Coventry Building Society
Half Year Results 2017

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COVENTRY Building Society

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Contents

COVENTRY Building Society

1. Introduction

Introduction

COVENTRY Building Society

Well capitalised, low cost institution with strong credit ratings

Business focus

- Simple, focused, traditional building society model.
- Overall business objectives remain unchanged:
  - to provide a safe home for retail deposits.
  - to help individuals purchase residential property.
- Profit optimisation not maximisation, business run for the benefit of members.
- Prime mortgage lending predominantly funded by member retail savings.
- Efficient, low-cost operations.
- Long-standing, sustainable organic growth of c. 10% p.a.

Flexibility

- Low LTV lending and third party distribution provides resilience to the business model if the market deteriorates.
- Strong margin management capability, with the capacity to increase margin unilaterally if needed.

Key financial ratios as at 30 June 2017

- Strong **CET1 ratio** highest reported* by any top 20 lender** **34.0%**
- **Management expense ratio** lowest reported by any top 10 UK building society.* **0.42%**
- **Leverage ratio** exceeds currently proposed regulatory requirements (excluding the BoE Reserve account adjustment, the Leverage Ratio is 4.5%.). **4.1%**

Product focus

- Assets are focused on low LTV owner occupier mortgage lending and low LTV buy-to-let lending.
- Mortgage and savings rates remain competitive with pricing supported by low levels of operating costs, impairments and conduct provisions.
- Strong focus on administered rates with 34% of mortgages and 62% of savings on administered rates at 30 June 2017.

Credit ratings

	Long term	Short term	Last credit opinion
Moody's	A2	P-1	August 2017
Fitch	A	F1	May 2017

- Coventry has strong credit ratings, with the Fitch rating remaining unchanged for over 20 years.
- The Moody's rating was upgraded to A2 in 2015. The negative outlook placed on the rating post Brexit was removed in August 2017 recognising the Society's capital resilience and strong asset quality.
- No UK government support is implied in either rating.

* As at 21/07/2017
** Source: CML Top 20 mortgage lenders (as published August 2016) - latest published CET 1 data

2. Financial Performance

Financial performance

COVENTRY Building Society

H1 2017 results highlights

Capital

Financially safe and strong institution with a CET1 ratio, the highest reported* by top 20 lender** at 34.0% and a leverage ratio of 4.1%, reflecting low credit risk business model.

Cost

Continued focus on cost control with the costs to mean assets ratio at 0.42%, the lowest reported by any UK building society.*

Impairments

Write back of £0.1m reflecting provisions for losses not materialising, falling arrears, and rising property prices.

Growth

Mortgage assets increased by £1.6bn.

Savings balances increased by £1.9bn.

Now the UK's second biggest Building Society.

Profit

Profit before tax up to £112.4m.

NIM

Net interest margin at 99bps, reduced as a result of protecting savings members from the ultra low rate environment and increased competition in the mortgage market.

* As at 21/07/2017
** Source: CML Top 20 mortgage lenders (as published August 2016) - latest published CET 1 data

Financial performance

COVENTRY Building Society

Strong H1 performance versus H1 2016

Income statement £m	HY 2017	HY 2016	FY 2016
Interest receivable and similar income	**430.5**	461.9	907.3
Interest payable and similar charges	**(238.2)**	(274.6)	(522.3)
Net interest income	**192.3**	187.3	385.0
Other income	**4.9**	6.9	10.5
Net gains/losses from derivatives	**1.1**	(1.6)	(1.0)
Total income	**198.3**	192.6	394.5
Management expenses	**(81.9)**	(73.5)	(149.5)
Impairment & provisions	**0.1**	(0.3)	1.5
Financial Services Compensation Scheme	**(2.5)**	(7.6)	(4.3)
Provisions for liabilities and charges	**(1.0)**	(0.5)	(1.8)
Charitable donation (Poppy Appeal)	**(0.6)**	(0.7)	(1.3)
Profit before tax	**112.4**	110.0	239.1
Taxation	**(27.2)**	(25.8)	(56.7)
Profit for the period	**85.2**	84.2	182.4

Balance sheet £bn	HY 2017	HY 2016	FY 2016
Liquidity	**5.0**	4.6	4.8
Loans and advances to customers	**34.5**	31.4	32.9
Derivative financial instruments	**0.3**	0.3	0.4
Intangible and tangible assets	**0.1**	0.1	0.1
Other assets	**0.1**	0.3	0.1
Total assets	**40.0**	36.7	38.3
Shares	**29.9**	26.9	28.1
Wholesale	**7.7**	7.2	7.7
Derivative financial instruments	**0.3**	0.5	0.4
Other liabilities	**0.3**	0.3	0.3
Subordinated liabilities	**0.0**	0.0	0.0
PIBS	**0.0**	0.0	0.0
Members' interests and equity	**1.9**	1.8	1.8
Total liabilities & equity	**40.0**	36.7	38.3

Net interest income rose 2.7%

Balance sheet growth of 8.9%

Financial performance

Key ratios remain consistently strong

%	2011	2012	2013	2014	2015	2016	H1 2017
Net interest margin / mean assets	0.72	0.73	0.92	1.15	1.11	1.06	**0.99**
Management expense ratio	0.37	0.38	0.39	0.42	0.42	0.41	**0.42**
Cost / income ratio	47.7	49.4	41.1	35.7	37.2	37.9	**41.3**
Retained profit / mean assets	0.20	0.27	0.37	0.53	0.52	0.50	**0.44**
Liquidity (as percentage of SDL)	21.1	17.8	14.5	13.6	13.8	13.5	**13.3**
Wholesale funding	17.3	20.1	20.4	19.4	20.0	21.6	**19.8**
Mortgage assets growth	9.5	14.4	9.5	11.8	9.1	11.8	**5.0**
Common Equity Tier 1 ratio	22.8	23.6	24.3	25.4	29.4	32.2	**34.0**
Leverage Ratio	-	-	-	3.9	4.0	4.1	**4.1**
Liquidity Coverage Ratio (LCR)	-	>100	>100	>100	141	151	**169**

- **Net interest margin is sufficient to support growth and continue to improve capital ratios. It reflects our policy of supporting savers, with an average weighted savings rate of 1.54% versus the market average of 0.65%* during the first five months of this year.**
- **Our low cost base is a key advantage in a competitive mortgage market.**

*Source: Bank of England weighted average rate for household interest-bearing deposits

