is something we absolutely believe in, and we work exceptionally hard to provide a level of service which stands out in the industry.

At times, particularly when the market is changing fast and we are offering great value products, this can be challenging. I've already mentioned our commitment to provide 48 hours' notice before withdrawing mortgage products and brokers regularly take to social media or tell us directly how much they appreciate it. It doesn't happen easily and there are times when giving 48 hours' notice puts our service under a lot of pressure. But we believe it is the right thing to do.

It is the same with our savers. It is clear that our members are needing more time and support to help make the right decisions and that these decisions are increasingly important. It means they contact us more often and conversations take longer. We have adapted to this by recruiting more colleagues and changing the way branches and the call centre work. A fantastic savings product, like the Loyalty ISA in April or the more recent loyalty bonds, will still lead to peaks of demand and longer wait times than we aim for. Our investment in this area is working and our average call waiting time has reduced from 207 seconds for 2022 full year, to 155 seconds⁴ in the first six months of this year. We strive for excellence but this performance still stands comparison with the best in the market and we can be proud of what we have delivered during a very busy six months.

Our members tell us when they talk to our colleagues, they have a fantastic experience. We use a Net Promoter Score (NPS)⁵ to measure satisfaction and our overall NPS remains outstanding at +74 (FY 2022: +75). At the heart of this performance is the way colleagues consistently offer such a warm, expert and professional service. As we digitise more of our operations, we are improving our capability to manage the periods of peak demand, but we will not compromise on the human touch that makes the Society so trusted by our members.

Our investment in the business remains on track with significant milestones to enhancing our services, our operational resilience and the transformation of our financial systems being achieved during the reporting period. Our digital infrastructure, mobile app and enhancements to our mortgage servicing are progressing well with significant deliverables expected during the latter half of 2023. Collectively these represent complex and critical programmes that show our ability to implement and benefit from transformative change across all parts of the organisation.

A strong and sustainable performance

As well as delivering for our current members, we need to build upon the foundations for our future success. In this period, we have made balanced decisions in support of our borrowers and savers, but consciously chosen to strengthen our capital base too. It means we have delivered a strong and sustainable performance, that enhances the Society's resilience and supports our future ambition.

Our profit before tax of £269 million for the six months to 30 June 2023 compares with £158 million reported in the same period of 2022. This has enabled us to increase our UK leverage ratio to 5.5% (FY 2022: 5.2%) and our Common Equity Tier 1 ratio to 30.4% (FY 2022: 27.4%). The ability to enhance our capital position whilst also increasing the member value by 65% shows not simply the strength of the business but also the balance we bring to all decision-making. In this instance, balance is about the needs of current and future members. The member value rewards current members whilst our strong capital position supports investment and growth for the years to come.

Supporting colleagues and the communities we serve

It is the essence of our mutual business model which aims to take the long-term view and to act responsibly with all stakeholders, including my colleagues and the communities we serve. I was delighted in March to hear that we had not only retained but improved our position in the UK's Great Place to Work survey, with our overall Trust score now at +77%. In the Super Large category of organisations that met the Great Place to Work benchmark we improved our position by four places from 17 to 13.

This is a critical part of our success. Ensuring that nearly 3,000 colleagues are engaged, motivated and supported is the only way we can meet the expectations of members and other stakeholders and succeed in such a competitive industry. We have improved our position by listening and acting on what our colleagues say and we will continue to do so.

Central to this is our work focusing on colleague wellbeing and building a diverse and inclusive workforce. One of our targets is for 50% of management roles to be held by women by 2025 and this year we have achieved this at executive level, with 45% of management positions overall being undertaken by women. We have a similar ambition for 25% of management roles to be held by colleagues with a Black, Asian or Minority Ethnic background and have received positive feedback from colleagues about the steps we are taking to achieve this. There is more to do but we are beginning to make a difference.

We are also making a difference in the communities we serve. In 2022, we invested over £3 million to our communities⁶. We will do even more in 2023. The partnerships we have established with schools, community groups and charities are delivering tangible benefits and my colleagues make a fantastic contribution in volunteering their time, energy and expertise. In March we launched our new corporate partnership with Centrepoint to support its national and local programmes. We are already well on the way to delivering on this commitment in 2023.

I will finish by focusing on something that brings all of these elements together; our performance, the way we work, our focus on sustainability and our colleagues, as well as all aspects of our wider stakeholder relationships. We have now been assessed for B Corp⁷ accreditation and are the first building society and one of the first UK financial services organisations to be awarded this accolade. B Corp is the global gold standard for sustainability with an appropriately challenging assessment across all aspects of our activities. This recognition absolutely underpins our ambition and tells you a lot about the organisation we are.

