

Coventry Building Society – half year results 2025 transcript

00:00:04:23 - 00:00:08:03

Good morning and a very warm welcome to everyone joining us today

00:00:08:03 - 00:00:12:00

for Coventry Building Society's 2025 half year results call.

00:00:12:18 - 00:00:16:08

I'm Zoe Melarkey, Head of Communications and External Affairs.

00:00:16:21 - 00:00:20:15

And I'm delighted to be joined by our Group Chief Executive Officer,

00:00:20:23 - 00:00:22:04

Steve Hughes.

00:00:22:04 - 00:00:25:04

Our Group Chief Financial Officer, Lee Raybould.

00:00:25:15 - 00:00:28:15

And our Group Treasurer, Gary McDermott.

00:00:28:27 - 00:00:31:13

Before we kick off with the results, please note

00:00:31:13 - 00:00:34:15

that we're running a live Q&A following the presentation,

00:00:34:24 - 00:00:37:26

and you should now see a QR code at the bottom of the screen.

00:00:38:24 - 00:00:43:14

Please use your mobile phone to open our live Q&A app, and either

00:00:43:14 - 00:00:47:04

during or after the presentation, do add your questions for our panel.

00:00:47:21 - 00:00:50:12

Steve, please could you start with a brief overview

00:00:50:12 - 00:00:54:09

of the first half of 2025, and then we'll hand over to Lee to take us

00:00:54:09 - 00:00:55:24

through the financial performance,

00:00:55:24 - 00:00:57:17

before we open for Q&A.

00:00:57:17 - 00:01:00:12

Thanks Zoe.

00:01:00:12 - 00:01:03:12

It is clear that as we reach the halfway point,

00:01:03:22 - 00:01:07:16

2025 will go down as one of the most significant

00:01:07:25 - 00:01:10:25

in the history of Coventry Building Society.

00:01:12:02 - 00:01:15:18

On the 1st of January, we completed our acquisition

00:01:15:25 - 00:01:18:19

of The Co-operative Bank.

00:01:18:19 - 00:01:21:08

The potential power of combining

00:01:21:08 - 00:01:24:08

two values driven organisations

00:01:24:15 - 00:01:27:15

to create a service driven,

00:01:27:19 - 00:01:32:07

mutually owned business that can offer full banking services

00:01:32:07 - 00:01:36:06

for members and customers is huge.

00:01:38:23 - 00:01:39:14

Six months

00:01:39:14 - 00:01:42:14

into the integration, we're making good progress

00:01:42:25 - 00:01:45:25

and maintaining momentum.

00:01:45:29 - 00:01:48:25

We remain on track to deliver

00:01:48:25 - 00:01:51:25

against our ambitious objectives.

00:01:53:11 - 00:01:56:11

We have a Group leadership team in place

00:01:57:01 - 00:01:59:15

and programmes are underway

00:01:59:15 - 00:02:02:15

to integrate IT networks,

00:02:02:20 - 00:02:05:28

Finance, Treasury and HR systems,

00:02:07:08 - 00:02:10:06

with the majority of these planned to deliver

00:02:10:06 - 00:02:12:08

in the first two years.

00:02:12:08 - 00:02:13:06

in the first two years.

00:02:13:19 - 00:02:15:06

We are already seeing

00:02:15:06 - 00:02:17:29

the power of the combination come to life.

00:02:19:19 - 00:02:20:12

We have delivered

00:02:20:12 - 00:02:23:12

a robust overall financial performance,

00:02:24:04 - 00:02:27:27

with an underlying profit before tax of £200 million

00:02:29:00 - 00:02:34:05

and statutory profit before tax of £722 million.

00:02:35:19 - 00:02:38:23

Lee will expand on the detail of this performance.

00:02:40:03 - 00:02:43:22

The launch of our new limited company Buy to Let proposition

00:02:44:12 - 00:02:48:20

and recognition as the best first time buyer mortgage

00:02:48:20 - 00:02:51:23

provider by Moneyfacts are really proud

00:02:51:23 - 00:02:54:23

achievements.

00:02:55:04 - 00:02:57:09

We have seen strong growth

00:02:57:09 - 00:03:00:00

in savings balances

00:03:00:00 - 00:03:02:14

and we remain on track

00:03:02:14 - 00:03:05:25

to repay the TFSME scheme this year.

00:03:08:08 - 00:03:11:06

Over 40,000 personal current accounts

00:03:11:06 - 00:03:14:06

have been opened in the first half of the year

00:03:14:24 - 00:03:18:01

and 7000 business current accounts.

00:03:20:12 - 00:03:22:06

While we invest in our own

00:03:22:06 - 00:03:25:06

future as a business,

00:03:25:11 - 00:03:27:09

we remain committed

00:03:27:09 - 00:03:30:26

to helping our members and customers

00:03:31:20 - 00:03:34:20

invest in their future too.

