Coventry Building Society

2021 Full year results

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Our Story

Putting Members First

Simple

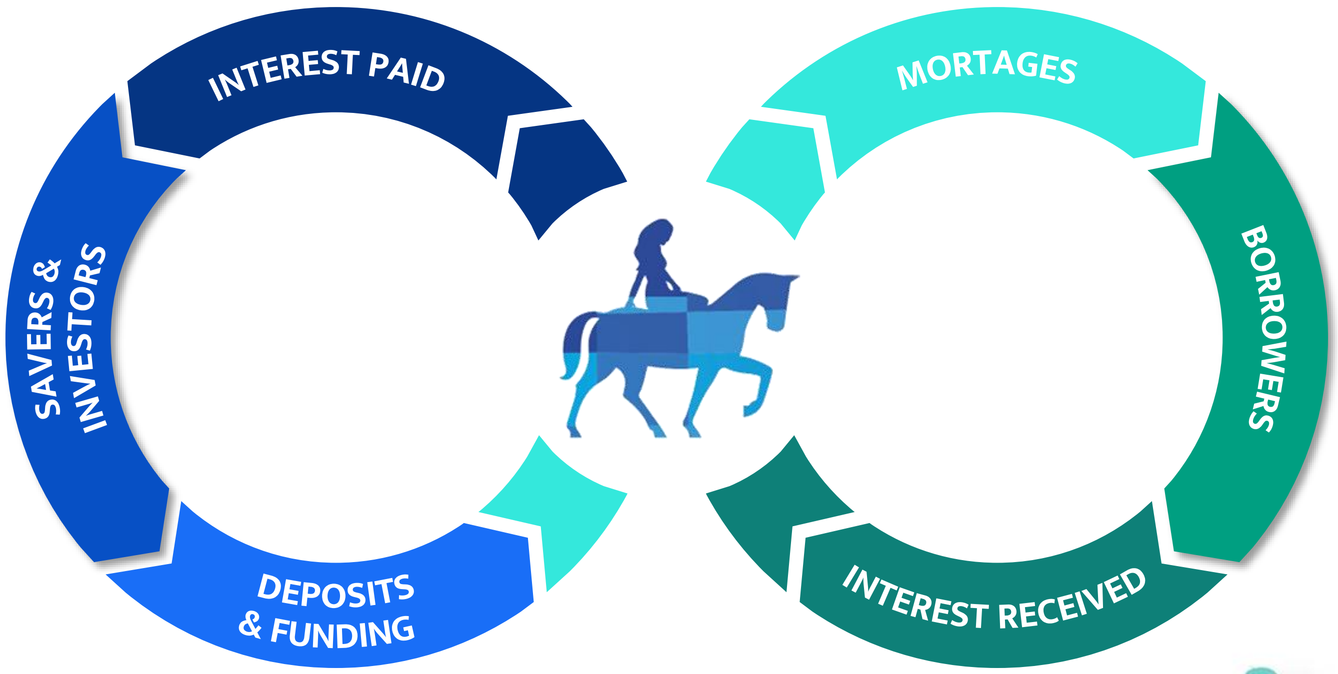
- 2nd largest building society in the UK
- Simple and straightforward
- UK mortgages and savings
- Market share growth drives economies of scale

A People and Purpose Led Mutual

- Putting customers at the heart of what we do
- Providing long term value to membership
- Helping people to own residential property and save for the future
- Inclusive, inspiring workplace
- Target driven ESG commitments

Sustainable

- Cost efficient business model
- Sustainable capital, liquidity and profitability
- Long term vision and investment horizon
- A mutual model consistent with the value and ethos of those who founded the Society over 137 years ago



Our Strategy – All together, better

A focused strategy with purpose, members and people at the core

Our Purpose

We exist to give people the power to be better off through life.

Our Ambition

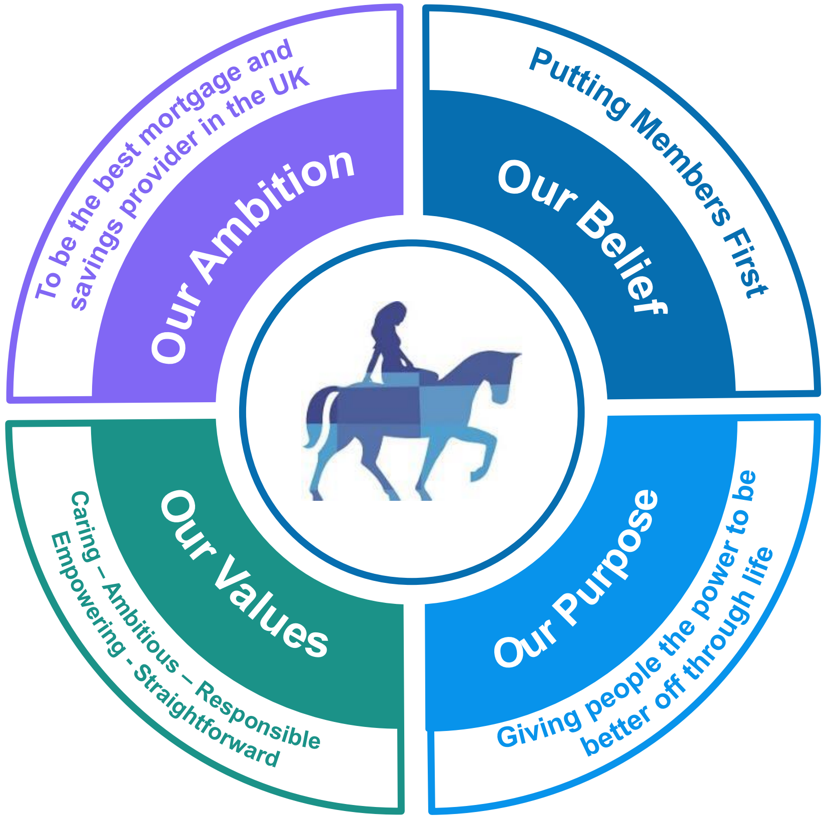
Our ambition is to be the best mortgage and savings provider in the UK.

Our Values

Our people are Caring, Ambitious, Responsible, Empowering and Straightforward in our dealings with each other, our customers and other stakeholders.

Our Belief

Putting Members First means considering the impact of our decisions and strategy for our current and future membership.



Key performance highlights

Sustainable financial performance

Mortgage growth 7.2% (2020: 3.0%)

Mortgage balances grew by £3.1bn (2020: £1.2bn). Our mortgage growth of 7.2% was not only higher than the previous year but higher than the market overall.

We extended our participation in the First-Time Buyer sector, helping 7,100 people move into their first home.

Savings balances increased by 4.6% (2020: 5.3%)

Retail savings increased in the year by £1.7 billion to £39.9 billion (2020: £38.2 billion), representing growth of 4.6%, lower than mortgage growth as the Society utilised savings gathered in the latter part of 2020. The Society's savings market share reduced slightly to 2.4% (2020: 2.5%).

Profit before tax £233m (2020: £124m)

PBT was significantly higher than in 2020 reflecting the strong demand for mortgages, improved margins and lower credit losses throughout the year. This includes an adjustment to reduce the EIR asset by £69million due to changes to assumptions around future customer behaviour.

We continue to focus on the long term strength and security of the Society and commitment to giving member value.

Value returned to members increased to £201m[1] (2020: £196m)

We have continued to prioritise paying interest rates to our savings members which are above the average seen in the market.

Our average savings rates were 0.56% above the market average (2020: 0.59% above market average). We aim to retain only the profit we need to maintain capital levels and invest for the future.

Unrestricted

1. Based on the Society's average month end savings rate compared to the CACI market average rate for savings accounts, excluding current accounts and offset savings, for the first 11 months of 2021. This measure and comparative has been updated in the year to use CACI source data for the market rate; previous source Bank of England.

Key performance highlights

Sustainable financial performance, ensuring safety and security remains

Common Equity Tier 1 ratio 36.2% (2020: 33.0%)

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

The Society has one of the highest CET 1 ratios of the top 20 lenders. CET 1 ratio at 36.2% is significantly above the regulatory minimum.

3m+ Arrears including possessions of 0.18%

The performance of our mortgage book has been strong, with low arrears balances and just 0.10% of mortgages being 2.5% or more in arrears at 31 December 2021 (2020: 0.09%).

Performance and the overall economic outlook has improved, releasing £29 million of ECLs.

Liquidity Coverage Ratio 187% (2020: 179%)

Our liquidity position remained significantly ahead of regulatory requirements. Wholesale funding increased by £1.5 billion in the year to £11.9 billion (2020: £10.4 billion).

There was £5.25 billion of Central Bank term funding (TFSME) outstanding as at 31 December 2021 (2020: £4.55 billion).

Costs as a percentage of overall assets 0.50% (2020: 0.49%)

Costs remain a key focus for the Society. We benefit from the simplicity of our business model and focussed strategy, and is the foundation of our financial resilience.

Our total management expenses were £264 million (2020: £246 million) with a continued focus on our technology and change.