Succeeding in a challenging environment

Looking ahead, it is clear that the UK economy is facing challenges. The Bank of England is focused on delivering against its inflation target of 2% and it is likely that interest rates will remain elevated for the foreseeable future. There continues to be the risk of the slowdown in the economy and house price reduction. Many members are facing day-to-day challenges with the cost of living, and we must do what we can to protect their interests.

The soon to be introduced Consumer Duty regulations clearly show the level of protection and support that financial services organisations must provide. I believe this ethos is central to who we are and what we do, and has been since we started in 1884.

We will continue to support our members by delivering value, exceptional service and putting their interest at the heart of our decision making. We will continue to invest for the future whilst supporting members, colleagues, our business partners and the communities we serve today. The balanced decisions we are taking mean that the Society's financial performance has been strengthened, achieving our strongest ever capital position, which provides great reassurance and confidence in the face of future economic uncertainty.

We are ambitious and will continue delivering on our commitments. I'd like to thank my colleagues who through their hard work make it all possible, and our members for their loyalty and trust.

1. Based on UK Finance Q1 2023 published data.

2. Based on the average month end rate across the Society's mix of products for savings accounts, excluding current accounts and offset savings for the first six months of the year.

3. Based on the Society's average month end savings rate compared to the CACI market average rate for savings accounts and excluding current accounts, for the latest available data for the five months ended 31 May 2023.

4. Based on average call waiting times between 1 January 2023 and 30 June 2023.

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. Total community investment made by the Society has been determined in line with the Business for Societal Impact (B4SI) framework.

7. B Corp status is the highest sustainability accolade awarded to organisations by the Science Based Targets Initiative.

Financial Review

Income Statement

	Period to 30	Period to 30	Year ended
	June 2023	June 2023	31 Dec 2022
	Unaudited	Unaudited	Audited
	£m	£m	£m
Interest receivable	1,346.4	547.5	1,421.1

Interest payable	(942.5)	(243.3)	(763.8)
Net interest income	403.9	304.2	657.3
Other income	(2.0)	0.4	(1.6)
Gains/(losses) on derivative financial instruments	24.6	(4.9)	26.8
Total income	426.5	299.7	682.5
Management expenses	(146.8)	(138.8)	(294.8)
Impairment charge	(11.1)	(2.3)	(16.6)
Charitable donation to Poppy Appeal	-	(0.3)	(0.6)
Profit before tax	268.6	158.3	370.5
Tax	(63.4)	(33.1)	(84.3)
Profit for the financial period	205.2	125.2	286.2

Net interest income for the six month period to 30 June 2023 was £404 million (30 June 2022: £304 million). The Bank of England Base Rate has continued to rise, increasing to 5.0% from 0.25% at the beginning of January 2022.

The overall increase in net interest income of £100 million compared to the June 2022 period contributed to a Net Interest Margin (NIM) of 1.34% (30 June 2022: 1.11%).

Interest receivable on mortgages increased by £158 million, predominately as a result of the impact of base rate increases. In addition we benefitted from a £180m increase related to interest receivable on higher liquidity balances and £434 million on mortgage and wholesale hedged derivatives.

Interest payable on retail savings increased by £383 million following the base rate rises. Our average pass through rate on savings for base rate increases in the six month period was 49%. Throughout the period, the Society continued to pay above average savings rates, returning £163 million (H1 2022: £99 million) in member value compared to market average rates. A further £157m interest payable arose from savings and wholesale hedged derivatives.

Net interest income in the prior year included a charge of £17 million for the full year (H1 2022: £8.7 million) relating to a change to the future assumptions on mortgage redemption behaviour as customers spend less time on SVR.

Gains on derivative financial instruments

The Society 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 Society applies hedge accounting where possible and its approach continued to be effective throughout the period. The gain in the first half of the year of £25 million (30 June 2022: £5 million loss) predominately reflects two things. Firstly, we have updated our assumptions for mortgage prepayments. This has had the effect of crystallising fair value gains on mortgage interest rate swaps and resulted in a gain of £75 million. Secondly, with such a significant increase in interest rates, we have seen members choosing to pay penalty interest to exit their fixed rate ISA products early and this has resulted in a loss of £48 million arising from changes to customer behaviour assumptions.

Management expenses including depreciation and amortisation for the period were £147 million (30 June 2022: £139 million). The rise in costs of £8 million was primarily driven by an increase in day-to-day running costs due to additional employee costs as we seek to improve service levels and resiliency, as well as continued inflationary impacts across all of our operations. The Society remains focused on operating efficiency whilst navigating the ongoing inflationary pressures and investment priorities.