Financial performance

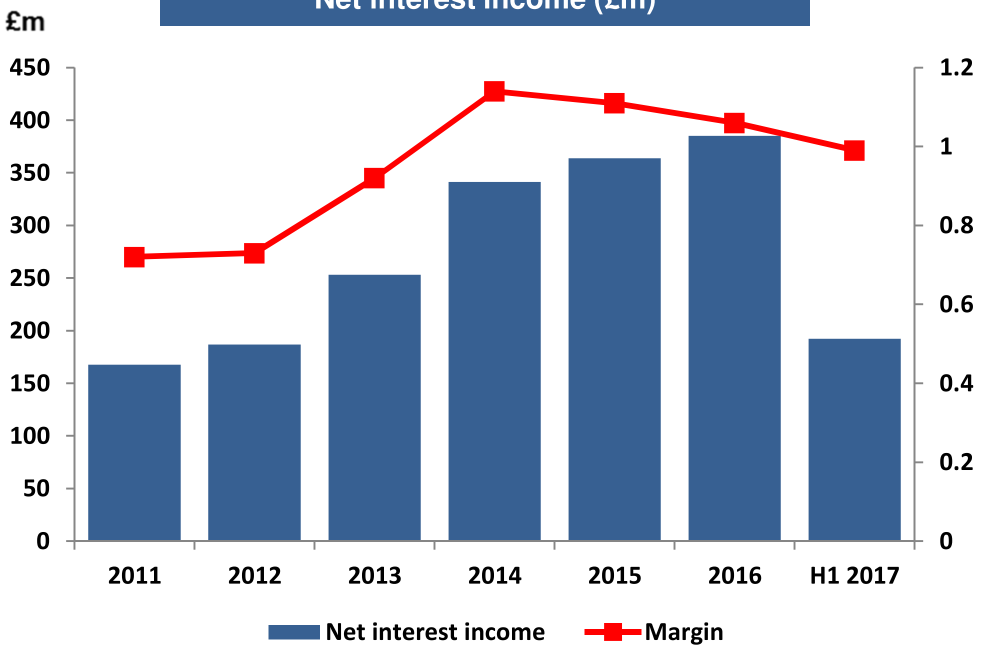
COVENTRY Building Society

Net interest margin is reducing but remains above historical levels

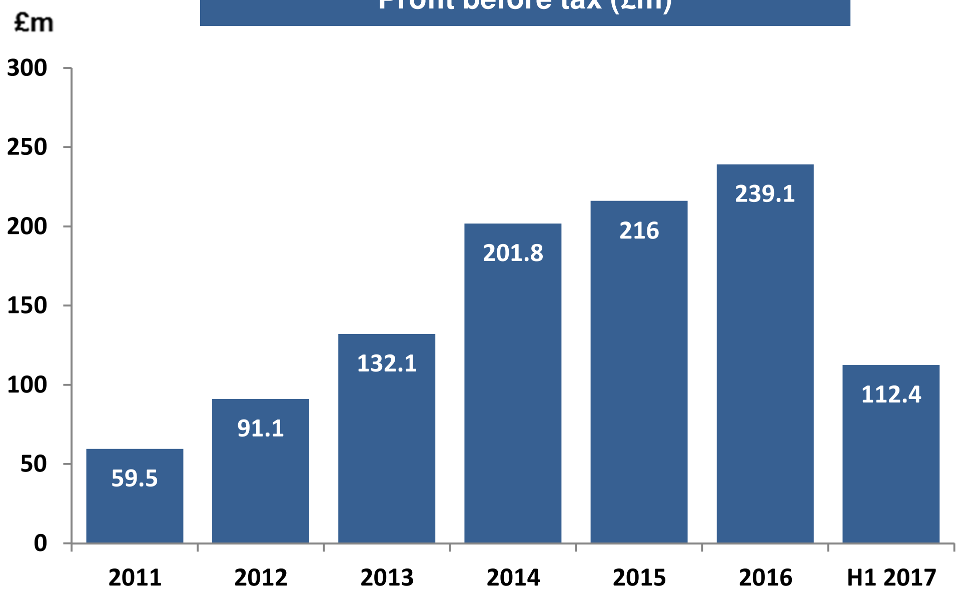
Interest income H1 2017: £192.3m

- As a mutual, we seek to optimise profits rather than maximise them, retaining only what we need to meet capital and other regulatory requirements, in order to grow the business.
- In recent years net interest margin has benefited from the positive influence of FLS on retail and wholesale funding pricing. It remains elevated from the low 70bps area seen in the early post crisis years due to retail savings rates continuing to fall. Mortgage margins have tightened, but spreads remain attractive even if margins reduce modestly.
- The use of TFS is available until February 2018, supporting the competitive market conditions.

Net interest income (£m)



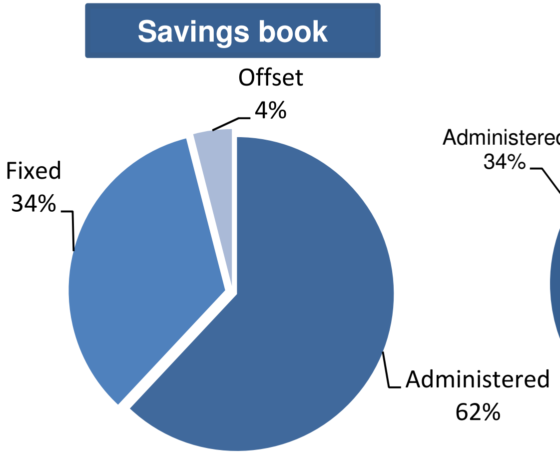
Profit before tax (£m)

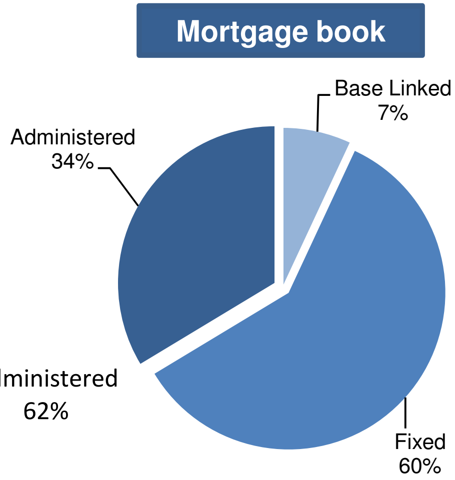


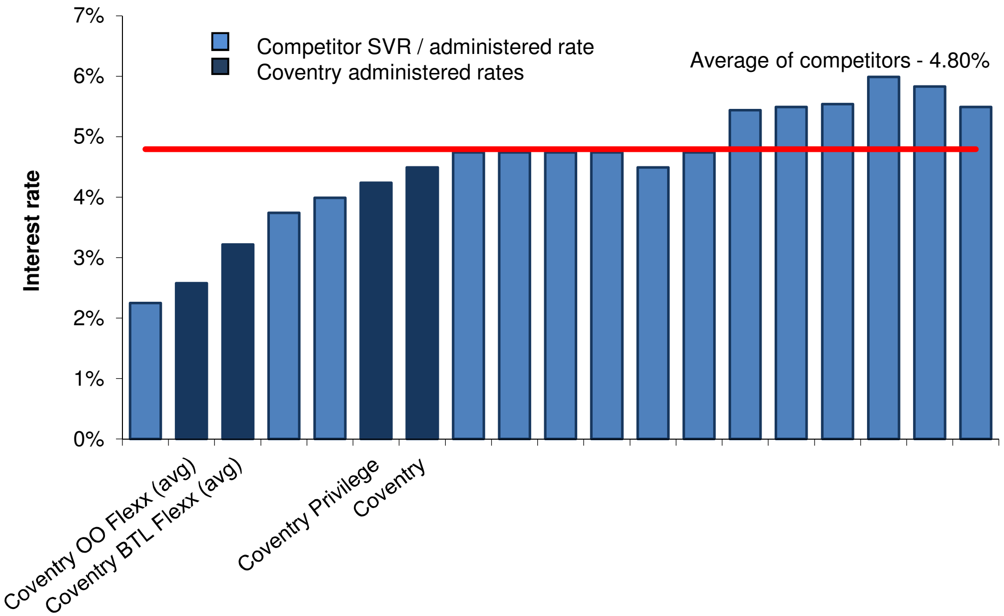
Financial performance

COVENTRY Building Society

Large proportions of administered rates support margin flexibility if required







Large proportion of administered rates

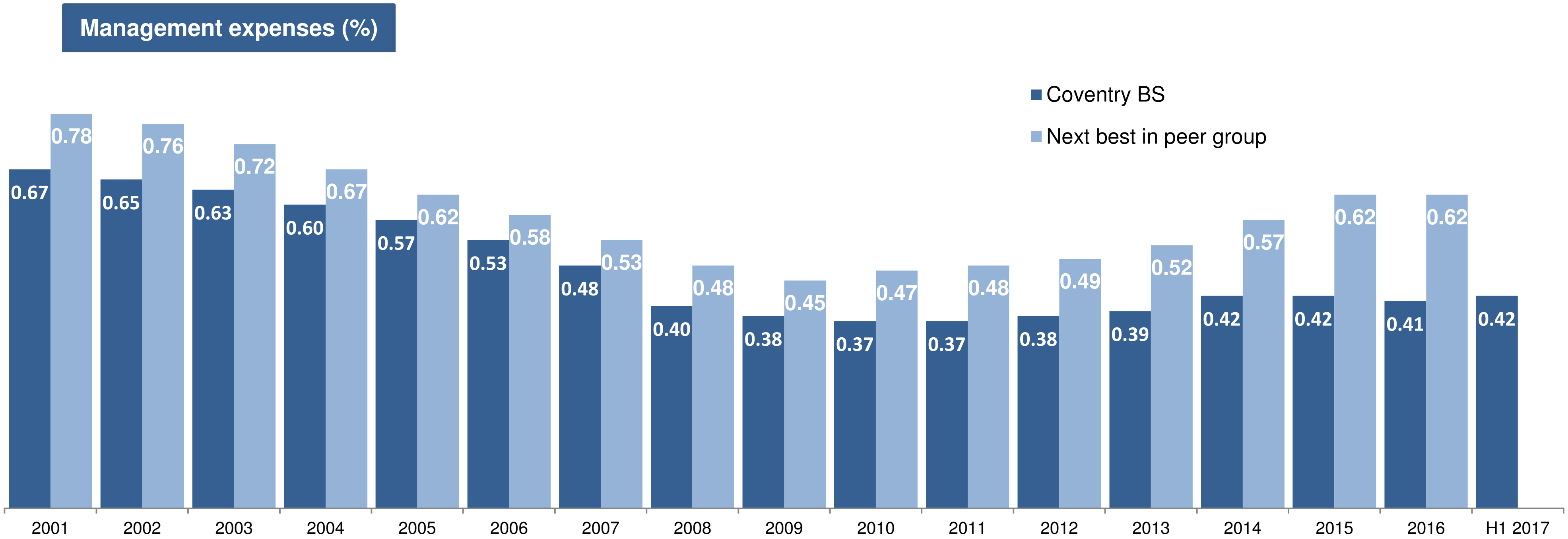
- Whilst margins have benefitted from the effects FLS / TFS has had on retail pricing, the proportion of administered products allows commercial scope to manage margin if required.
- 92% of all variable savings balances earn a rate of interest at 50bps above Bank Rate.

Administered rates on mortgage products lower than many other building societies

- The relatively low interest rates applied on Coventry's administered mortgages highlight the ability to offer compelling customer propositions and maintain flexibility in margin if necessary.
- Lower rates on Flexx for term products to help retain our good quality customers.
- No differential pricing, all our products are available to both new and existing customers.