Excellent service to members and colleagues

Better for service, better for colleagues

- We sustained award winning levels of customer satisfaction and service including our Which? Recommended Mortgage Provider status and our Gold Ribbon for customer experience for mortgages from Fairer Finance
- Award winning product proposition, being fair, simple and transparent
- The Society was accredited as a Great Place to Work
- Our NPS remains high compared to the industry average

Great Place To Work. Certified OCT 2021-OCT 2022 UK

2022 Fairer Finance Gold Ribbon for mortgages

2021 Which? Recommended provider for Savings

2021 award Fairer Finance Clear and simple terms and conditions

73% Great Places to Work Trust Index® Score[1]

The Society was accredited as a Great Place to Work

We have adapted to 'hybrid working'

Maintained very high levels of colleague engagement

+76[2] Net Promoter Score

The service delivered in 2021 improved from +73 in 2020

Net promoter scores in excess of that of the market NPS for each customer journey

49[3] second average call waiting time

Despite the continued impact of the pandemic and record increase in mortgage applications, in 2021 our average waiting time of 49 seconds decreased significantly (2020: 74 seconds)

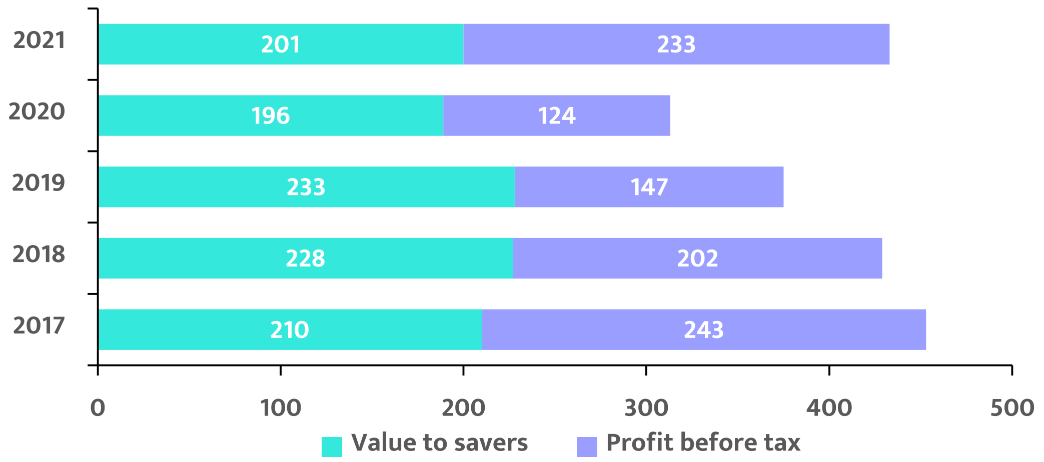
1. The 2021 engagement survey was provided by Great Place to Work instead of the Best Companies index. The GPTW employee engagement score reflects the assessment as a large-sized company.
2. A measure of customer advocacy that ranges between -100 and +100 which represents how likely a customer is to recommend our products and services.
3. Based on average call waiting times between 1 January 2021 and 31 December 2021.

Strong profit performance

Whilst maintaining the value we give to savers

	FY 2021	FY 2020
Total income	468	408
Management Expenses	(264)	(246)
Expected credit losses	29	(36)
Provision	-	(0.5)
Charitable donation to Poppy Appeal	(0.6)	(0.8)
Profit Before Tax	233	124

Value to Members



- Net interest income (NII) for the year increased by 16% to £476 million (2020: £409 million).
- The increase reflects above market levels of mortgage growth, improved mortgage margins in the first half of 2021 and a lower cost of funding. This is offset by a £69 million EIR adjustment, which reflects our expectations for future SVR income. This adjustment reduces the risk of future profit volatility as consumers interact with their mortgage providers in a more automated, digital way.
- Our net interest margin (NIM) has increased by 9 basis points to 90bps (Dec 2020: 81 basis points), without the adjustment from EIR, the net interest margin for the year would have been 103bps.
- The increase in the Bank of England Base Rate in December 2021 did not have a material impact on our results for the year.
- We have seen reductions in new business margins in the second half of 2021 and this is expected to moderate NIM in 2023 and beyond.
- The Society continues to manage value to members, with £201 million (2020: £196 million) of additional interest paid to savings members as compared with average market rates.

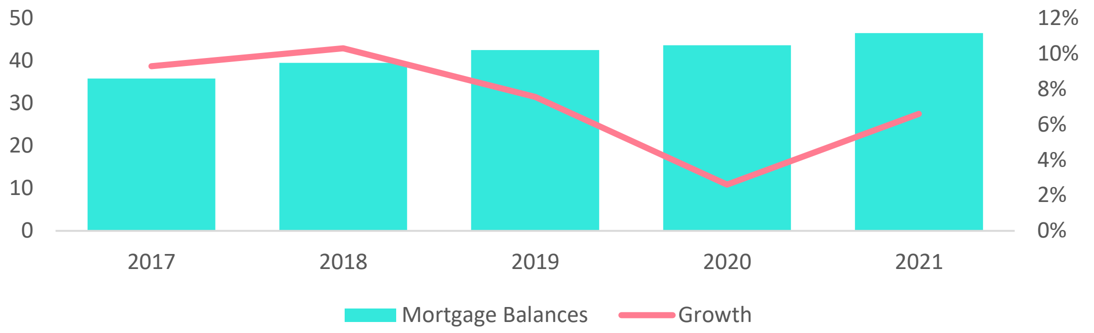
Unrestricted

Mortgage growth

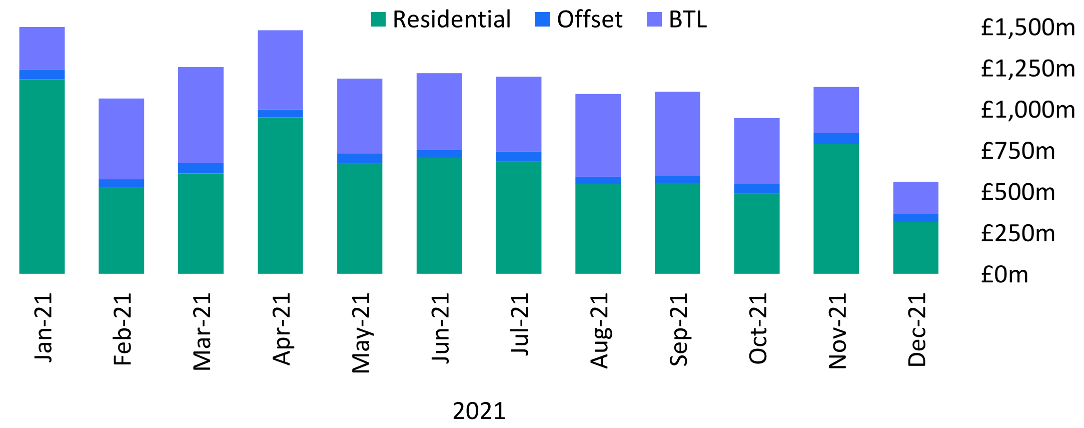
With a buoyant housing market backdrop

- The Society is the 8th largest mortgage lender in the UK with a market share of 3%.
- Mortgage balances have grown consistently over the last 10 years.
- We started 2021 with a strong mortgage pipeline following a successful final quarter of 2020.
- We have a lower risk approach to lending than the average UK mortgage provider which supports our financial resilience and strength over the long term.
- The year on year gross mortgage growth finished at 7.2%, above mortgage market growth of 3.9%, resulting in our market share increasing to 3.0% (2020: 2.9%).
- In 2021, we advanced £9.6 billion of mortgages (2020: £6.7 billion) and mortgage balances grew by £3.1 billion (2020: £1.2 billion).
- Of all mortgages originated in 2021, 65.3% were owner occupied and 34.7% buy to let.
- The Society seeks to adjust growth in response to market pricing and funding conditions; therefore growth has been moderated in the second half of 2021.

Mortgage Balances (£bn)



Mortgage Apps



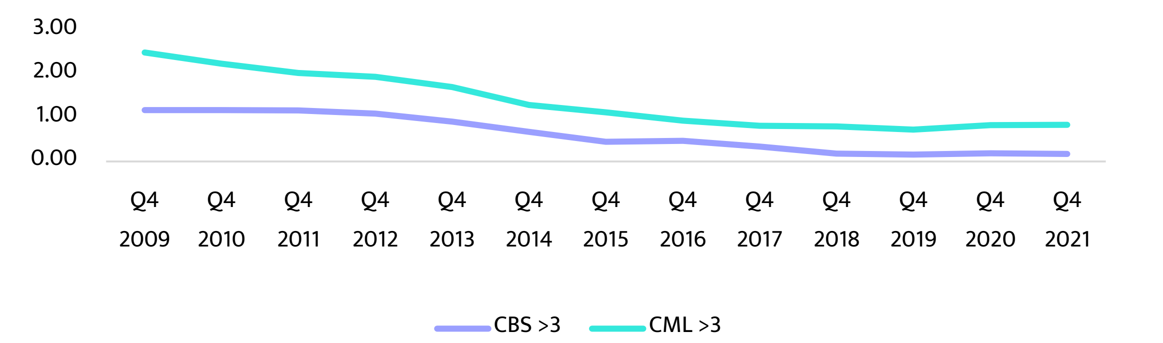
Resilient Asset Performance

Evidencing our low risk lending

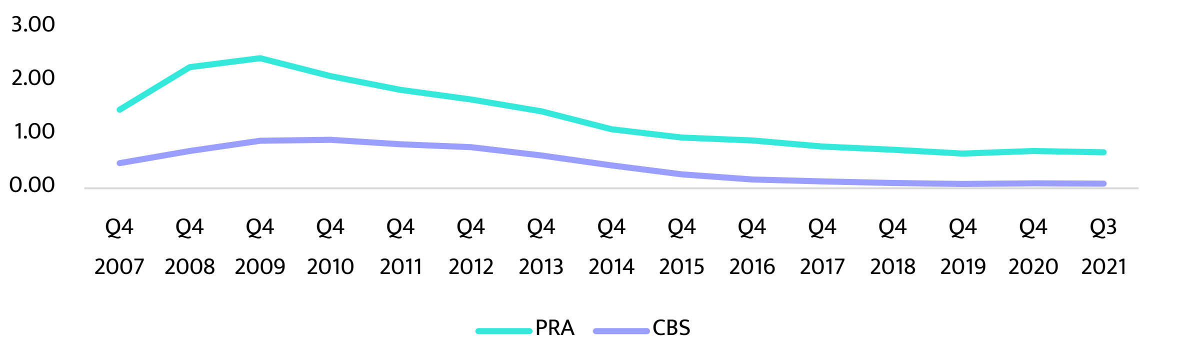
Arrears levels consistently below industry averages

- 0.18% of accounts > three months in arrears including possession (industry average 0.84%[1]); and
- 0.10% (2020:0.09%) of accounts >= 2.5% balance in arrears.