00:03:37:06 - 00:03:40:13

The shared sense of values and ambition

00:03:40:13 - 00:03:45:11

for the journey ahead is evident across the combined organisation.

00:03:48:00 - 00:03:50:18

We have now increased scale

00:03:50:18 - 00:03:53:18

across our mortgage and savings business,

00:03:54:08 - 00:03:58:28

along with access to the personal and business

00:03:59:10 - 00:04:02:10

current account markets.

00:04:02:28 - 00:04:04:26

Across the Group,

00:04:04:26 - 00:04:07:26

we have continued to invest in services

00:04:08:08 - 00:04:11:04

that make it easier for members

00:04:11:04 - 00:04:14:04

and customers to do business with us.

00:04:15:21 - 00:04:17:09

We are committed

00:04:17:09 - 00:04:20:09

to continued investment in digital

00:04:20:22 - 00:04:23:22

and the refurbishment of our bank

00:04:23:22 - 00:04:26:22

branch network.

00:04:26:29 - 00:04:29:05

Digital first

00:04:29:05 - 00:04:33:03

but human always remains a priority.

00:04:35:23 - 00:04:38:23

We continue to deliver outstanding service

00:04:39:00 - 00:04:42:27

across our organisation with sustained service

00:04:42:27 - 00:04:46:16

delivery in the Society and tangible

00:04:46:16 - 00:04:48:25

improvements in the Bank.

00:04:50:02 - 00:04:52:24

We continue to be an organisation

00:04:52:24 - 00:04:55:24

grounded in strong social purpose

00:04:56:12 - 00:04:59:12

and ethics.

00:04:59:12 - 00:05:00:09

I'm exceptionally

00:05:00:09 - 00:05:01:10

proud of the difference that we make through our work

00:05:01:10 - 00:05:03:24

proud of the difference that we make through our work

00:05:04:13 - 00:05:07:13

with charity partners.

00:05:08:03 - 00:05:09:20

We believe

00:05:09:20 - 00:05:13:13

that everyone should have a place to call home,

00:05:15:04 - 00:05:18:04

and young people experiencing homelessness

00:05:18:25 - 00:05:21:25

is particularly poignant.

00:05:22:14 - 00:05:25:15

Centrepont, just one of our charity partners,

00:05:26:09 - 00:05:29:22

have an ambition to end youth homelessness.

00:05:31:05 - 00:05:33:24

We share that ambition

00:05:33:24 - 00:05:36:24

and our investment supports it.

00:05:39:27 - 00:05:43:01

As a mutual and co-operative organisation,

00:05:43:22 - 00:05:47:09

we were founded by people in our local communities,

00:05:48:11 - 00:05:50:11

and we remain committed

00:05:50:11 - 00:05:53:11

to those communities today.

00:05:54:12 - 00:05:56:19

Over the next six months,

00:05:56:19 - 00:05:59:20

our focus will remain on bringing

00:05:59:20 - 00:06:02:20

both organisations together

00:06:03:18 - 00:06:07:06

and developing our long-term strategy

00:06:08:03 - 00:06:11:03
that will realise the power

00:06:11:17 - 00:06:13:21
and the potential

00:06:13:21 - 00:06:16:21
of the combined organisation.

00:06:17:05 - 00:06:18:09
Thank you for your time.

00:06:18:09 - 00:06:19:28
And I'll now hand back to Zoe.

00:06:19:28 - 00:06:21:12
Thank you Steve.

00:06:21:27 - 00:06:25:20
Before handing over to Lee to run through the Group financials in detail,

00:06:25:25 - 00:06:30:06
please note that this is the first period of combined reporting for the newly

00:06:30:06 - 00:06:34:12
enlarged Group, and includes the financial impacts of the Bank acquisition.

00:06:35:14 - 00:06:36:23
Comparative period

00:06:36:23 - 00:06:40:27
references included in this interim report do not include the Bank.

00:06:41:17 - 00:06:44:10
Now over to Lee.

00:06:44:10 - 00:06:47:10
Thank you, Zoe, and good morning, everyone.

00:06:47:18 - 00:06:51:09
As Steve mentioned, the Society welcomed The Co-operative Bank

00:06:51:25 - 00:06:54:25
into the Group on the 1st of January.

00:06:55:08 - 00:06:58:08

The combined organisation has a balance sheet size

00:06:58:15 - 00:07:01:05

of approximately £90 billion

00:07:01:05 - 00:07:03:25

across a range of product offerings,

00:07:03:25 - 00:07:07:26

and the acquisition has diversified our funding and brings

00:07:07:26 - 00:07:12:23

the scale benefits required to support the needs of our customers today

00:07:13:14 - 00:07:16:01

and well into the future.