Financial performance

Management expenses are the lowest of top ten building societies and well controlled



- Cost control is essential and provides a competitive advantage.
- The costs to mean assets ratio remains stable and the lowest of the top ten UK building societies*, even with increased investment driven by regulatory change and ongoing IT infrastructure.
- The difference to the next best in the peer group has been increasing for a number of years.
- Continued investment programme to increase capabilities in its IT core infrastructure, to meet the changing needs of our members and with future regulatory change in mind.

Source: Annual report & accounts

* As at 21/07/2017

3. Asset Quality

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Building Society

Asset Quality

COVENTRY Building Society

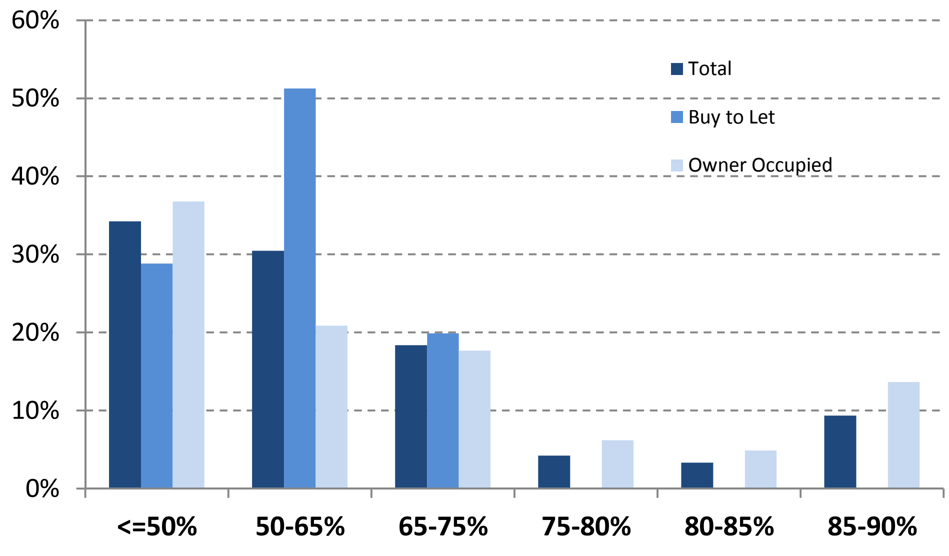
Focus on the low LTV areas of the market

Loan-to-value (LTV) split

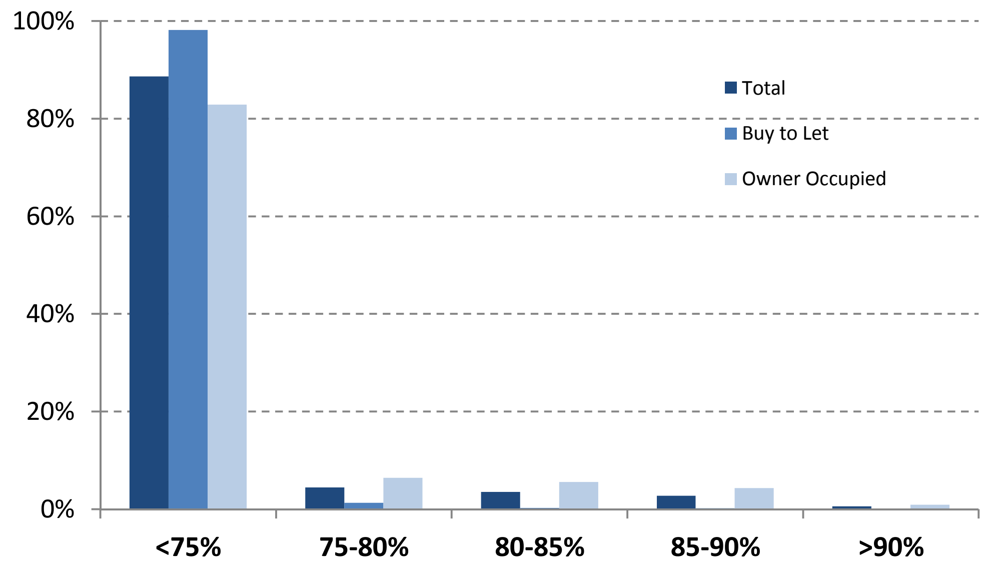
- 83% of lending in 2017 has been at LTVs of 75% or below, in comparison to the market average of 67% (to end of Q1 2017).
- Market lending above 90% in the first quarter of 2017 was 4%; Coventry lending above this LTV was nil*.
- No sub-prime, commercial or second charge lending (legacy inherited commercial book currently £3.1m in run off).
- Negligible levels of legacy unsecured lending (c. £31m).

- The balance weighted average indexed LTV of the entire mortgage book is 53.7%.
- 93% of the overall book has an indexed LTV of 80% or less.
- Circa 66% of all buy-to-let lending was originated at 65% LTV or less.
- No new business was written in 2017 above 75% LTV for buy-to-let or above 90% for prime residential.

2017 H1 lending by LTV



Whole Book LTV distribution by value as at June 2017



* Source: CML

Asset Quality

National distribution and strong arrears performance

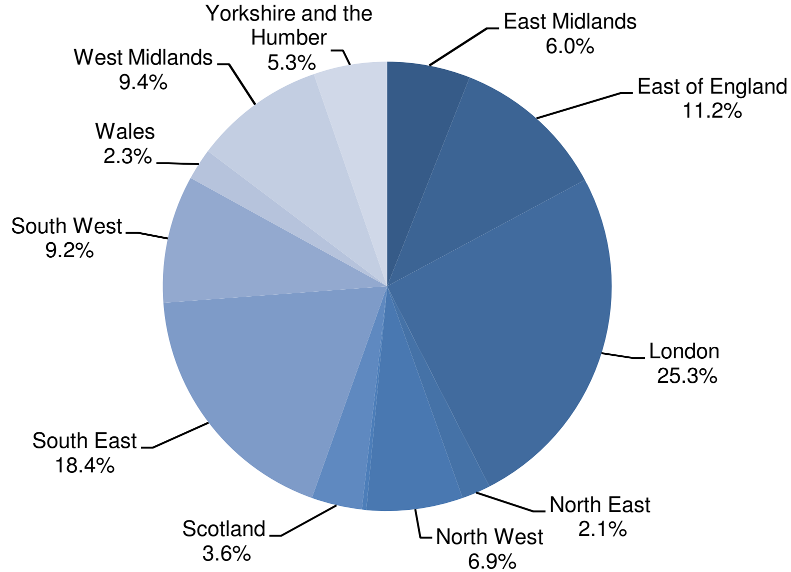
Geographic distribution of mortgage book

- The majority of the UK mortgage market is introduced via intermediaries (e.g. independent financial advisors, mortgage brokers, estate agents).
- Intermediaries give national coverage and support the geographic diversification of the mortgage book.
- **Crucially, all underwriting and servicing is performed by Coventry. There is no 'packaging'; the intermediary acts solely as an introducer.**

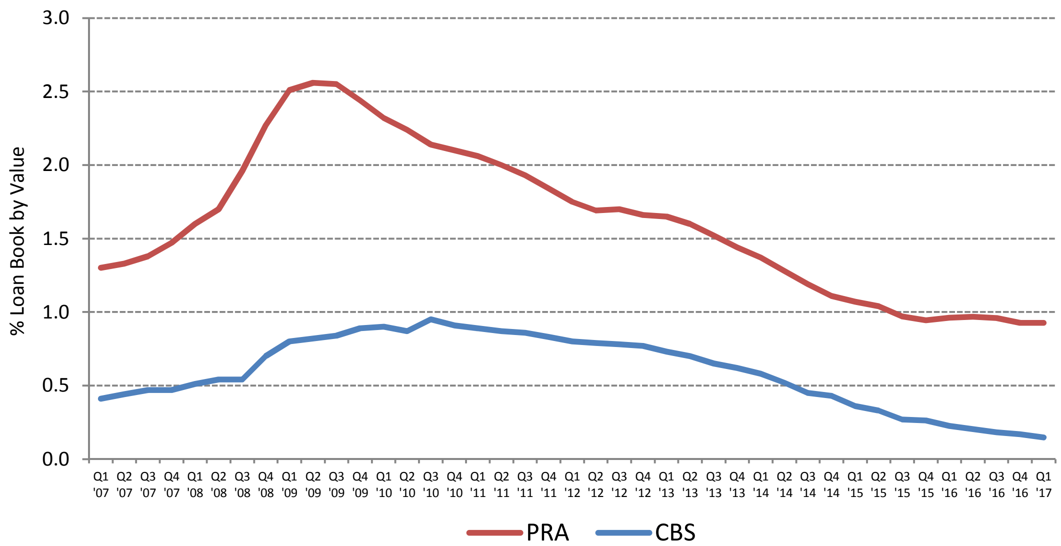
Mortgage book performance

- Arrears and repossessions are less than a fifth of the industry average.*
- The value of loans in arrears by ≥ 2.5% of the mortgage balance including possessions at 31 March 2017, as a proportion of the total book, has fallen to 0.15%.
- Unlike some lenders, arrears are very rarely capitalised. There have been zero accounts in Q1 for Coventry versus 2,577 for the industry as a whole for Q1 2017.