CBS vs CML >= 3mths in arrears



CBS vs PRA >= 2.5% balance in arrears



COVID Payment Holidays

In total the Society granted 40,101 mortgage payment holidays all of which had expired at 31 December 2021 (2020: Active 2,565).

Of the accounts which took a payment holiday, 98.3% had commenced repayments at 31 December 2021 (2020: 98.3%).

Possessions

Our track record of lower risk lending has kept arrears and repossessions to a very low level compared to the industry average. At 31 December 2021, only 27 (2020: 22) properties were in possession.

Arrears performance

During 2021, accounts greater than three months in arrears remained broadly stable at £72.7 million (2020: £72.4 million). There has been a slight increase in accounts more than 12 months in arrears as a result of the increase in time to possession.

Capitalisation minimal

Capitalisation of arrears is only used where we have exhausted other options to regularise an account and, as a result, only 2 cases (2020: 1 case) had arrears capitalised as at 31 December 2021.

1. UK Finance data as at 31 December 2021 (31 December 2020)

Expected Credit Losses Fall

The credit quality of the mortgage book has improved with performance being much better in 2021 than was projected at the end of 2020, whilst the uncertainty around the pandemic was at its highest. At the year end, total provisions were £18.9 million, of which £9.3 million related to post model adjustments (PMAs) where the risks were not assessed as adequately captured in the Society's modelling. This proportion has decreased from 2020 where a total provision of £48 million was recognised, of which £38 million was PMAs. Our future assumptions of the economic outlook remained cautious and our scenarios prudent.

The PMAs cover the following risk areas:

- Risks relating to Covid-19 payment holidays for accounts with extended payment holidays or additional risk flags - £2.1m (2020: £16.8m).
- Cladding and other fire safety risk post model adjustment - £3.7m (2020: nil).
- Risks associated with pockets of negative equity.
- Risks which cannot easily be modelled such as for fraud within the portfolio.

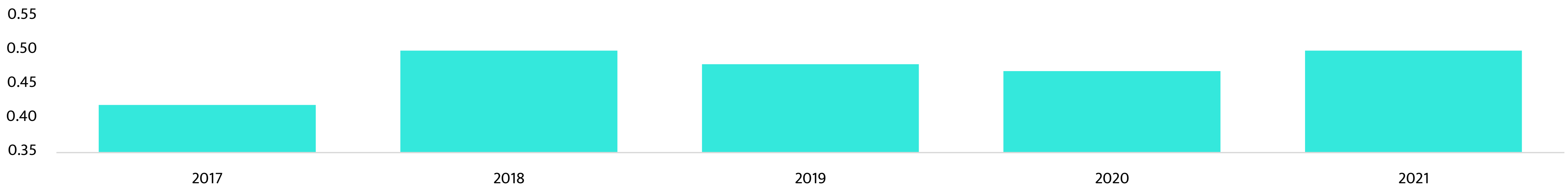
Mortgage customers who took payment holidays have returned to making full mortgage payments in the vast majority of cases. As a result £29 million of Expected Credit Loss provisions have been released during the year.

As at 31 December 2021 Indexed loan to value	Stage 1 Performing £m	Stage 2 Deteriorating £m	Stage 3 Default £m	Impairment £m	Total £m
<50%	19,621.1	1,344.1	95.1	(1.5)	21,058.8
50% to 65%	14,271.5	1,174.6	60.9	(5.3)	15,501.7
65% to 75%	6,250.1	580.3	23.8	(4.7)	6,849.5
75% to 85%	2,080.0	112.1	5.7	(2.2)	2,195.6
85% to 90%	670.4	8.2	0.5	(0.4)	678.7
90% to 95%	275.6	3.8	0.1	(0.3)	279.2
95% to 100%	19.7	0.3	0.1	-	20.1
> 100%	0.5	0.5	2.5	(1.3)	2.2
Unsecured loans	11.9	2.3	0.3	(0.9)	13.6
Mortgage pipeline	-	-	-	(0.1)	(0.1)
Other	-	-	-	(2.2)	(2.2)
Total	**43,200.8**	**3,226.2**	**189.0**	**(18.9)**	**46,597.1**

Management Expenses

Cost to mean assets ratio remains one of the lowest in the industry

Manex



- Leading cost efficiency with a cost to mean assets ratio of 0.50% amongst the lowest of any UK building society and a cost to income ratio of 56%.
- Overall management expenses have increased by £17 million (to £264 million). The majority of the increase was due to the impact of:
  - higher variable pay in recognition of the strong performance against our targets;
  - salary and cost inflation;
  - continued investment to improve the resilience of services to members; enhancements to online services;
  - investment in our new mortgage platform; and
  - refurbishment of branches.
- Significant time, effort and money has been invested in improving and modernising services for Members including investing £98 million in 2021 in technology infrastructure, digital and transforming our branches.
- The cost to income ratio improved to 56% (2020: 60%), excluding the impact of the EIR adjustment for SVR income, the ratio for the year would have been 49%.
- Cost efficiency is driven by the simple business model, efficient distribution channels and high average account balances, with growth driving economies of scale.

Investment

Known for a better service today and investing for tomorrow

- The Society has a significant investment agenda. During 2021 the Society continued to invest in enhancing its digital capabilities, IT operations and security defences, and in upgrading its IT estate.
- We invested £96million (2020: £82 million) on improving the resilience of the Society and our underlying IT infrastructure.
- In-progress programmes, to upgrade the Society's mortgage origination system and Oracle infrastructure, have made significant progress during the year with phased implementations which will continue into 2022.

Scaling Infrastructure

We completed the Infrastructure Transformation Programme so that our new data centres are up and running, and upgraded our databases and testing capability to enable future changes to be introduced quickly and efficiently. The Environments and Testing programme also completed during the year.

Digitising our business

We've invested in a multi-year programme to digitise our savings and mortgage tools to improve our service to Intermediaries, borrowing members and savers. The roadmap is prioritised into discreet releases of functionality and extends across the Strategic Planning period as a result.

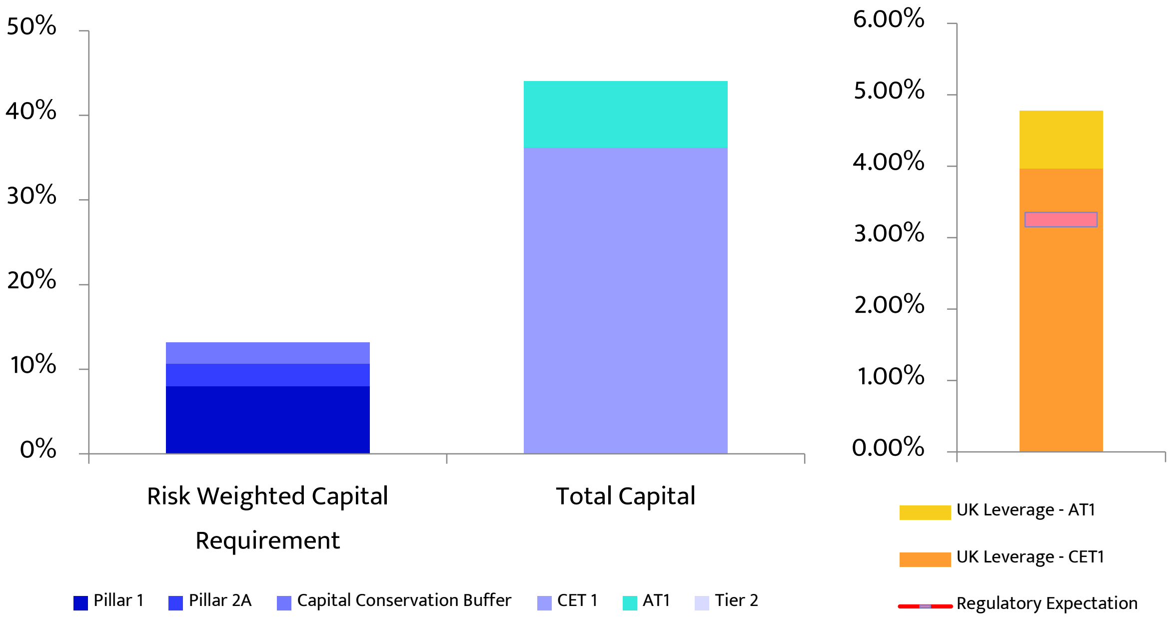
Branch Redesign

We have now redesigned and refurbished 50 branches in total and opening our first new branch for many years. So far we have renovated nearly 76% branches since we started the project in 2018. The programme is on schedule to complete the refurbishment of all remaining branches during 2022.