00:07:16:01 - 00:07:18:00

I'm pleased to report the combination

00:07:18:00 - 00:07:21:00

of both organisations has enabled the Group

00:07:21:05 - 00:07:24:05

to deliver a statutory profit before tax

00:07:24:13 - 00:07:27:05

of £722 million,

00:07:27:05 - 00:07:30:27

and an underlying profit before tax of £200 million.

00:07:32:07 - 00:07:35:08

The increase in statutory profit is predominantly due

00:07:35:15 - 00:07:41:00

to the one off gain of £584 million, in relation to the acquisition of the Bank

00:07:42:01 - 00:07:44:27

and the inclusion of the Bank's profit

00:07:44:27 - 00:07:47:27

for the first six months of the year.

00:07:48:03 - 00:07:50:00

This has been offset by a

00:07:50:00 - 00:07:54:09

day one one-off accounting charge to impairment provisions

00:07:54:23 - 00:07:57:23

in relation to the acquired lending portfolio,

00:07:58:22 - 00:08:02:21

as well as integration and residual deal related costs.

00:08:03:29 - 00:08:07:23

It is worth me being clear that the gain of £584 million

00:08:08:05 - 00:08:10:27

is a function of the price we paid,

00:08:10:27 - 00:08:14:09

being a circa 40% discount to the fair

00:08:14:09 - 00:08:17:09

value of the Bank's net asset value.

00:08:18:15 - 00:08:20:00

The Society Sub-Group's

00:08:20:00 - 00:08:23:00

profit is £8 million lower,

00:08:23:02 - 00:08:26:02

partly due to base rate reductions

00:08:26:23 - 00:08:29:06

and the impact of increased competition

00:08:29:06 - 00:08:32:06

on mortgages and savings.

00:08:32:11 - 00:08:34:20

This was offset by the inclusion

00:08:34:20 - 00:08:37:20

of the Bank's profits of £51 million.

00:08:38:24 - 00:08:41:04

During the first six months of the year,

00:08:41:04 - 00:08:44:04

the Bank has contributed positively to the Group

00:08:44:17 - 00:08:48:22

and in line with our expectations, which is pleasing to see,

00:08:48:27 - 00:08:51:07

following such a significant acquisition.

00:08:55:16 - 00:08:58:15

Underlying Group management expenses,

00:08:58:15 - 00:09:01:19

including depreciation and amortisation for the period,

00:09:02:02 - 00:09:05:02

were £345 million.

00:09:05:16 - 00:09:07:04

This includes £186 million

00:09:07:04 - 00:09:10:04

of costs relating to the Bank.

00:09:11:20 - 00:09:15:10

The Society Sub-Group's underlying costs remained flat

00:09:15:28 - 00:09:18:28

at £158 million.

00:09:19:06 - 00:09:21:24

The Group's statutory management expenses include

00:09:21:24 - 00:09:25:26

£23 million of integration related expenses,

00:09:26:13 - 00:09:29:13

as we begin the journey of integrating the businesses.

00:09:31:03 - 00:09:34:03

Our strong financial performance has allowed the Group

00:09:34:16 - 00:09:38:16

to continue with its significant business as usual investment programme,

00:09:39:24 - 00:09:42:24

alongside integration activities.

00:09:44:15 - 00:09:46:08

Total spend on investment

00:09:46:08 - 00:09:50:26

and integration, including capital expenditure of

00:09:50:26 - 00:09:55:02

£64 million, has been focused on activity to modernise our services

00:09:55:21 - 00:09:58:21

with progress on our digital roadmap,

00:09:58:26 - 00:10:01:26

mortgage sales, platform enhancements

00:10:01:26 - 00:10:04:26

and of course, integration of the Bank.

00:10:06:00 - 00:10:08:06

This includes ongoing improvements

00:10:08:06 - 00:10:11:06

to operational resilience as well.

00:10:12:18 - 00:10:15:10

The underlying cost to income ratio

00:10:15:10 - 00:10:18:28

has increased to 62% from 54%

00:10:19:02 - 00:10:22:21

12 months ago, reflecting the impact of the Bank acquisition.

00:10:24:02 - 00:10:26:21

Excluding the impact of the acquisition,

00:10:26:21 - 00:10:29:21

the Society Sub-Group's cost to income ratio

00:10:29:27 - 00:10:32:27

would be circa 51%.

00:10:34:06 - 00:10:37:06

Underlying Group net interest income

00:10:37:15 - 00:10:40:08

increased to £549 million

00:10:40:08 - 00:10:43:24

from £330 million in June 2024.