Geographic distribution by value



Arrears ≥ 2.5% of mortgage balance (including possessions)



* Source: Prudential Regulation Authority - latest available information, as at 31 March 2017.

Asset Quality

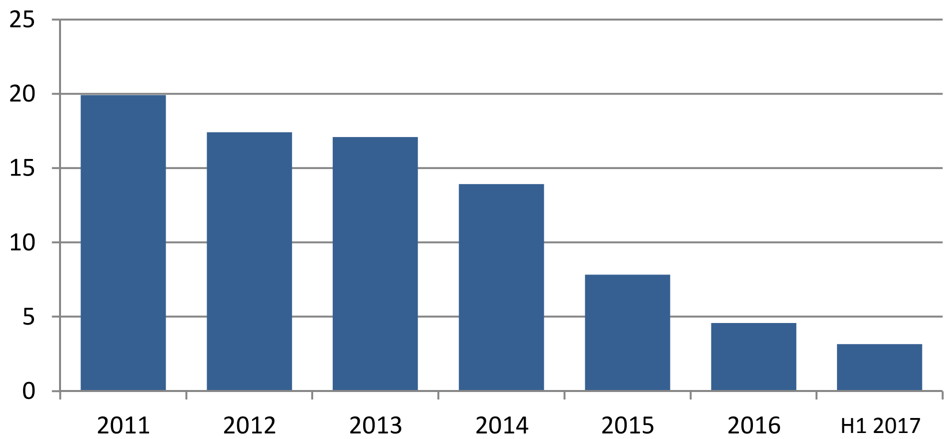
COVENTRY Building Society

Impairment levels reflect strong asset quality

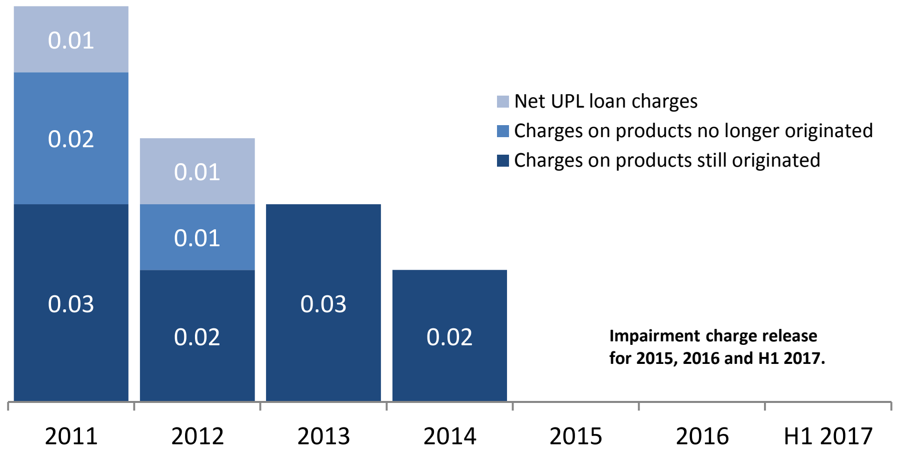
Robust origination and monitoring

- Coventry has strong and experienced central underwriting and collections teams.
- The Credit Risk department analyses the performance of the mortgage book and conducts quality assurance assessments.
- We consistently target low risk areas of the mortgage market, primarily low LTV owner occupier and buy-to-let.
- No lending has been advanced at more than 90% LTV since 2009.
- Arrears levels are consistently below industry averages at just 0.26% of accounts being more than three months in arrears (Industry average 0.84%*).
- At 30 June 2017, only 22 properties were in possession.

Average Society Possessions per month



Impairment charges as % of loans



Impairments are very low on a mortgage book of £34.4bn

- Impairment charges have fallen over recent past with releases reported in 2015, 2016 and H1 2017.
- Impairment charges in the last recession between 2008 and 2012 averaged c. 8 bps per year. A significant proportion (55%) of the impairment charges seen in that period were on loan products that are no longer offered e.g. unsecured personal loans. Impairments have been consistently falling since exiting such markets, with the continued focus being on high quality lending.

* Source: Council of Mortgage Lenders

Asset Quality – buy-to-let

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The UK buy-to-let market has experienced strong growth

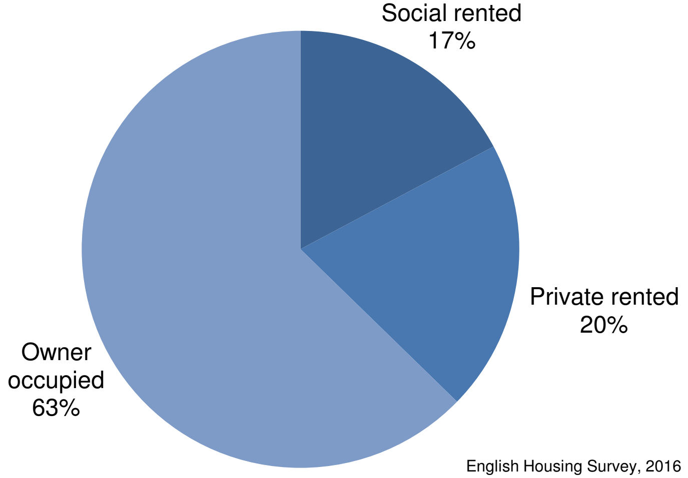
Market

- The buy-to-let market has shown strong growth over the past decade.
- London is the natural centre of the buy-to-let market as a result of the affordability of owner occupied properties.
- The size of the buy-to-let segment of the mortgage market has almost doubled from pre-crisis levels.[1]
- 4.5m private rented households in England as of 2016.

Positive long term fundamentals

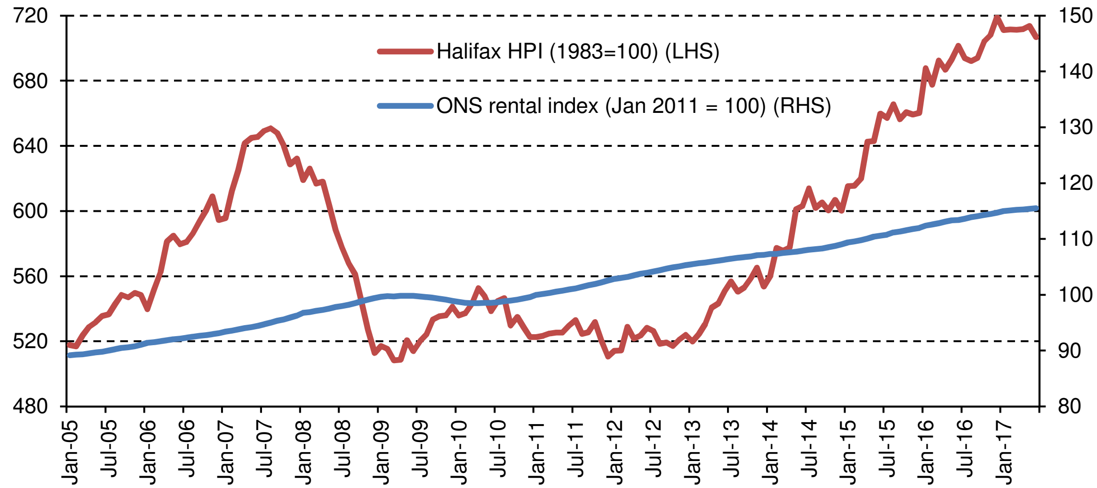
- Constrained long term housing supply, particularly in London and the South East, where economic activity is strongest.
- Falling home ownership (the lowest in 30 years) and availability of social housing - private rental sector was steady at around 10%, however the sector has more than doubled in since since 2002.[2]
- Rapidly increasing sectoral demand - the number of 25-49 year olds in the private rental sector has more than doubled over ten years. [3]
- Rental income increased steadily through the crisis and did not exhibit the volatility of house prices.