Capital ratios

Improved capital strength

End-point Risk Weighted Capital Requirement and UK Leverage



Regulatory Capital

- The Society's CET1 ratio increased to 36.2% as at Dec-21, remaining comfortably above requirements.
- The Society was issued with Total Capital Requirement (TCR) of 10.7% or £565m comprising Pillar 1 and Pillar 2A.
- Coventry's total capital ratio is 44.1% compared to an RWA-based capital requirement of 13.2% (TCR + Capital Conservation Buffer 2.5% + Countercyclical Buffer 0%) giving a 30.9% buffer over TCR on RWA basis.
- The Society's IRB models continue to evolve to comply with regulatory changes. Initial feedback has been received on required updates and further work is being undertaken prior to adopting these updates in 2022. Until then the Society is holding additional RWAs from 1 January 2022, leading to an increase in RWAs of 43% and a CET1 ratio of 26.4%.
- Basel IV capital requirements are due to be implemented in 2023, with output floor phased in from 50% to 72.5% in 2028. The fully loaded Basel IV capital CET1 ratio was expected c.17% based on 2021 Balance Sheet. The final model output assessment may vary from this assessment.

Leverage

- The UK leverage ratio will not become binding until the Society achieves £50bn of retail deposits, but at 4.8% the leverage ratio is comfortably above the 3.25% minimum level.
- The Society does not have a regulatory leverage requirements today but expects leverage to be the binding capital constraint in the future.

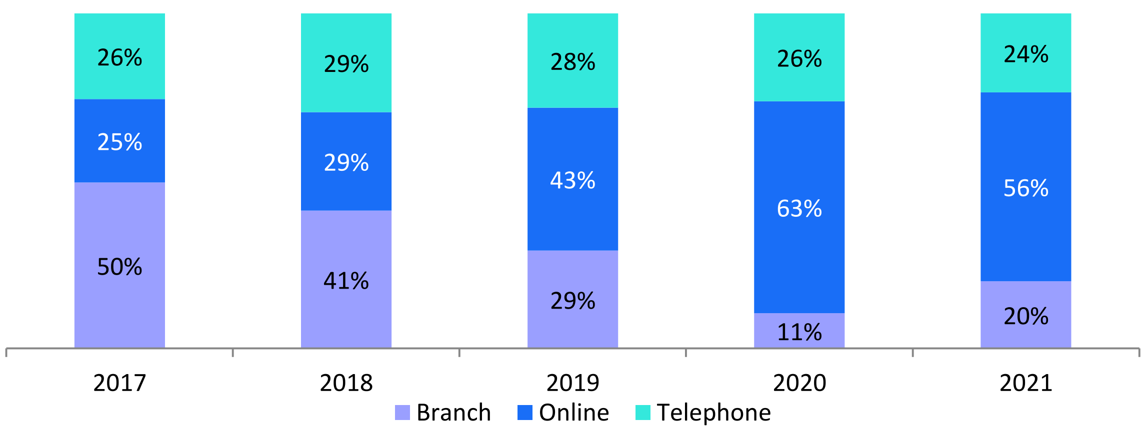
Funding Mix

A diverse and stable funding base

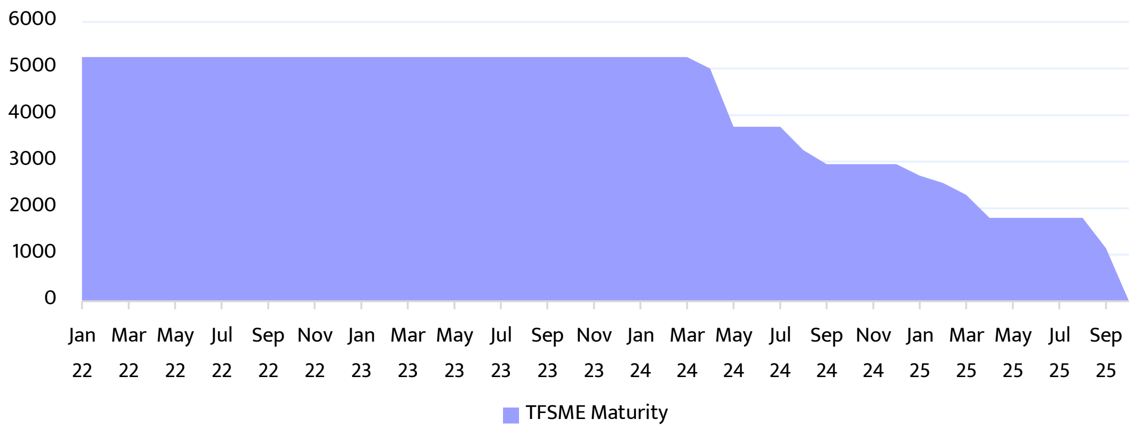
- Lending is primarily funded through retail deposits with savings balances increasing by 4.6% in 2021 (5.2% in 2020)
- Our deposit growth is lower than the market as the Society does not offer current accounts, and this part of the market saw strong growth in 2021.
- In 2021 the Society paid 0.56% above the market average in line with our continued strategy of returning value to members. The Society continues to manage value to members, with £201 million (2020: £196 million) of additional interest paid to savings members as compared with average market rates.
- We experienced an increase in the use of our branches as lockdown restrictions eased.

- We use wholesale to diversify our sources of funding, supporting growth and lowering risk.
- During 2021 the Society fully repaid all of its TFS drawings (£2.25 billion) and drew an additional £2.95 billion from the TFSME scheme, taking total drawings under this scheme to £5.25 billion.
- The Loan to Deposit ratio was 116.9% reflecting the stable funding profile of the Society.
- The Society maintains liquidity considerably above the regulatory requirement. The LCR was 187% at the end of 2021 compared to 179% in 2020.

Retail Funding by Channel

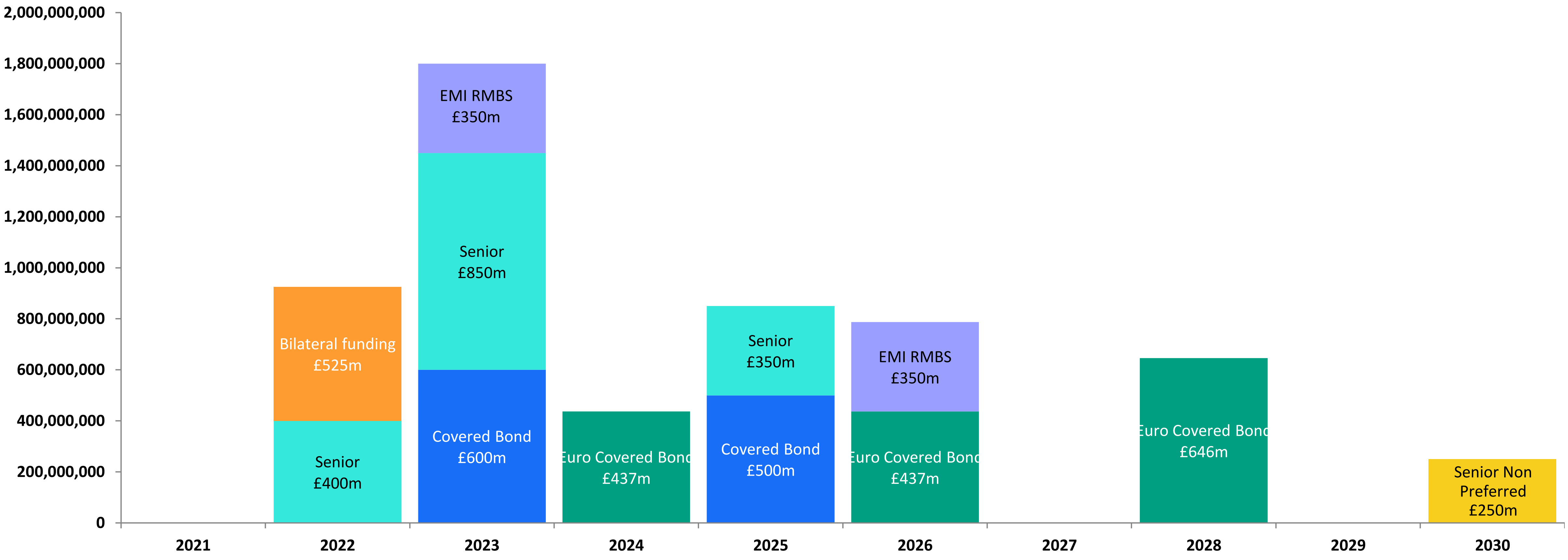


TFS / TFSME Repayment Profile £m



Wholesale funding profile

Diversification, enabling growth and lowering risk



ESG Achievements

Building a sustainable Society

Going green

We have **produced our first set of Global Reporting Initiative (GRI) compliant disclosures.**

We will be reporting **full disclosure against the Taskforce for Financial Disclosure (TCFD)** this year through our sustainability report.