Our strong financial performance has allowed the Society to continue with its significant investment programme. The total spend on investment, including capital expenditure, of £44 million (30 June 2022: £47 million) has been focused on activity to modernise our services, with great progress on our digital roadmap and new mortgage sales platform. In addition, we continue to make improvements to operational resilience and have achieved some significant milestones in our finance transformation programme.

The cost to income ratio has improved to 34%¹ (30 June 2022: 46%) reflecting the growth in income relative to our cost base in the period. The cost to mean assets ratio of 0.49%² has also marginally improved in the first six months of 2023 (H1 2022: 0.50%) and is expected to remain among the lowest in the building society sector³.

Provision for expected credit losses

The performance of our mortgage book has remained resilient, despite the backdrop of a worsening economic outlook with rising interest rates, house price concerns, and stubborn levels of high inflation presiding during the period.

The Society has updated its economic scenarios to account for this, which has impacted its Expected Credit Losses (ECLs) recognised in the period.

A deliberately cautious approach to estimating ECLs continues to be applied, given the structural challenges facing our members from both rising interest rates and the inflationary environment. As a result of this the ECL provision has increased to £47 million (31 December 2022: £36 million) reflecting £3 million due to worsening economic scenarios and a £8 million increase in the cost of living post model adjustment (PMA). Overall a charge of £11 million is recognised in the Income Statement (30 June 2022: charge of £2 million).

Of the total expected credit loss provision, £28 million (31 December 2022: £19 million) relates to PMAs where core models do not fully reflect the risk of expected credit loss given the market environment. These adjustments related predominately to the cost of living PMA noted above, alongside smaller adjustments for risks that cannot easily be modelled, such as cladding and fraud.

The ECL provision now equates to 0.10% of the overall mortgage book (31 December 2022: 0.07%), which is reflective of the more challenging credit outlook.

IFRS 9 requires loans to be assessed as 'stage 2' where there has been a significant increase in credit risk. Loans are held in stage 2 until such a time when they are considered to have 'cured' by performing for a sustained period of time, typically 12 months from the stage 2 trigger event. In the first six months of 2023, stage 2 accounts increased to 13% (31 December 2022: 9%) principally due to more borrowers showing early signs of financial hardship, as shown in the cost of living PMA. 86% of the mortgage book remains in stage 1 (31 December 2022: 90%).

Charitable donation to the Poppy Appeal

At the end of 2022, the Society brought to an end its very successful long-standing support for the Royal British Legion's Poppy Appeal. All charitable donations are now included within management expenses.

The Corporation tax charge represents an effective rate of tax of 23.6% (30 June 2022: 20.9%). During the period, the standard rate of UK corporation tax has increased from 19% to 25%, however this has been offset by reductions to the banking surcharge.

Balance Sheet

	30 June 2023	30 June 2022	31 Dec 2022
	Unaudited	Unaudited	Audited
	£m	£m	£m
Assets			
Loans and advances to customers	48,849.4	46,642.7	48,014.3
Liquidity	11,736.3	8,543.2	10,009.8
Other	1,071.3	403.9	843.0
Total assets	61,657.0	55,589.8	58,867.1
Liabilities			
Retail savings	45,460.7	40,291.6	42,288.7
Wholesale funding	12,380.6	12,422.3	13,207.2
Subordinated liabilities and subscribed capital	57.0	56.9	57.0
Other	577.1	186.2	366.5
Total liabilities	58,475.4	52,957.0	55,919.4
Equity			
General reserve	2,437.5	2,121.7	2,250.7
Other equity instruments	415.0	415.0	415.0
Other	329.1	96.1	282.0
Total equity	3,181.6	2,632.8	2,947.7
Total liabilities and equity	61,657.0	55,589.8	58,867.1

Loans and advances to customers

The Society's lending strategy 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 giving the Society a regionally diverse mortgage portfolio in a cost-effective way.

The Society manages its growth according to economic conditions, market pricing and funding conditions. The mortgage book has grown £0.8 billion to £48.8 billion (31 December 2022: £48.0 billion) in the first six months of the year. During the period, the Society advanced £4.0 billion of mortgages (30 June 2022: £3.8 billion) offset by redemptions as customers look for rate certainty in response to base rate rises.

The balance weighted average indexed loan to value of the mortgage portfolio has seen a small increase to 52.5% at 30 June 2023 (31 December 2022: 51.0%) due to house price movements and new lending.