UK households by status



English Housing Survey, 2016

Rental income and house prices



Sources: 1. Financial Stability Report July 2017 2. English housing survey 3. 2011 census

Asset Quality – buy-to-let

COVENTRY Building Society

Coventry's focuses on low risk buy-to-let lending

Coventry experience

- Coventry is now the third largest provider of new buy-to-let loans.
- Approximately 2/3 of Coventry's buy-to-let lending is on houses, with 1/3 on flats.
- Buy-to-let demographic is older than typical owner occupied demographic.
- Arrears and impairment levels have been very low. On over £25bn of lending since entering the market in 2002, we have incurred total losses of £8.8m.
- The balance weighted average LTV of the buy-to-let book is only 53.5% as at 30 June 2017.
- There have been only 4 losses on all buy-to-let lending originated in 2010 or later (total losses £49k) and only 7 buy-to-let properties in possession from a book of c. 94,000 properties

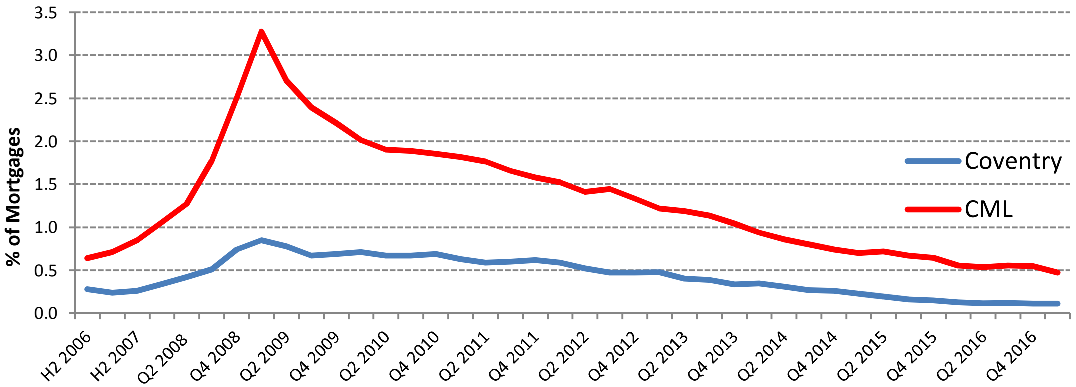
Lending criteria

- 100% subject to physical valuations.
- Properties must be readily saleable into the owner occupier market.
- Maximum 3 properties with the Coventry and an aggregate loan limit of £1,000,000.
- 50% maximum LTV on new build flats.
- Minimum rental coverage of 125% for those earning less than £40k and none or basic rate tax payers, 140% for higher rate tax payers.

Buy-to-let book performance

- The focus on low LTV lending and on properties that are suitable for the owner occupier market has led to low levels of arrears and as at 30 June 2017 the number of loans >3 months in arrears (including possessions) reduced to just 0.10%.
- Buy-to-let lending proved to be even more resilient than prime owner occupier lending during the crisis with peak > 3 months arrears of 0.73% compared to 1.31% for the owner occupier book.
- 86% of our borrowers have only one property with the Society and c. 3% have more than two with the Society (maximum 3 properties).

Coventry vs. CML >3mths buy-to-let arrears (incl. possessions)



Asset Quality – buy-to-let

High quality portfolio

Interest Coverage Ratio (ICR)

- For over 99% of accounts, rent provides over 100% coverage of the interest due on the loan.
- The pay rate in this calculation was floored at 5%. In actuality, the pay rate on many of these mortgages is significantly lower and as such true interest cover is likely to be considerably higher.

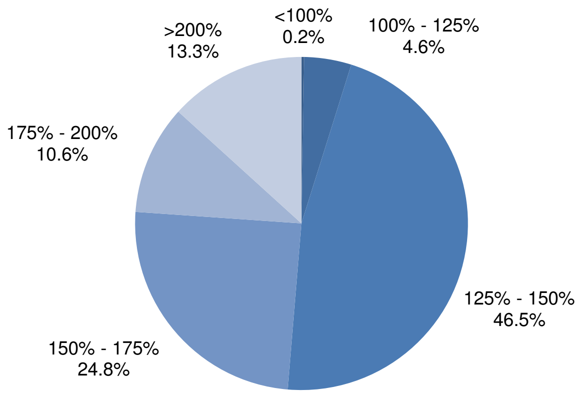
Rate type

- Fixed rate products account for 53% of buy-to-let mortgages by value.
- Margin management capability is sustained with a further 47% of accounts by value being on variable rates.

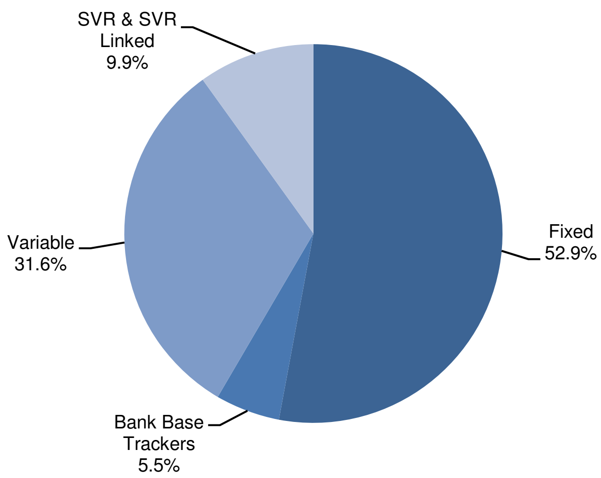
London Market

- Coventry lending policy restricts loans greater than £350k to 75% LTV and applies a 50% LTV cap on loans above £500k.
- Coventry does not lend on property of multiple occupancy.
- Severe stress testing carried out on our London BTL book, showed strong resilience.
- Lower arrears than rest of the country with 4bps >3 months in arrears (10bps nationally).

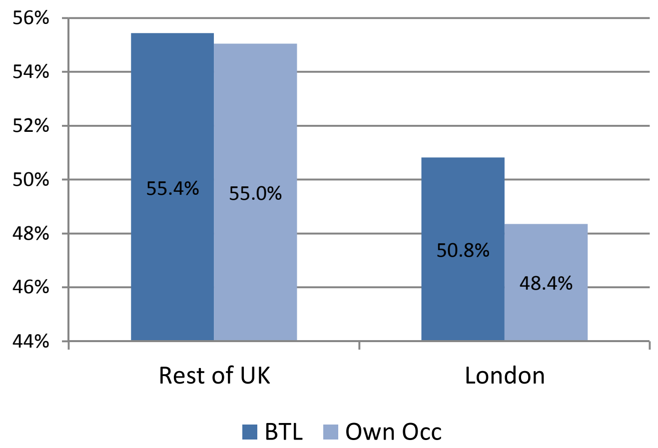
Interest Coverage Ratio



Interest rate type (by value)



Book weighted average LTV



Based on original rental at 5% stress rate
All data as at 30 June 2017

Asset Quality - Regulation

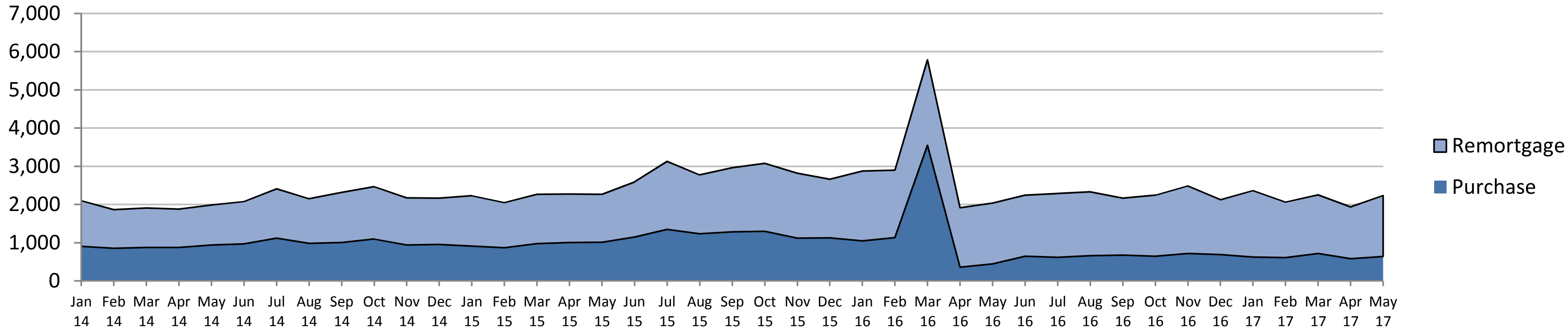
COVENTRY Building Society

Political & regulatory intervention

Political & regulatory intervention

- The Financial Policy Committee (FPC) expressed concerns on the growth of the buy-to-let market in the financial stability review *"The FPC remains alert to financial stability risks arising from rapid growth in buy-to-let lending and will monitor developments in buy-to-let activity closely".*
- The tax changes that were announced on BTL lending had a significant impact on demand over the past twelve months, with the introduction of the increased stamp duty for second homes seeing a surge in BTL business volumes in the run up to April 2016. Market data shows a spike prior to tax changes, with levels of new purchases in particular now much lower than before March 2016.

New BTL mortgages by purpose of loan, non-seasonally adjusted, UK (CML) (£m)



- Regulatory standards on underwriting have been updated to reflect the caution from the FPC, including:
  - Minimum stressed interest rate considerations (5.5% applied for all new lending – other than terms of 5 years or more)
  - Interest Coverage Ratio minimum to 125% (for those earning less than £40k and none or basic rate tax payers), 140% for higher rate tax payers.
  - Planned change to treatment of portfolio landlords (defined as greater than 3 mortgaged properties) differently to standard buy-to-let investors. (implementation by 30 September 2017). Credit exposure to a single borrower has previously always been restricted to 3 loans with the Society.