00:10:44:24 - 00:10:47:18

The increase is due to the acquisition of the Bank,

00:10:47:18 - 00:10:50:23

which was partly offset by a £16 million reduction

00:10:51:26 - 00:10:53:25

in the Society Sub-Group

00:10:53:25 - 00:10:58:06

due to the impact of base rate reductions and a more competitive market,

00:10:58:23 - 00:11:01:23

causing some margin compression.

00:11:02:00 - 00:11:05:00

The underlying Group net interest margin

00:11:05:08 - 00:11:08:08

of 1.24% has increased

00:11:08:11 - 00:11:11:27

by 19 basis points, from 1.05%

00:11:12:12 - 00:11:14:19

as a result of the acquisition of the Bank.

00:11:14:19 - 00:11:16:28

The Society Sub-Group

00:11:16:29 - 00:11:19:28

net interest margin reduced by seven basis

00:11:19:28 - 00:11:22:28

points to 98 basis points,

00:11:23:00 - 00:11:27:04

in line with our expectations and given current trading conditions

00:11:27:04 - 00:11:28:10

and a falling base rate.

00:11:30:03 - 00:11:30:26

Throughout the

00:11:30:26 - 00:11:36:00

period, the Society continued to pay above average savings rates, returning

00:11:36:00 - 00:11:39:19

a slightly increased £201 million in member value

00:11:40:01 - 00:11:43:01

compared to average market rates.

00:11:44:01 - 00:11:47:13

The Group manages its growth according to economic conditions,

00:11:47:19 - 00:11:50:19

market pricing and also funding conditions.

00:11:51:05 - 00:11:56:20

The mortgage book has grown £21 billion to £72 billion in the first six

00:11:56:20 - 00:12:00:09

months of the year, which is mainly due to the acquisition of the Bank.

00:12:01:16 - 00:12:02:25

During the period

00:12:02:25 - 00:12:05:28

the Group advanced £4 billion of new mortgages

00:12:06:11 - 00:12:10:09

as compared to £3.5 billion in the same period last year,

00:12:11:08 - 00:12:13:15

and this was offset by redemptions

00:12:13:15 - 00:12:16:15

and repayments.

00:12:16:25 - 00:12:19:25

Growth in the sector in the first half of 25

00:12:19:29 - 00:12:23:22

has seen more lending in the higher loan to value segments,

00:12:24:12 - 00:12:27:17

and the Group has taken a measured approach to participation here,

00:12:28:04 - 00:12:32:22

given the business margins and given our significant inorganic growth.

00:12:34:09 - 00:12:34:25

The average

00:12:34:25 - 00:12:39:06

LTV on new lending for the Group in H1 was consistent

00:12:39:06 - 00:12:42:06

with the prior period, at 67%.

00:12:43:24 - 00:12:47:06

The performance of the Society's mortgage book remains resilient.

00:12:48:09 - 00:12:51:09

Lower interest rates and rising house prices

00:12:51:17 - 00:12:55:17

has made for a slightly improved outlook in the first six months of the year,

00:12:56:09 - 00:12:59:09

despite ongoing cost of living pressures.

00:13:00:19 - 00:13:03:24

As we anticipated, a similar position is evident

00:13:04:09 - 00:13:07:00

in the Bank's lending propositions

00:13:07:00 - 00:13:11:13

and the high level of credit quality across the Group is evident from the low

00:13:11:23 - 00:13:14:23

and stable arrears that we've reported today.

00:13:16:24 - 00:13:20:09

The Group ECL balance sheet provision is increased to £40 million

00:13:20:24 - 00:13:24:17

from £24 million at the 2024 year end.

00:13:25:23 - 00:13:28:10

The increase includes £16 million

00:13:28:10 - 00:13:31:10

recognised for the Bank's lending portfolio.

00:13:32:20 - 00:13:34:13

As a result of the acquisition,

00:13:34:13 - 00:13:38:03

the Group is required under IFRS 9 to reset

00:13:38:14 - 00:13:43:01

all of the Bank's noncredit impaired assets to stage one,

00:13:43:19 - 00:13:46:26

with a corresponding one off charge to the income statement.

00:13:49:03 - 00:13:50:13

This equates

00:13:50:13 - 00:13:53:24

to a £9 million charge in the first half of 2025,

00:13:54:16 - 00:13:57:20

and has been excluded from underlying performance measures,

00:13:57:29 - 00:14:00:29

given the one-off acquisition related nature

00:14:00:29 - 00:14:03:29

of this charge.

00:14:04:16 - 00:14:07:25

A further impairment of £7 million for new lending

00:14:08:10 - 00:14:11:15

and changes in credit quality on the Bank's lending asset

00:14:11:26 - 00:14:14:26

has been recognised by the Group in the period.

00:14:15:22 - 00:14:17:14

The Group has a deliberately

00:14:17:14 - 00:14:20:14

cautious approach to estimating ECL's

00:14:20:20 - 00:14:25:25

and we continue to hold a £5 million of post model adjustments to cover

00:14:25:25 - 00:14:30:27

where core models do not fully reflect the risks within our modelled ECL.