We have **published our first climate action plan.**

We achieved carbon neutral for our scope 1 and net zero for scope 2 emissions.

Investors are recognised as a key stakeholder group within our Sustainability Report and broader disclosures.

All **single use plastic has been removed** from our head office sites.

We are using **100% renewable energy**, we have installed solar panels at head office sites and we are transitioning to electric vehicles.

We only use **FSC certified** paper.

Helping our members

Helping people save safely for their future and invest in residential property.

Supporting first time buyers and those who want to buy their own homes.

Helping our communities

We created a number of **strategic partnerships with charities and schools** in the city.

Helping our colleagues

40% of our vacancies were filled through internal moves.

37% of senior manager and above roles **held by women** (2020: 34%).

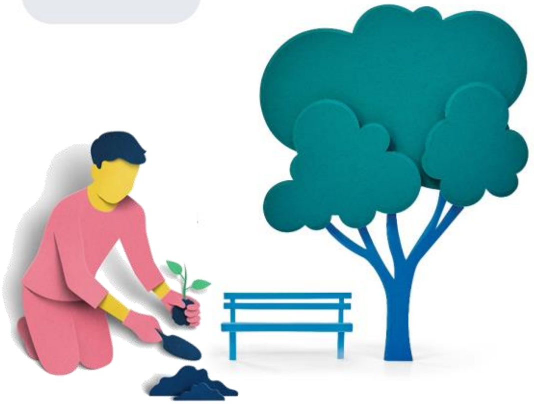
12% of manager and above roles held by **Black, Asian and Minority Ethnic colleagues** (2020: 13%).

SUSTAINABLE DEVELOPMENT GOALS

UN environment programme finance initiative
Principles for Responsible Banking

United Nations Global Compact

We are signatories of the UN Global Compact, the UN Principles for Responsible Banking, and have identified 4 of the 17 UN Sustainable Development Goals to prioritise.



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Ratings	Short Term	Long Term Unsecured SP	SNP	AT1	BCA / IDR	Outlook	Date
Moody's	P-1	A2	Baa1	Baa3	A3	Stable	July 2021
Fitch	F1	A	A-	BB+	A-	Stable	November 2021

ESG Ratings	Score	Date
MSCI	BBB	November 2021
Vigero Eiris	52/100	April 2021
ISS ESG	C, Prime	August 2021
Sustainalytics	14.9, Low Risk	September 2021

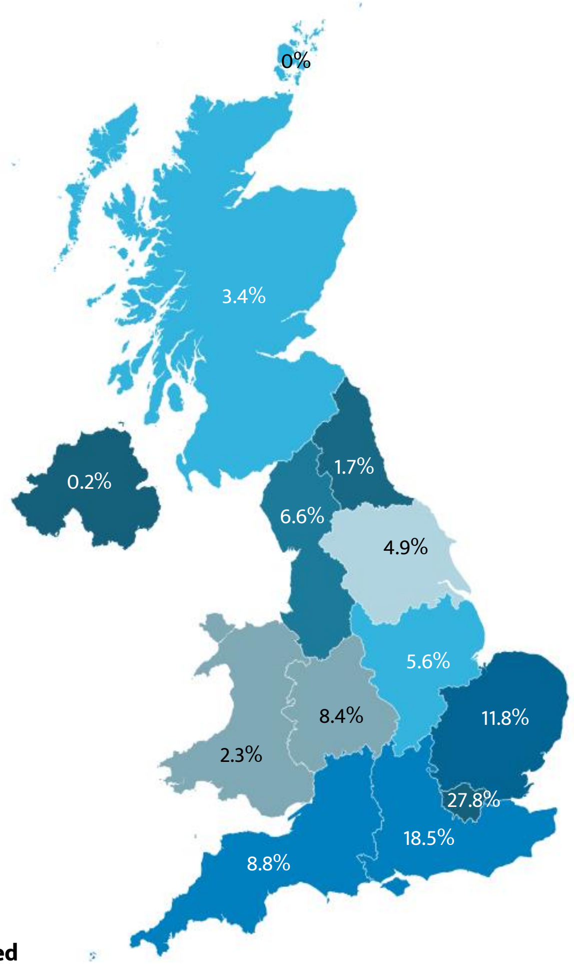
Appendix

Additional Information

Overall mortgage portfolio

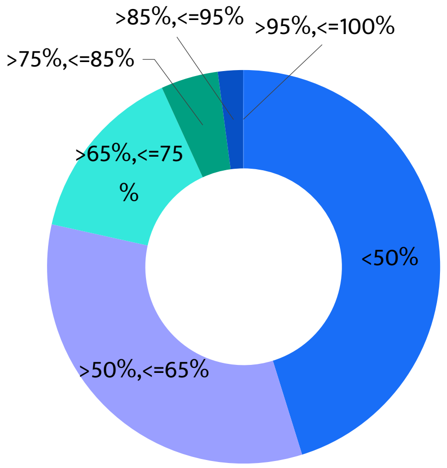
Conservative, geographically diverse, high quality prime residential lending

Geographical distribution by Value

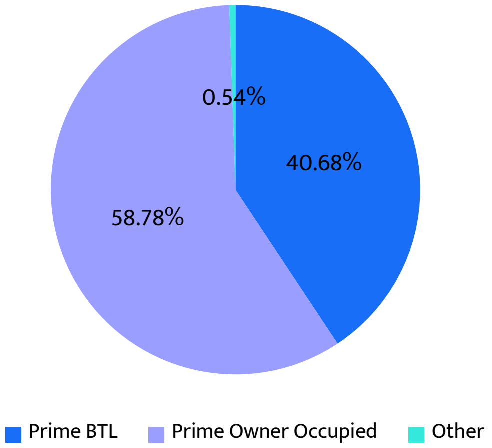


- The balance weighted average indexed LTV of the entire mortgage book is 50.9% as at Dec 2021 (2020: 52.8%).
- Total mortgage assets at 31 December 2021 stood at £46.6 billion (2020: £43.5 billion) which comprised £27.2 billion of owner-occupier loans (2020: £25.5 billion) and £19.2 billion buy to let loans (2020: £17.7 billion).
- The mortgage portfolio is geographically diverse as a result of origination through intermediaries, in 2021, 95% of applications were through intermediaries.
- Negligible levels of unsecured lending as at 31 December 2021 £14.5 million (2020: £17.2 million) and legacy commercial lending £1.3m which is in run off.
- 86.7%[1] of all lending to the end of Q4 2021 has been at LTVs of 70% or below, in comparison to an industry average of 63%.

Total book split by LTV



Total book split by product

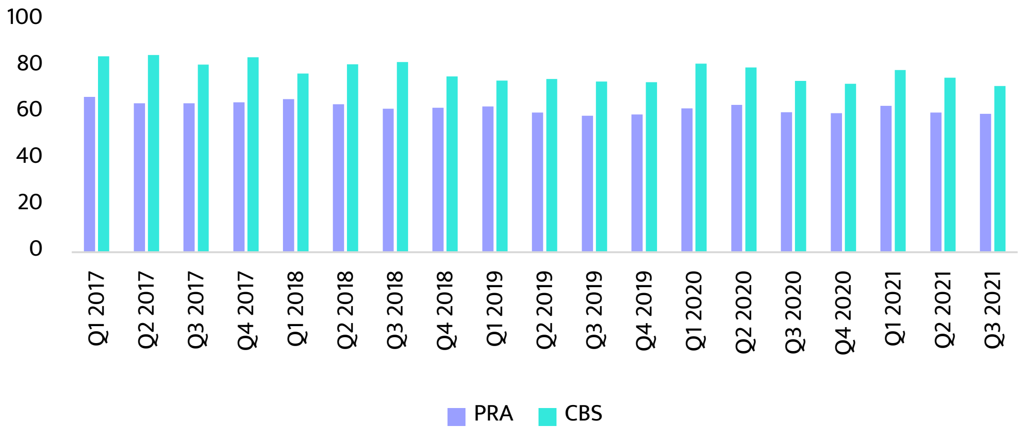


1. Including fees.

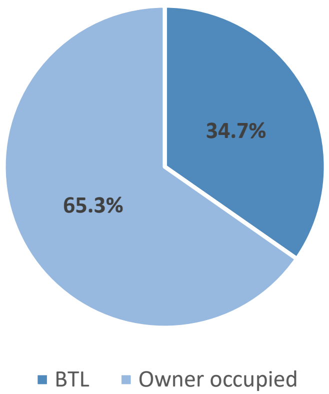
Originations in 2021

Record levels of origination in H1, moderating in H2

Gross lending ≤ 75% LTV



New lending product split



- Our lending strategy remains focused on high quality, low loan to value first charge mortgages within the prime residential market.
- We have a lower risk approach to lending than the average UK mortgage provider which supports our financial resilience and strength over the long term.
- The Society has a strong intermediary franchise with high service levels and advocacy scores.
- All underwriting and servicing is performed by Coventry. There is no ‘packaging’; the intermediary acts solely as an introducer.
- During the year the Society introduced a range of 95% LTV loans to support first time buyers entering the market. The number of first time buyer loans advanced was 7,100, an increase from 3,200 in 2020.