Asset Quality – Interest only

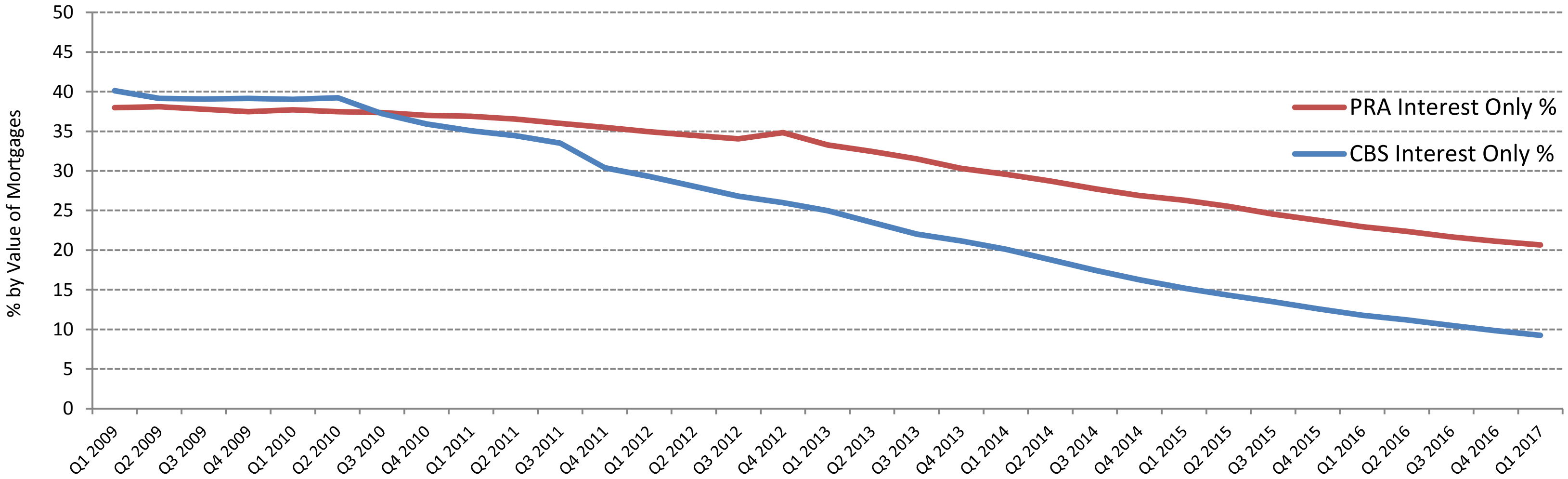
COVENTRY Building Society

Owner occupier interest only mortgage book continues to fall

Owner occupier loans

- The UK market has long had a tradition of interest only mortgages. However, in recent years, there has been increased focus on how borrowers will repay their interest only loans after the typical 25 years contractual term.
- Coventry no longer offers new interest only loans on owner occupier mortgages and has set up an interest only team to deal with customers reaching the end of their mortgage terms. As the Society grows, the overall stock will inevitably continue to reduce. As at 30 June 2017 the number of cases on an interest only basis represented 11.1% of the owner occupier book compared to 34.8% at 31 December 2011.
- Only 11 interest only owner occupier mortgages with a LTV greater than 75% were more than 6 months beyond their scheduled term end date as at 30 June 2017.
- Buy-to-let mortgages, where the property is the repayment vehicle, continue to be predominantly interest only.

Interest only by value as proportion of book (owner occupier)



4. Capital

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Capital

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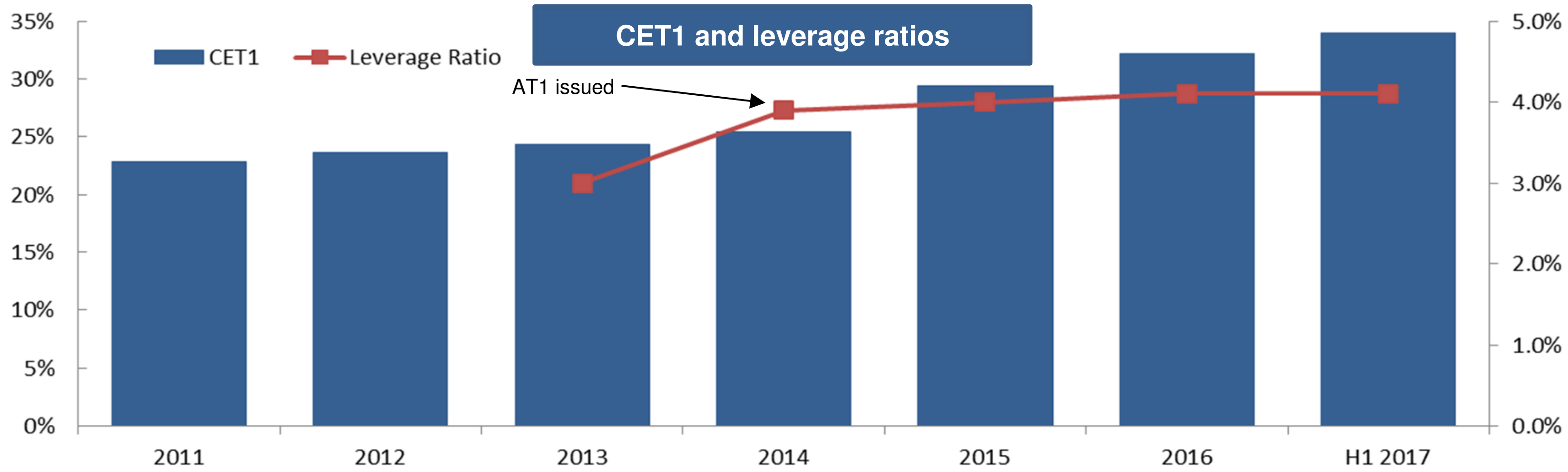
Risk weighted capital ratios are the highest of any top 20 lender supported by strong asset performance

Capital and reserves

- CET1 ratio of 34.0% as at 30 June 2017.
- Following a Supervisory Review process in the first half of 2016 the Society has been issued with an Initial Capital Guidance (ICG) requirement of 12.8%.
- Retained earnings from strong profitability are Coventry's primary source of CET1 capital, currently c. £1.39bn.
- Capital levels are strengthened by £400m of AT1 issued in 2014 (of which only £310m is currently eligible for Leverage).
- The whole loan sale of £310m non-member buy-to-let mortgages to a third party in 2015 provides a further capital management option.

Leverage ratio framework

- A binding leverage ratio applies to firms with retail deposits of £50bn or more, but all firms are expected to be in scope from 2018.
- The components of the UK leverage ratio framework are a minimum ratio of 3%, and two additional buffers: a Supplementary Leverage Ratio Buffer (SLRB); and a Macro-prudential Countercyclical Leverage Buffer (CCLB).
- SLRB will be set at 35% of the Systemic Risk Buffer (SRB) and CCLB will be set at 35% of the Counter Cyclical Buffer (CCyB).
- CCyB has been set at 0.5% from June 2017 by the FPC and is expected to be set to 1% by November 2017 (applicable 12 months later). The SRB is currently set at 0%.
- The leverage ratio at end point basis at 30 June 2017 is 4.1%, comfortably above the Basel III end point 3% minimum level. The modified leverage ratio is 4.5% under the new proposals to remove the BoE reserve from the exposure value against a 3.25% minimum level.