00:14:31:18 - 00:14:34:28

And that does include a small amount for cost of living

00:14:35:05 - 00:14:37:15

ongoing pressures.

00:14:37:15 - 00:14:40:15

In addition, the Group acquired £5 billion

00:14:40:20 - 00:14:43:20

of personal current account balances from the Bank,

00:14:44:11 - 00:14:48:02

and the balances have remained stable in the first six months of the year

00:14:49:13 - 00:14:52:13

and in line with the market.

00:14:53:12 - 00:14:57:16

The Group also acquired £3.4 billion of current account

00:14:57:16 - 00:15:01:04

balances and SME balances in the business space,

00:15:02:18 - 00:15:05:16

which has been broadly stable, with a £0.1 billion

00:15:05:16 - 00:15:08:16

growth in the first six months of the year.

00:15:10:06 - 00:15:11:20

Wholesale funding in the period

00:15:11:20 - 00:15:15:16

has remained stable at £11 billion, and includes £2 billion

00:15:15:16 - 00:15:19:19

of Bank acquired wholesale funding as at the end of June.

00:15:21:11 - 00:15:24:11

We successfully issued a sterling covered bond

00:15:25:08 - 00:15:29:02

and EMI securitisation funding trades in the period,

00:15:29:24 - 00:15:32:27

with strong execution evident in both transactions

00:15:33:03 - 00:15:36:03

despite volatile market conditions.

00:15:37:22 - 00:15:40:22

The Group continues to maintain strong liquidity buffers

00:15:41:07 - 00:15:44:09

with LCR at 253%

00:15:44:14 - 00:15:46:22

at the end of June.

00:15:46:22 - 00:15:50:11

On balance sheet, liquidity totals £13.6 billion,

00:15:50:23 - 00:15:54:05

which comprises cash and high quality liquid assets.

00:15:56:09 - 00:15:57:14

The Society and Bank

00:15:57:14 - 00:16:01:06

both previously accessed the Bank of England's TFSME,

00:16:01:16 - 00:16:06:26

with £5.25 billion and £5.2 billion being drawn respectively.

00:16:08:11 - 00:16:09:10

Group repayments

00:16:09:10 - 00:16:13:28

of £2.5 billion have been made in the first six months of 2025,

00:16:14:19 - 00:16:17:12

and the outstanding Group drawings

00:16:17:12 - 00:16:20:12

at 30th of June are £2 billion.

00:16:21:23 - 00:16:23:19

The pro-forma capital disclosure

00:16:23:19 - 00:16:26:19

we gave at our last full year results

00:16:27:06 - 00:16:31:02

showed the impact of acquiring the Bank on the 1st of January,

00:16:31:24 - 00:16:34:03

and this has been updated.

00:16:34:03 - 00:16:39:04

The updated pro-forma CET1 ratio was 19.1%

00:16:39:24 - 00:16:43:03

and the leverage ratio was 4.4%.

00:16:45:06 - 00:16:46:10

Group UK leverage

00:16:46:10 - 00:16:50:14

has subsequently increased during the period to 4.5%,

00:16:50:21 - 00:16:54:23

due to the increase in retained profits and a broadly flat balance sheet.

00:16:56:07 - 00:16:59:24

The CET1 ratio remained stable at 19.1%,

00:17:00:05 - 00:17:04:27

which reflects an increase of 3.9% in RWA's,

00:17:05:17 - 00:17:08:17

which has been offset by an increase in capital

00:17:08:19 - 00:17:11:19

from the profits in the period.

00:17:12:21 - 00:17:16:07

The capital ratios include additional risk weighted assets held

00:17:16:07 - 00:17:20:04

for regulatory changes that are currently not reflected

00:17:20:20 - 00:17:23:20

in our approved IRB models.

00:17:23:23 - 00:17:28:01

This is as previously disclosed within the 2024 Annual Report and Accounts.

00:17:30:00 - 00:17:31:08

The Society and the Bank have

00:17:31:08 - 00:17:34:14

both submitted updated models to the PRA,

00:17:35:16 - 00:17:38:18

but we are yet to receive feedback or approval.

00:17:39:28 - 00:17:42:13

Clearly until the models are approved,

00:17:42:13 - 00:17:45:18

there remains a possibility that the final model outputs

00:17:46:00 - 00:17:49:03

may vary from those that have been calculated.

00:17:52:07 - 00:17:53:02

In summary,

00:17:53:02 - 00:17:56:11

our financial performance is in line with our expectations

00:17:56:28 - 00:18:00:17

and we remain confident in the delivery of the benefits

00:18:00:17 - 00:18:03:23

we envisaged when we agreed to acquire the Bank.