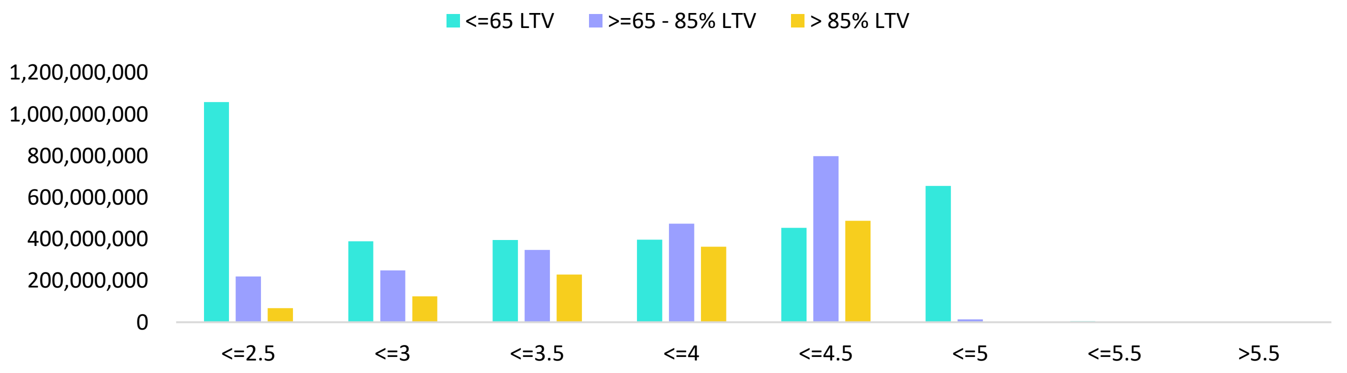
+85%
Average broker advocacy score (2020: 82.8%)

13.2
Days to offer (2020: 14.5 days)

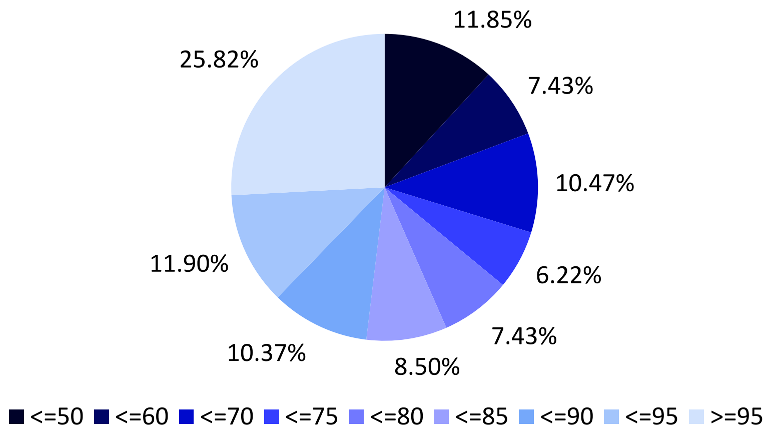
Focus on owner-occupied

Performance of the OO portfolio has been stable with no sign of deterioration

LTV vs. LTI in 2021 originations (£)



% of Maximum Affordability



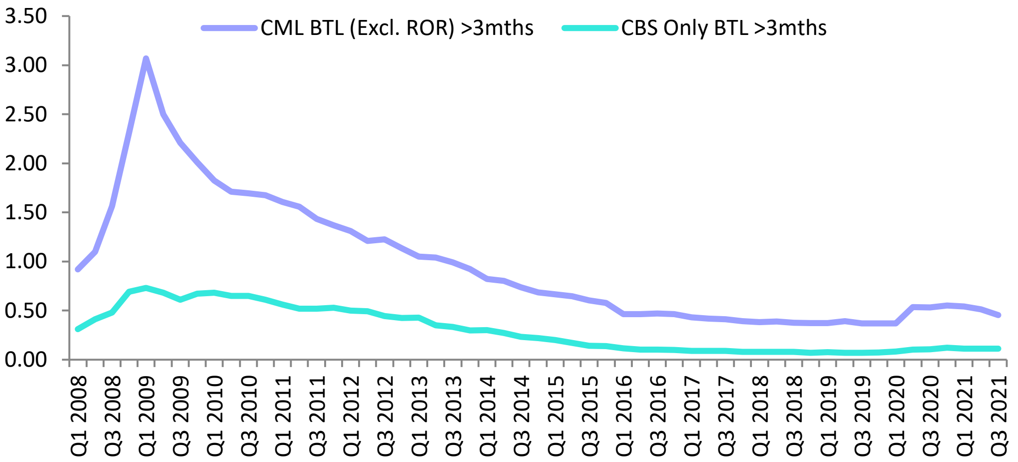
- We focus on lending to prime borrowers with excellent credit.
- Regionally diverse book reduces concentration risks.
- The Society is lower risk lending means our arrears level remains well below industry averages.
- This Society uses stressed interest rates to ensure affordability. Affordability stress rates at 7.49%.
- Owner-occupier arrears were 0.25% for 3 months+ arrears, and at 31st December 2021 9 owner occupier properties were in possession at year end.
- Interest only lending of the owner-occupier portfolio remained stable at 4.9% at 31 December 2021 (2020: 4.9%), with an average loan to value of 34.1% (2020: 37.6%).
- Average Loan taken as a percentage of maximum affordability for 2021 was 72.46%.

1. UK Finance

Focus on Buy to Let

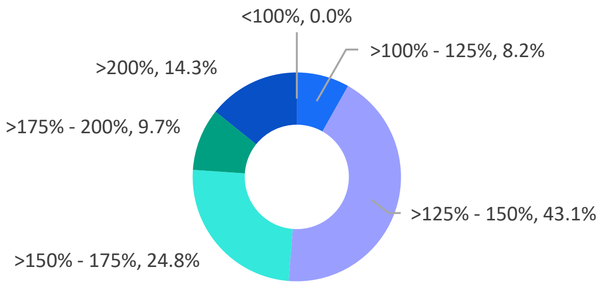
Resilient performance coupled with very low arrears and impairment levels

Coventry vs. CML >3mths buy-to-let arrears (incl. possessions)[1]

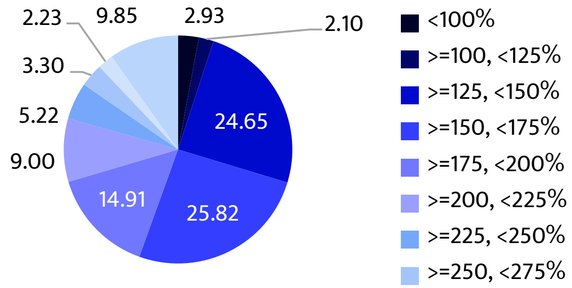


- Approximately two thirds of Coventry's buy-to-let lending is on houses, with one third on flats.
- Buy to let demographic is older than typical owner occupied demographic.
- 85% of our borrowers have only one property with the Society and the remaining have more than two.
- The balance weighted average LTV of the buy-to-let book is only 51.9% as at 31 December 2021.
- Arrears and impairment levels have been very low. On circa £31.7bn of lending granted since 2010 we have only seen £111k of losses (across 9 accounts). There are only 15 buy-to-let properties in possession at 31 December 2021, from a book of c. 130,000.
- The Society's actual average interest coverage ratio at the end of the year using a stressed 5% interest rate was 174.9% (2020: 175.4%), significantly above its minimum lending criteria.
- Prudent assumptions regarding rental voids, rent increases etc. are included.
- At a stress rate of 7% over 45% of loans remain above 125% ICR.

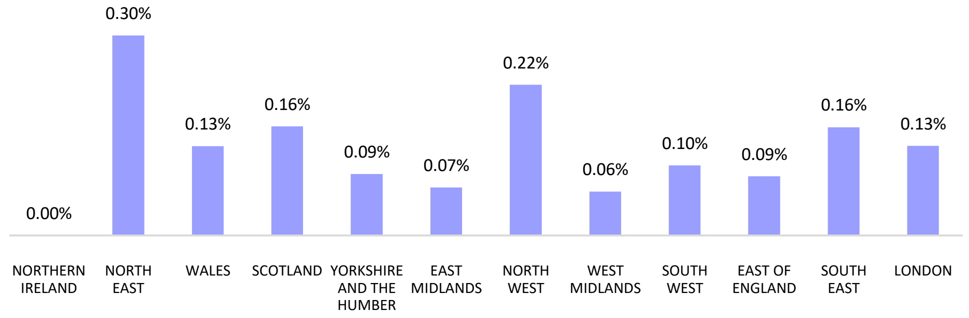
Interest Coverage Ratio 31 December 2021