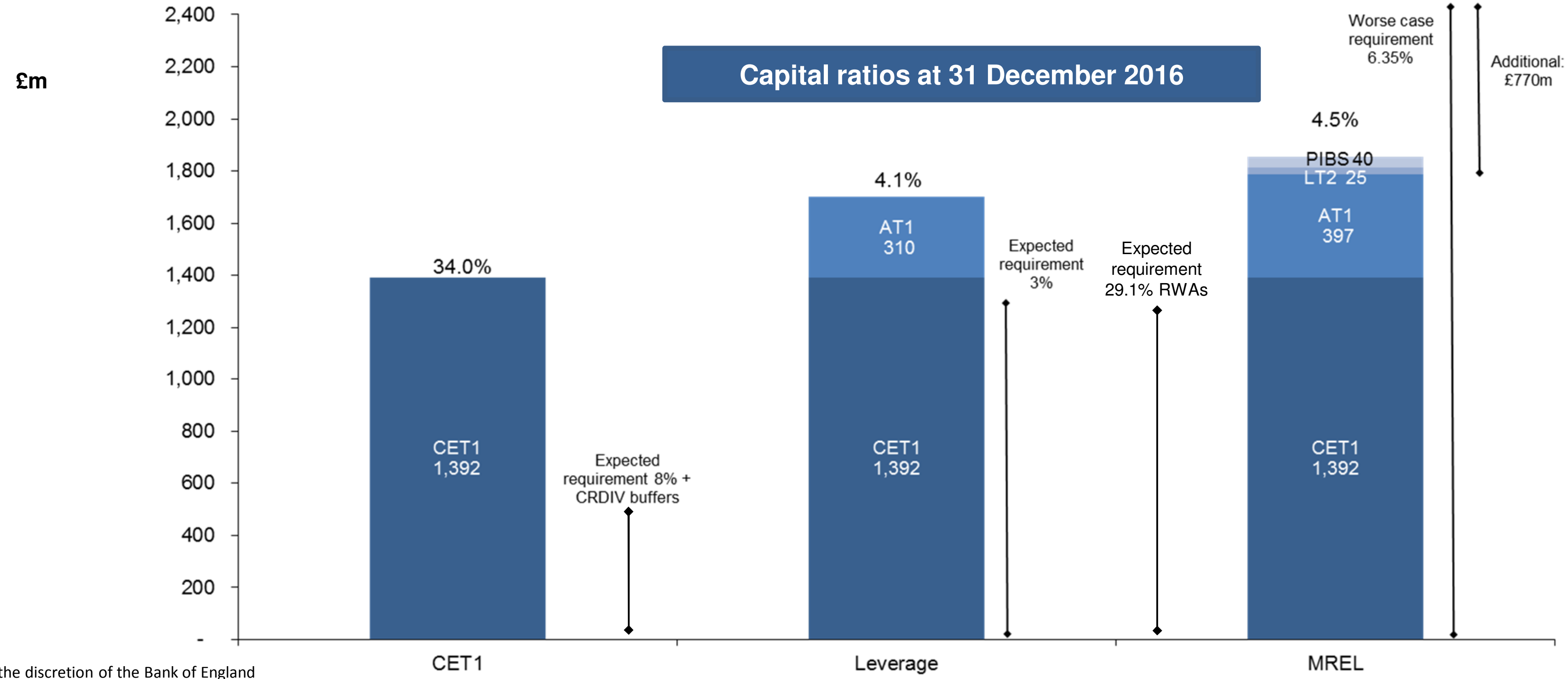
Capital

COVENTRY Building Society

Capital regulatory environment continues to evolve

MREL

- The Bank of England announced new rules in November 2016 that are designed to make it easier to manage the failure of banks and building societies in an orderly way, as part of reforms to prevent future taxpayer bail-outs in the UK.
- The rules require the Society to meet an interim MREL requirement by 1 January 2020 of 18% of RWA with the full requirements to be met by 1 January 2022. The expected final requirements are 2 times our Pillar 1 and Pillar 2 requirement plus applicable buffers. However, **if** the leverage ratio becomes our binding capital constraint (as seems likely), we believe we are well placed to meet a 2 times leverage requirement. Options to bridge any shortfall may include issuing eligible debt to wholesale markets are adjusting future planned balance sheet size.
- The preferred resolution strategy for the Society, set by the Bank of England, currently is Bail-in*, reflecting the size of the Society and consequential risks of an insolvency process, and the likelihood of being able to effect a partial transfer at short notice.



Indicative and based on current understanding, not to scale

* This is the discretion of the Bank of England

Capital

COVENTRY Building Society

Risk weightings remain subject to debate with further detail expected in 2017

Standardised Approach to Credit Risk

- A new capital floor regime is expected post finalisation of the new standardised risk weights, setting a minimum level of capital linked to the standardised calculation, however a lengthy phase in has been indicated.
- Separately, a consultation on use of the IRB approach is due which is seeking to remove variability in the internal models, this may embed parameter floors e.g. on LGDs and RWs.
- Assessing the impacts on suggested output flooring.

Capital Requirements as at 30th June 2017		Output Floor	Output Floor
	Current	45%	75%
CET1 Ratio	34.0%	23.0%	14.6%
Minimum	7.0%	7.0%	7.0%
Surplus/(deficit) %	27.0%	16.0%	7.6%
Surplus/(deficit) £m	1,105	966	719

Considerably lower cumulative credit losses over the last 10 years which were (£m)	61

- Assuming the implementation of 75% output floor the CET1 ratio reduces to just below 15% reflecting our current low risk business model
- Surplus to regulatory minima remains considerable, equal to over 10 times the actual credit losses experienced in the last 10 years.
- Assumes BTL portfolio landlords attract a higher risk weighting.

5. Liquidity & Funding

Liquidity

COVENTRY Building Society

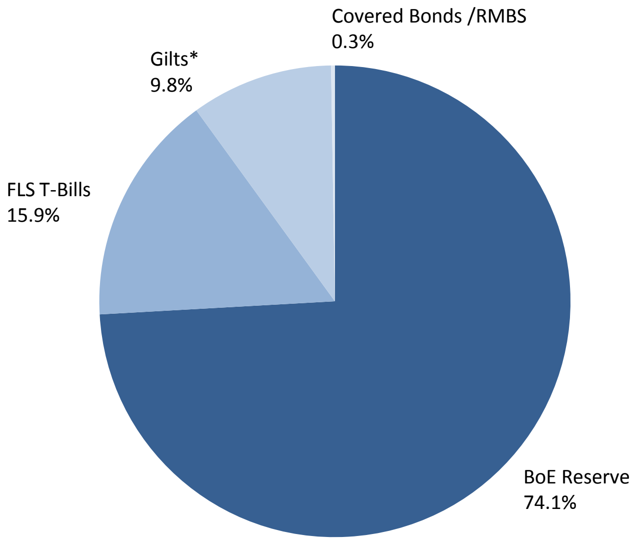
Liquidity remains strong and of high quality

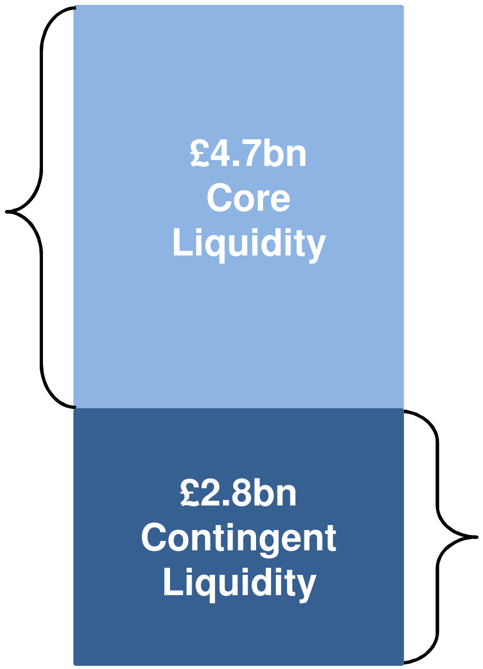
Liquidity

- Over 99% of core liquidity is eligible as High Quality Liquidity Assets Buffer and consists of UK Government or Bank of England assets.
- Core liquidity holdings are solely UK exposure, the Society has no direct exposure to peripheral Eurozone countries.
- The UK authorities have placed increased emphasis on contingent "off balance sheet" liquidity, from central bank facilities via the pre-positioning of loan books, retained bonds and other assets.

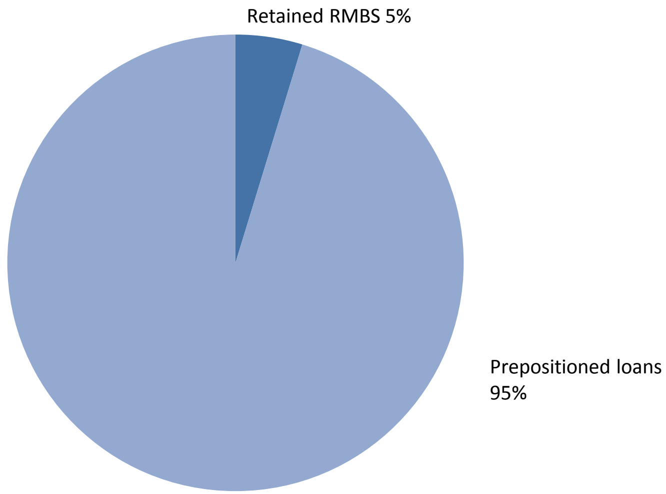
- The Liquidity Coverage Ratio (LCR) was implemented in 2015 measuring liquidity and outflows over a 30 day period as opposed to the previous 90 day PRA regime. However, in keeping with the Society's low risk appetite, we still conduct an internal three month stress test that is more severe than the previous regulatory measure.
- The Society maintains liquidity considerably above regulatory requirements with LCR 169% as at 30 June 2017.

Core Liquidity





Contingent Liquidity



* The Society held £400m Gilts in repurchase agreements as at 30 June 2017.

Funding

Consistent organic growth funded primarily by retail funding

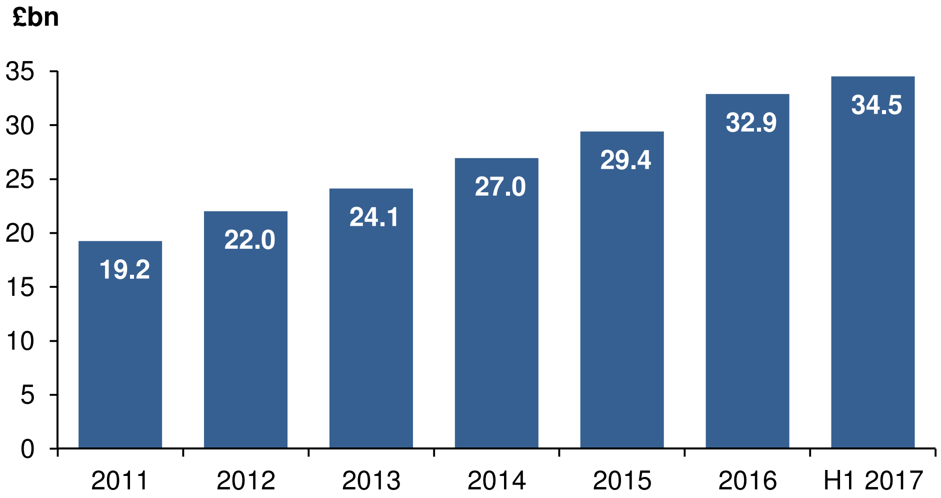
Retail funding led lending strategy

- Consistent growth in mortgage balances.
- Mortgage assets continue to be of very high quality with the balance weighted average indexed LTV of the mortgage book just 54% at 30 June 2017.
- Competition continues to return to the mortgage market and we have seen a focus from many on higher LTV lending and first time buyers. However our resilient business model, focused on low risk, low LTV lending, has remained.