00:18:05:06 - 00:18:09:18

The first half of the year has presented a very competitive set of trading

00:18:09:18 - 00:18:14:23

conditions, as larger UK banks shifted their focus towards residential mortgages

00:18:15:11 - 00:18:18:11

and fixed rate savings markets.

00:18:19:05 - 00:18:22:09

This has put pressure on margins, but the acquisition has meant

00:18:22:25 - 00:18:28:14

we don't need to chase organic growth, given the significant inorganic growth.

00:18:29:28 - 00:18:33:13

Efficiency remains a priority for us and we are confident of driving

00:18:33:13 - 00:18:36:20

efficiency benefits from the acquisition of the Bank.

00:18:37:15 - 00:18:41:11

We will also continue to invest in our propositions to make them better

00:18:41:11 - 00:18:45:18

for customers, which will also improve organisational efficiency.

00:18:46:19 - 00:18:49:09

Credit quality remains strong,

00:18:49:09 - 00:18:52:09

with arrears and losses amongst the best in the industry.

00:18:53:10 - 00:18:57:12

It's worth noting the Society has lent more than £85 billion

00:18:58:01 - 00:19:01:14

since 2014, when MMR was introduced,

00:19:02:10 - 00:19:05:10

and we have seen losses of significantly less

00:19:05:25 - 00:19:08:25

than £1 million.

00:19:09:19 - 00:19:11:08

We remain prudently positioned

00:19:11:08 - 00:19:14:08

on liquidity and will continue to operate in this way.

00:19:15:09 - 00:19:18:14

Our capital ratios are lower post the acquisition,

00:19:18:26 - 00:19:22:20

but still strong and materially above regulatory requirements.

00:19:24:15 - 00:19:26:01

As a Building Society,

00:19:26:01 - 00:19:29:28

our future profits will naturally add to capital in the period ahead.

00:19:32:01 - 00:19:33:09

My closing comment

00:19:33:09 - 00:19:36:09

would be our financial foundations are strong.

00:19:36:09 - 00:19:40:08

We are well-placed to exploit the potential of a larger

00:19:40:26 - 00:19:43:26

and more diverse Group.

00:19:44:03 - 00:19:46:22

Now I'll hand back to Zoe.

00:19:46:22 - 00:19:48:05

Thanks very much, Lee.

00:19:48:05 - 00:19:51:22

Now, just to remind you of the joining instructions once more for this session,

00:19:52:21 - 00:19:55:15

the QR code is at the bottom of the screen to join through your mobile phone,

00:19:55:15 - 00:19:58:15

or you can head to Slido and enter this code.

00:19:58:19 - 00:20:00:11

So we're going to take a few questions now.

00:20:01:00 - 00:20:04:00

First question is in and for Lee.

00:20:04:04 - 00:20:07:10

Lee, please can you elaborate on your current ECL provision

00:20:07:10 - 00:20:09:20

and how we should think about your risk appetite

00:20:09:20 - 00:20:12:20

once the majority of the integration has been completed?

00:20:13:02 - 00:20:14:19

Yeah, sure.

00:20:14:19 - 00:20:17:18

I mean, I think in the results that we've just announced,

00:20:18:27 - 00:20:19:12

the ECL

00:20:19:12 - 00:20:22:22

provision is a bit noisy, I would say, because of the day

00:20:22:22 - 00:20:26:21

one accounting of the Bank, we've needed to recognise some stage

00:20:26:21 - 00:20:30:00

one provisions on the assets that we've acquired.

00:20:31:00 - 00:20:34:12

But I think if you stand back from that noise,

00:20:35:08 - 00:20:37:17

I think you're going to see Coventry remain

00:20:37:17 - 00:20:40:16

a low risk, very purposeful lender.

00:20:40:16 - 00:20:45:01

I think our cost of risk has been consistently low,

00:20:45:28 - 00:20:48:23

and you shouldn't really expect

00:20:48:23 - 00:20:52:00

anything different from us as we move forward.

00:20:53:13 - 00:20:57:07

Steve may comment a little bit later, but clearly we're in the

00:20:57:07 - 00:21:01:06

in the process of developing strategy for the new segments.

00:21:01:20 - 00:21:05:29

But fundamentally, I think we remain very well capitalised.

00:21:06:14 - 00:21:10:11

and we see cost of risk low through the cycle.

00:21:10:24 - 00:21:13:24

You heard me probably comment at the end there,

00:21:14:03 - 00:21:18:02

a stat about just how much lending we've done since MMR

00:21:18:19 - 00:21:22:15

and what losses, actual losses we see on that lending.

00:21:22:15 - 00:21:25:11

And it's incredibly low.

00:21:25:11 - 00:21:29:18

So I think really no change, no material change for the future.