Interest Coverage Ratio at 5% Stress Rate



Buy to let 3+ Arrears by region Portfolio Average 0.13%



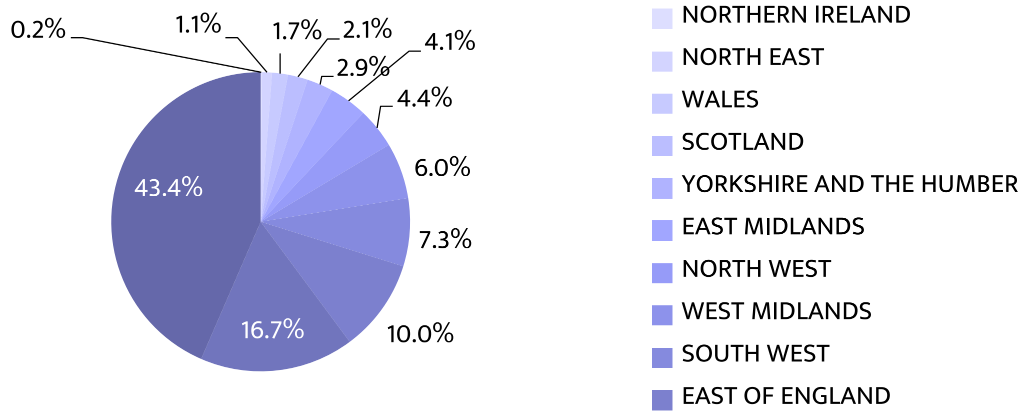
1. UK Finance

Buy to Let Criteria

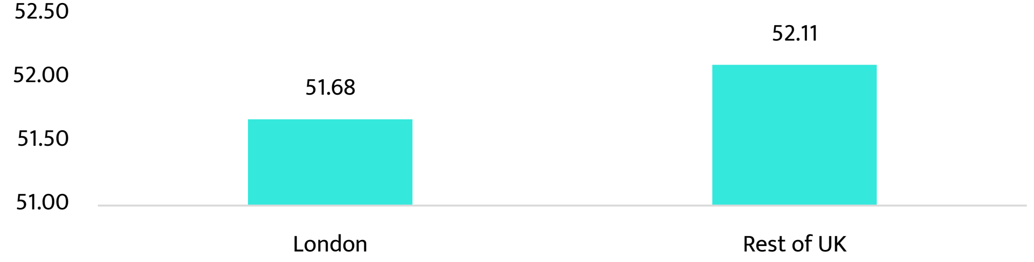
Conservative approach to lending

- Properties must be readily saleable into the owner occupier market.
- Maximum of 5 properties with the Coventry and an aggregate loan limit of £2,000,000.
- Coventry lending policy ensures any loan greater than £750k is 50% LTV or lower, up to 75% LTV loan size is capped at £750k and above 75% is capped at £350k.
- Severe stress testing carried out on our London BTL book, showed strong resilience.
- 50% maximum LTV on new build flats, 85% on new build houses and 75% on flats above shops.
- Minimum rental coverage of 125% for basic tax payers and 145% for higher rate tax payers.
- The Society does not lend on Studio and High Rise Flats (above ten storeys).
- Borrowers with four or more mortgaged buy to let properties are treated as Portfolio Landlords, and are subject to additional checks by dedicated portfolio underwriters, and to a maximum LTV of 65% across all properties within the portfolio.

Buy to let Mortgage stock by region



BTL Weighted Average LTV %



Expected Credit Losses

Key economic assumptions as at 31 December 2021

Scenario/ weighting	Assumption	2022 %	2023 %	2024 %	2025 %	2026 %	Peak to trough %	Range %	Average to 31 Dec 2026 %
Base 55%	Unemployment	4.5	4.4	4.4	4.3	4.3	0.5	4.0 - 4.5	4.3
	HPI	(1.0)	3.0	1.5	1.5	1.5	7.6	(1.0) - 6.6	1.3
	GDP	5.5	2.0	2.0	0.5	0.5	10.4	0.5 - 10.9	2.1
	Base Rate	0.50	0.50	0.50	0.50	0.50	0.25	0.25 - 0.50	0.48
Downside 20%	Unemployment	8.0	7.5	7.2	6.8	6.8	4.2	4.8 - 9.0	7.2
	HPI	(10.0)	(5.0)	2.0	2.0	2.0	13.7	(14.5) - (0.8)	(1.9)
	GDP	1.00	5.0	2.0	2.0	2.0	12.4	0.1 - 12.5	2.4
	Base Rate	0.00	0.00	0.00	2.00	2.00	0.25	0.00 - 0.25	0.00
Severe downside 10%	Unemployment	11.9	10.0	6.6	5.0	4.8	7.1	4.8 - 11.9	7.9
	HPI	(25.9)	(1.3)	22.3	7.9	6.0	35.1	(32.9) - 2.2	0.4
	GDP	1.8	6.4	3.5	1.5	1.5	15.3	0.2 - 15.5	2.9
	Base Rate	(0.08)	(0.09)	(0.02)	0.07	0.16	0.26	(0.10) - 0.16	0.00
Upside 15%	Unemployment	4.3	4.0	4.0	4.0	4.0	0.3	4.0 - 4.3	4.1
	HPI	2.5	4.0	4.0	4.0	4.0	19.7	0.2 - 19.9	3.7
	GDP	6.0	3.0	2.8	3.2	3.2	19.0	0.5 - 19.5	3.6
	Base Rate	1.00	1.25	1.50	2.00	2.00	1.75	0.25 - 2.00	1.3

Scenario	IFRS 9 provision £m	(Decrease)/ increase %	IFRS 9 provision £m	(Decrease)/ increase %
IFRS 9 weighted average	18.9	–	48.1	–
Base scenario	14.3	(24.3)	29.5	(38.7)
Downside scenario	27.5	45.5	60.8	26.4
Severe downside scenario	48.3	155.6	119.7	148.9
Upside scenario	12.2	(35.4)	18.6	(61.3)

- At 31 December 2021 the Group used alternative economic scenarios to assess ECLs for its core owner-occupier and buy to let portfolios which represent over 99% of total loans and advances to customers.
- The base scenario has been updated to reflect continued economic recovery from the Covid-19 pandemic and decreasing unemployment.
- While the Society's ECL calculation is particularly sensitive to unemployment and HPI movements, GDP and Base rate remain key drivers of the provision calculation and the forward economic outlook.

Payment Holiday Performance

Majority of customers return to full payments

- The performance of our mortgage book has improved compared to our expectations following the emergence of the Covid-19 pandemic. In 2020, the Society granted 40,101 mortgage payment holidays of which none are active at 31 December 2021 (2020: active 2,565).
- The vast majority of customers have returned to making full mortgage payments.
- Of the accounts which took a payment holiday, 98.3% had commenced repayments at 31 December 2021 (2020: 98.3%). A further 1.7% had not resumed payments (2020: 1.7%); these accounts had balances of £95.6 million and a balance weighted LTV of 52.0% (2020: £87.6 million, 56.4%), which is 0.10% of all of our mortgage customer.

Total accounts granted payment holidays	**40,053**
- of which redeemed	**6,532**
Total live mortgages that had a payment holiday	**33,569**

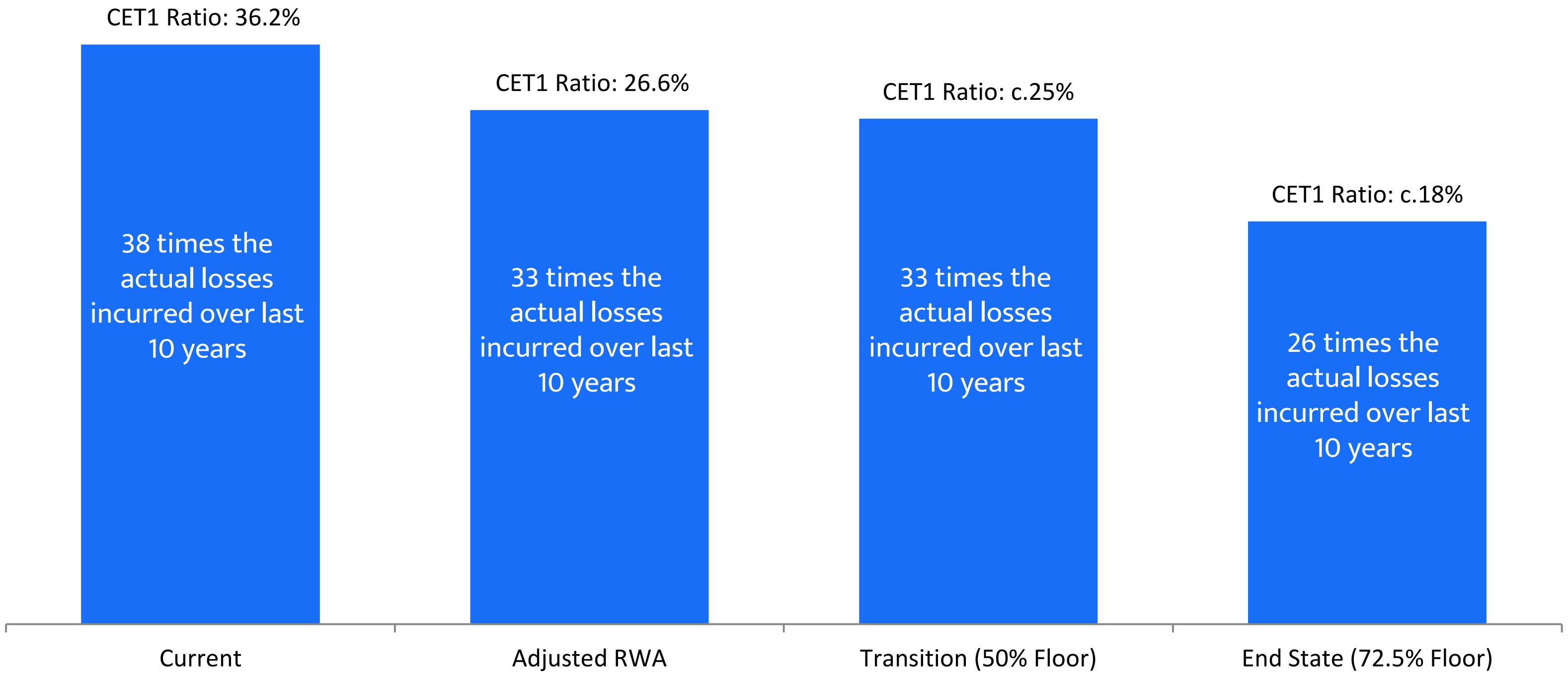
Live mortgages that had a Covid-19 payment holiday	Arrangement	Concession	Temp TFR to IO	Payment holiday (not Covid-19)	Arrears Capitalisation	No changes to mortgage terms	Total
Current	74	5	57	93	2	32,666	32,897
1 to 2 months	42	6	1	3	0	266	318
2 to 3 months	44	5	0	1	0	64	114
3 to 4 months	24	2	0	1	0	29	56
4 to 5 months	22	2	0	0	0	13	37
5 to 6 months	19	4	0	0	0	9	32
6 months +	57	10	0	1	0	47	115
Total	**282**	**34**	**58**	**99**	**2**	**33,094**	**33,569**