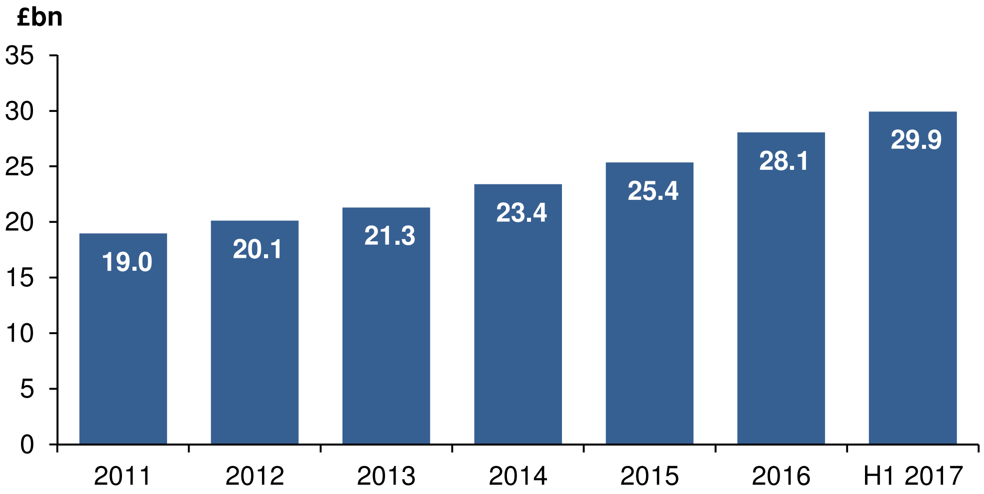
Sustained success in retail markets

- Coventry has a proven track record in acquiring and retaining retail balances.
- Despite sharp falls in market pricing for deposits, the Society is committed to maintaining competitive products for our members. This is evidenced by our average savings rate in the first 5 months of 2017 being 1.54%, compared to a market average of 0.65%.*

Mortgage balances (£bn)



Retail balances (£bn)



*The Society's average month end savings rate (Society mix of products) compared to the Bank of England weighted average rate for household interest-bearing deposits (Market mix of products).

Funding

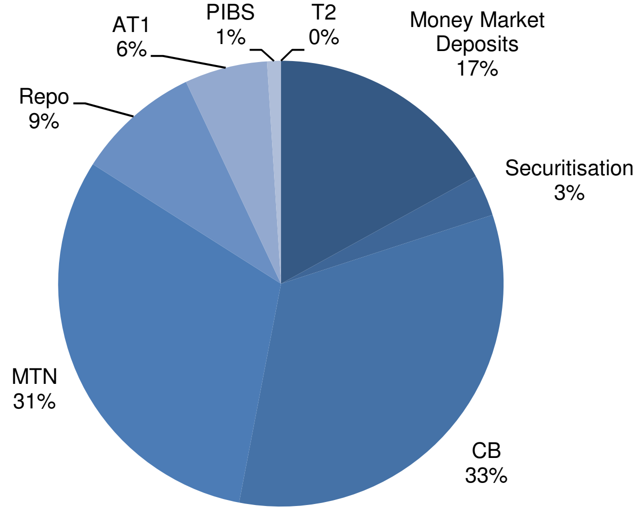
COVENTRY Building Society

Wholesale market access complements the primary retail funding focus

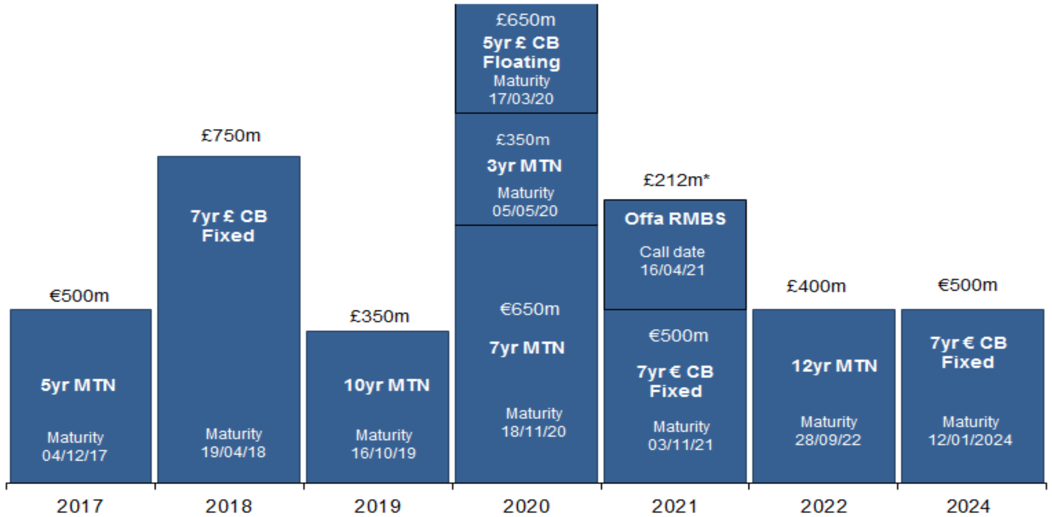
Funding strategy

- Lending is primarily funded through retail deposits.
- Retail deposits are supplemented by a number of wholesale funding options.
- Wholesale market access provides competitive advantage and diversification of funding via:
    - MTNs.
    - Covered Bonds.
    - Securitisation.
- Continued move towards longer dated wholesale deals providing reliable long term funding.
- Wholesale funding ratio 19.8% as at 30 June 2017.
- FLS and TFS drawings of £1bn as at 30 June 2017, with further TFS drawings available.

Wholesale Funding as at 30 June 2017



Wholesale maturities



* Current outstanding balance, may be lower at call date

BoE Facilities

FLS Maturities	
Amount	**Maturity**
75,000,000	May-18
250,000,000	Dec-18
125,000,000	Jan-19
100,000,000	Feb-19
450,000,000	Jul-20

£1.4bn of FLS was prepaid in H1 2017.

TFS Maturities	
Amount	**Maturity**
500,000,000	Feb-21
500,000,000	Mar-21

6. Summary

COVENTRY
Building Society

Summary

COVENTRY Building Society

Key takeaways

Simple business model

- Traditional building society.
  - Focused on savings and mortgages.
  - Run for the benefit of our 1.8m members with competitively priced products.
  - Members first approach.
  - No shareholders and no payment of dividends.
  - Buy-to-let mortgages provide margin enhancement with a risk profile consistent with our owner occupier book.
- Mortgage lending predominantly funded by retail savings.
- Access to wholesale markets via Covered Bonds, Securitisation, EMTN and government schemes (FLS, TFS etc.).
- Long term profitable, sustainable, organic growth of c. 10% p.a. without diluting CET1 capital.
- Efficient, low-cost operations resulting in a management expense ratio of just 0.42%.
- High levels of administered rates for savings and mortgages provide significant capability to manage margins.
- No primary and low secondary impacts of Brexit due to UK centric business model.

Strong capital ratios (as at 30 June 2017)

- Risk based CET1 ratio of 34.0%, the highest reported * of any top 20 lender **
- Leverage ratio of 4.1% comfortably in excess of regulatory requirements (excluding the BoE Reserve account adjustment, the Leverage Ratio is 4.5%.).

* As at 21/07/2017
** Source: CML Top 20 mortgage lenders (as published August 2016) - latest published CET 1 data

Asset quality

- Assets are focussed on prime low LTV traditional owner occupied mortgage lending and prime low LTV buy-to-let lending.
- Strong asset quality based on conservative risk appetite.
- Low LTV approach resulting in ultra low, sector leading arrears and impairments.
- Long standing track record of prudent underwriting standards.
- Third party broker distribution provides resilience to the business model if the market deteriorates.
- Strong margin management capability, with the capacity to increase margin unilaterally if needed.

Credit ratings

	Long term	Short term	Last credit opinion
Moody's	A2	P-1	August 2017
Fitch	A	F1	May 2017

- The Fitch rating has remained unchanged for over 20 years.
- The Moody's rating was upgraded to A2 in 2015. The negative outlook placed on the rating post Brexit was removed in August 2017 recognising the Society's capital resilience and strong asset quality.
- Both stand alone ratings with no UK government support.

7. Contact Details

Contact details

Useful links

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Useful links

- **Main website** http://www.coventrybuildingsociety.co.uk/
- **Financial results & Treasury** https://www.coventrybuildingsociety.co.uk/consumer/our-performance.html