00:21:30:24 - 00:21:31:05

Perfect.

00:21:31:05 - 00:21:33:00

Thank you.

00:21:33:00 - 00:21:34:04

Steve, question for you.

00:21:34:04 - 00:21:37:04

What is the longer term intention on branding?

00:21:39:00 - 00:21:41:03

It's a question I get from,

00:21:41:03 - 00:21:44:03

a number of stakeholders.

00:21:44:19 - 00:21:47:19

We're in a pretty strong position.

00:21:47:24 - 00:21:50:24

The Coventry brand trusted by savers,

00:21:51:24 - 00:21:53:12

pound for pound.

00:21:53:12 - 00:21:55:24

Probably the strongest intermediary brand in the UK.

00:21:55:24 - 00:21:57:20

Certainly one of them.

00:21:57:20 - 00:22:00:13

And in The Co-operative Bank brand.

00:22:00:13 - 00:22:03:00

You know, the first original ethical bank,

00:22:03:00 - 00:22:06:27

a huge amount of of trust and loyalty, in the brand.

00:22:06:27 - 00:22:09:27

So it's not something we need to rush into.

00:22:10:17 - 00:22:12:29

It's definitely something that we're considering as part

00:22:12:29 - 00:22:18:16

of our overall strategy development, alongside, you know, the consideration,

00:22:18:16 - 00:22:21:24

you know, for the potential of a Part VII transfer in the future.

00:22:23:14 - 00:22:26:26

But just like our integration, we will do that in a, you know,

00:22:27:03 - 00:22:32:03

the brand decision will be made in a very deliberate and considered way,

00:22:32:21 - 00:22:35:27

and is absolutely part of our, our overall strategic review.

00:22:35:28 - 00:22:37:18

So yeah, great question, Zoe.

00:22:37:18 - 00:22:38:13

And, you know,

00:22:38:13 - 00:22:42:11

we will absolutely update investors once any decisions are made on that.

00:22:42:27 - 00:22:45:25

Thank you. Another one for you Lee.

00:22:45:25 - 00:22:48:27

What are your synergy cost targets and when are they delivered?

00:22:50:13 - 00:22:52:05

Yeah, a good question.

00:22:52:05 - 00:22:57:10

So what I would say is, as people will expect,

00:22:57:10 - 00:23:02:07

we thought long and hard about the strategy around integration.

00:23:02:17 - 00:23:06:04

You've heard Steve talk about a real focus

00:23:06:04 - 00:23:11:04

on integrating support functions over the course of the next two years.

00:23:12:14 - 00:23:16:03

As part of the evaluation of acquiring the Bank,

00:23:16:03 - 00:23:21:04

clearly, we set out what we thought the cost of integration would be

00:23:21:14 - 00:23:24:14

and what benefits we would see, coming through.

00:23:26:02 - 00:23:30:15

Six months into that two year process,

00:23:31:06 - 00:23:33:28

our views really haven't changed.

00:23:33:28 - 00:23:37:00

You see a little bit of integration cost coming through

00:23:37:00 - 00:23:40:00

in the numbers that we've reported.

00:23:40:15 - 00:23:43:24

But I think the cost of integration and the benefits

00:23:44:02 - 00:23:48:00

that we see from integration remain as we thought.

00:23:48:15 - 00:23:51:03

More than 12 months ago.

00:23:51:03 - 00:23:54:20

Now, what I'd say is that obviously right

00:23:54:20 - 00:23:58:00

here, right now, we are investing to integrate

00:23:59:14 - 00:24:02:14

and we will continue to do that in 2026.

00:24:02:28 - 00:24:07:11

So I think there will be some evidence of the benefits of integration

00:24:07:11 - 00:24:10:12

coming through in 26, but I think they'll be more clear

00:24:11:18 - 00:24:14:12

to the market in 2027.

00:24:14:12 - 00:24:16:24

So that's probably how I'd guide to think about

00:24:16:24 - 00:24:19:24

integration costs and integration benefits.

00:24:20:03 - 00:24:21:14

Thank you. Question,

00:24:21:14 - 00:24:23:17

now I'm going direct to Gary.

00:24:23:17 - 00:24:29:04

What are your issuance plans for the remainder of 2025 and into 2026?

00:24:29:10 - 00:24:32:07

Sure Zoe. As Lee said for 2025, we've already issued

00:24:32:07 - 00:24:35:24

a covered bond and securitisation transaction successfully.

00:24:36:18 - 00:24:41:04

There's probably further benchmark secured issue in 25 if conditions are favorable.

00:24:41:25 - 00:24:45:13

No unsecured in the year is the planned assumption.

00:24:46:01 - 00:24:49:05

And then to 2026 kind of a heavy refinancing calendar.