Despite the current economic conditions, the Society continues have very low arrears with only 0.22% of mortgages more than three months in arrears (31 December 2022: 0.17%).

Liquidity

On-balance sheet liquid assets have increased to £11.7 billion (31 December 2022: £10.0 billion) and the Liquidity Coverage Ratio (LCR) at 30 June 2023 was 263% (31 December 2022: 195%), significantly in excess of the regulatory minimum. This reflects strong deposit inflows.

Retail savings

The Society continues to be predominantly funded by retail savings, with balances of £45.5 billion at 30 June 2023 (31 December 2022: £42.3 billion) and growth of £3.2 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.

Wholesale funding

The Society uses wholesale funding⁴ 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 remained broadly stable at £12.4 billion (31 December 2022: £13.2 billion).

The Society previously accessed the Bank of England's Term Funding Schemes with £5.25 billion drawn. Repayments of £1.35 billion have been made in the period and the outstanding drawings at 30 June 2023 are £3.9 billion (31 December 2022: £5.25 billion).

Equity

The growth in equity of £234 million in the first half of the year (30 June 2022: £173 million) predominately reflects retained profit for the period of £205 million (30 June 2022: £125 million), £14 million distribution to Additional Tier 1 capital holders (30 June 2022: £14 million) and £48 million (30 June 2022: £62 million) of positive movement in the cash flow hedge reserve.

Capital Ratios

	End-point 30 Jun 2023	End point 30 Jun 2022	End-point 31 Dec 2022
	£m	£m	£m
Unaudited			
Capital resources:			
Common Equity Tier 1 (CET 1) capital	2,357.0	2,000.5	2,169.0
Total Tier 1 capital	2,772.0	2,415.5	2,584.0
Total capital	2,772.0	2,415.5	2,584.0

Risk weighted assets	7,757.2	6,680.8	7,911.7
CRD V ratios	%	%	%
Common Equity Tier 1 (CET 1) ratio (%)	30.4	29.9	27.4
Leverage ratio including central bank reserves and full AT1 capital amount (%)	4.7	4.4	4.5
UK leverage ratio ⁵ (%)	5.5	5.0	5.2

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

Leverage

We are not currently bound by regulatory leverage ratios, which measure Tier 1 capital against total exposures, including off-balance sheet items. The UK leverage ratio framework will apply to the Society at the point retail deposits exceed £50 billion. The Society's UK leverage ratio increased to 5.5% due to the increase in retained profits, and remains above the current regulatory expectation of 3.25% minima.

Capital

The capital ratios include additional risk weighted assets (RWAs) held for regulatory changes that are currently not reflected in the IRB models, as previously disclosed within the 2022 Annual Report & Accounts. The Society has submitted updated models to the PRA but has yet to receive approval for changes to its calculation of RWAs. When approval is granted, the final model output may vary from those calculated, impacting the capital ratios, effectively bringing forward some of the effect of increasing RWAs envisaged in Basel 3.1.

The reduction in RWAs in the first half of the year is as a result of the business as usual changes to mortgage book composition and performance, together with a reduction in the additional RWAs held for regulatory changes not reflected in the current models. This latter change has been made to align the adjustment with the new IRB models that were submitted to the PRA.

As a result of retained profits in the period and reduced RWAs, the CET 1 ratio has improved to 30.4% at 30 June 2023. Our CET 1 ratio remains significantly ahead of the Total Capital Requirement for the Society which was 10.7% of risk weighted assets as at 30 June 2023.

From 2025, Basel 3.1 RWA floors are being phased in and 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 2023 figures on a full transition basis would result in a CET 1 ratio of approximately 22%. The projected reduction in reported CET 1 measures has been included within the Society's financial plans, ensuring we remain safe and secure.

The capital disclosures above are on a Group basis, including all subsidiary entities. For regulatory purposes the Group also reports on an Individual Consolidated basis, which only includes those subsidiaries meeting particular criteria contained within CRD V. The Individual Consolidated CET 1 ratio on an end-point basis at 30 June 2023 is 0.3% higher than the Group ratio due to assets held by entities that sit outside of the Individual Consolidation, primarily those held by the Group's securitisation and covered bond entities.

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

2. Administrative expenses, depreciation and amortisation/Average total assets.

3. As at 27 July 2023 based on available market data.

4. Deposits from banks, Other deposits, Amounts owed to other customers and Debt securities in issue.

5. The UK leverage ratio includes a restriction on the amount of Additional Tier 1 (AT1) 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](http://www.thecoventry.co.uk), 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 Society, 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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