00:24:49:05 - 00:24:54:00

So you can expect 4 to 5 transactions from the Coventry Building Society

00:24:54:00 - 00:24:57:01

as the Group issuer across senior and, sorry

00:24:57:01 - 00:25:00:11

senior unsecured and securitisation covered bond platforms.

00:25:00:16 - 00:25:04:28

So relatively modest wholesale funding issuance plan into 2026.

00:25:05:03 - 00:25:07:19

But more active in the senior unsecured space versus 25.

00:25:09:00 - 00:25:10:06

Thank you.

00:25:10:06 - 00:25:11:15

Steve, a question for you again.

00:25:11:15 - 00:25:14:15

What business segments will you target?

00:25:17:03 - 00:25:20:16

I think we were really clear on on the strategic rationale,

00:25:20:28 - 00:25:24:27

for the transaction, you know, bringing together two, you know,

00:25:25:15 - 00:25:28:19

you know, really strong sort of values driven organisations

00:25:29:03 - 00:25:32:28

the opportunity to build scale and the opportunity to

00:25:33:11 - 00:25:37:15

to have a UK wide distribution franchise, particularly branches.

00:25:39:00 - 00:25:40:27

We are absolutely,

00:25:40:27 - 00:25:44:20

putting a lot of work into, you know, what is the future strategy

00:25:44:20 - 00:25:47:20

for our mortgage, core mortgage and savings business?

00:25:47:26 - 00:25:50:14

And that's work that is underway.

00:25:50:14 - 00:25:54:26

We absolutely want to be able to start to build growth,

00:25:55:16 - 00:25:56:22

in the personal current account

00:25:56:22 - 00:25:59:27

franchise, which will be underpinned by digital investment,

00:26:00:18 - 00:26:03:26

and a lot of careful thought going into our business

00:26:03:26 - 00:26:08:04

banking and, you know, let's call it corporate lending strategies.

00:26:08:12 - 00:26:09:21

You know, what I would say,

00:26:11:05 - 00:26:14:05

we will be selective in our participation.

00:26:14:26 - 00:26:18:06

And that participation, particularly in the corporate space,

00:26:18:21 - 00:26:21:10

will be aligned to our values and our,

00:26:21:10 - 00:26:24:10

our low risk business model.

00:26:25:05 - 00:26:25:16

Perfect.

00:26:25:16 - 00:26:25:29

Thank you Steve.

00:26:25:29 - 00:26:27:24

Unless we've got any further questions,

00:26:27:24 - 00:26:29:14

I think we're going to call it a day now.

00:26:29:14 - 00:26:32:14

And I'm going to hand back to Steve for his closing remarks.

00:26:35:20 - 00:26:36:09

Great.

00:26:36:09 - 00:26:38:13

Thanks, everyone for joining us this morning.

00:26:38:13 - 00:26:40:06

I know it's been a busy morning,

00:26:40:06 - 00:26:43:03

with lots of other institutions releasing their results.

00:26:43:03 - 00:26:47:03

So we're really appreciative of you, joining us this morning.

00:26:47:26 - 00:26:50:26

But let me just sort of maybe leave you with a few takeaways.

00:26:52:17 - 00:26:54:16

In the first half of 2025,

00:26:54:16 - 00:26:57:17

we've delivered a robust financial performance,

00:26:58:08 - 00:27:00:18

which I think reflects the strength

00:27:00:18 - 00:27:03:07

and the resilience of our business model.

00:27:04:29 - 00:27:07:26

We're making good progress on integration

00:27:07:26 - 00:27:12:11

with clear momentum across our key areas.

00:27:14:28 - 00:27:16:28

Our standout service

00:27:16:28 - 00:27:21:11

continues to differentiate us, and we have ambitious plans

00:27:21:25 - 00:27:24:25

to continue to invest further

00:27:24:26 - 00:27:27:25

in our franchise.

00:27:27:25 - 00:27:29:28

Further to the previous question,

00:27:29:28 - 00:27:33:13

there's a lot of strategy development work underway.

00:27:34:03 - 00:27:37:23

It's progressing well, and we will absolutely share more of that

00:27:37:23 - 00:27:39:09

with investors

00:27:39:09 - 00:27:42:09

at our full year update.

00:27:42:24 - 00:27:43:28

And finally, please

00:27:43:28 - 00:27:48:12

mark your calendars for March 26 when we'll present our first,

00:27:48:12 - 00:27:51:26

you know, full year 2025 results for the combined business

00:27:52:08 - 00:27:56:09

and provide an update on our go forward strategy.

00:27:57:22 - 00:27:59:23

Thank you for attending today's call.

00:27:59:23 - 00:28:03:24

And your interest, Lee, Gary and the team, are available

00:28:03:24 - 00:28:06:24

to address any follow up questions.

00:28:07:00 - 00:28:07:24

Thank you for joining us.