Basel IV Capital implications

Surplus capital remains even with a lower ratio

- BCBS Paper released in December 2017 outlining Standardised Risk Weights and output floors that seek to remove variability in internal models (IRB).
- Regulation and implications still need finalising and have national discretion (especially in the treatment of differing mortgage types).
- Output floor phased in from 50% post-March 2023 to 72.5% expected to be 5 years later.
- Assuming the implementation of 50% output floor, the CET1 ratio reduces materially but remains above requirements, this reduction reflects the impacts of the flooring on a low risk business model.
- Surplus to regulatory minima remains considerable, equal to over 33 times the actual credit losses experienced in the last 10 years, even after transition.

Surplus over Basel IV Requirement[1]



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

MREL

MREL issuance opportunistic until leverage binding

MREL Current

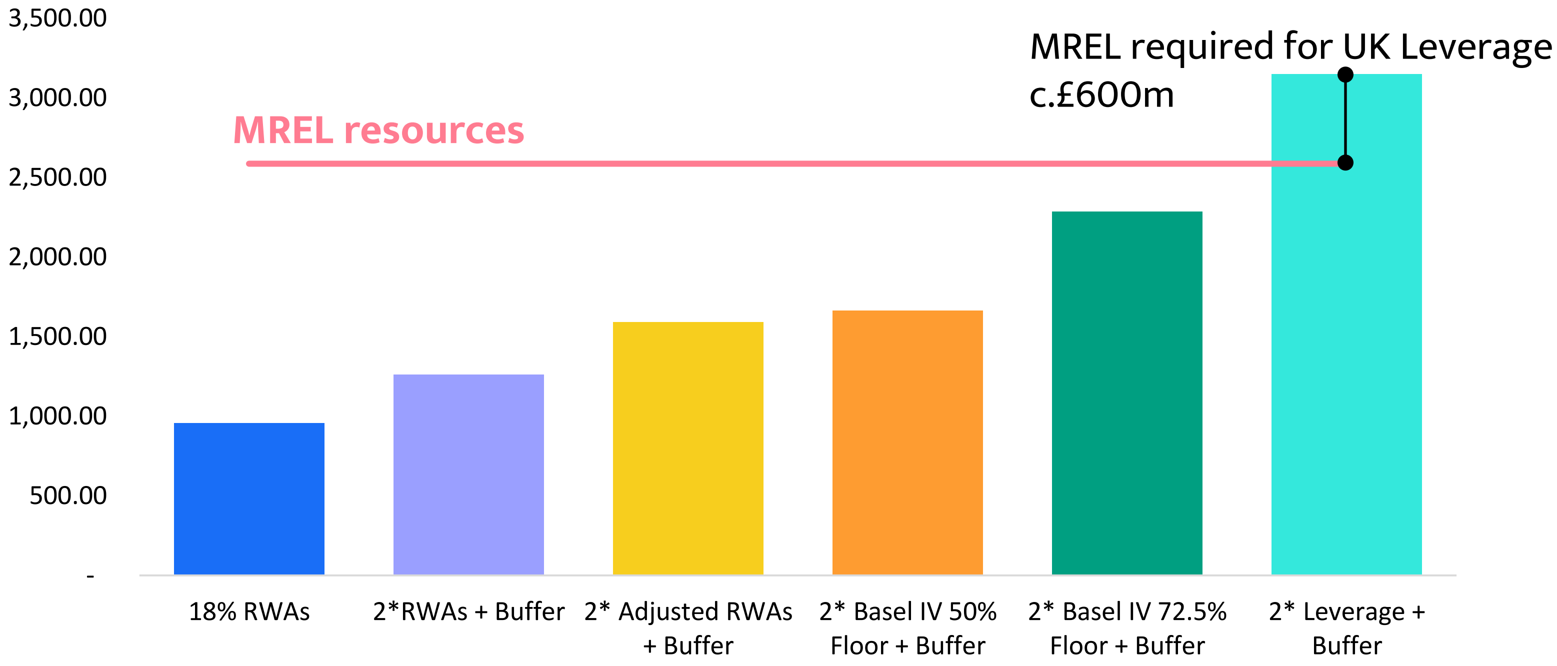
The Society is currently a 'bail-in' firm, with a MREL requirement of 18% of RWAs.

MREL End State

The end-state MREL requirement for all firms will be twice the binding capital requirement; for the Society, this is currently two times Pillar 1 and Pillar 2a, or 21.4% of risk weighted assets (excluding buffers).

MREL Leverage

If the leverage ratio becomes the binding constraint the Society would need to raise just c.£0.6bn in MREL funding (based on Dec-21 balance sheet). Following the Bank's review, the Society now expects leverage to become the binding MREL requirement as soon as the capital requirement does.



Liquidity Management

Liquidity levels above regulatory requirements

Internal Risk Appetite

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

Liquidity Coverage Ratio

The Society maintains liquidity considerably above the regulatory requirement. The LCR was 187% at the end of 2021 compared to 179% in 2020.

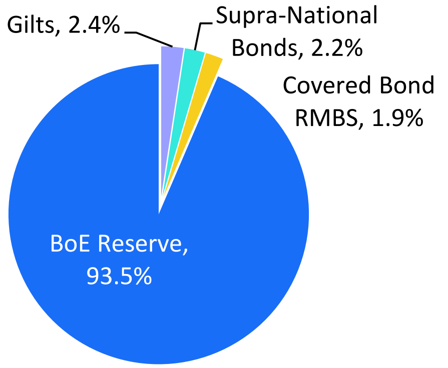
Net Stable Funding Ratio

The Society holds sufficient stable funding to meet the regulatory requirement of 100% NSFR. The NSFR was 142.4% as at 31/12/2021 and the Loan to Deposit ratio was 116.9% reflecting the stable funding profile of the Society.

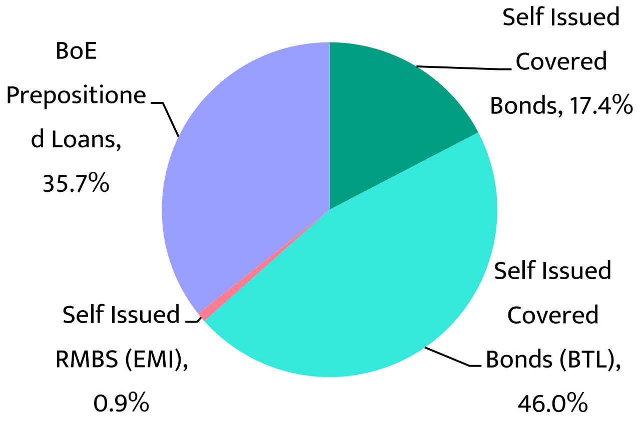
The majority of liquid assets (£6.3bn) are held as cash in the BoE reserve account, with a small holding of UK Sovereign and Supranational bonds. The Society also continues to invest in UK issued Covered Bonds and RMBS.

The amount of high quality liquid assets has increased as the Society drew further funding from the Bank of England's TFSME scheme in the second half of 2021.

High Quality Liquid Assets - £6.8bn



Contingent Liquidity - £4.3bn



Wholesale funding franchise

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

Retail deposits are supplemented by a number of wholesale funding options.

The Society is a programmatic issuer with four different programmes:

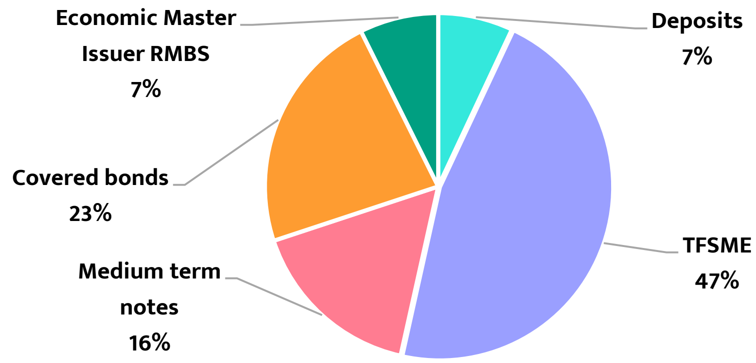
- Covered Bonds;
- Economic Master Issuer;
- Godiva Covered Bonds; and
- EMTN

Overall, the wholesale funding at 31 December 2021 has increased by £1.5 billion as a result of new issuances and drawings under the Bank of England's TFSME scheme.

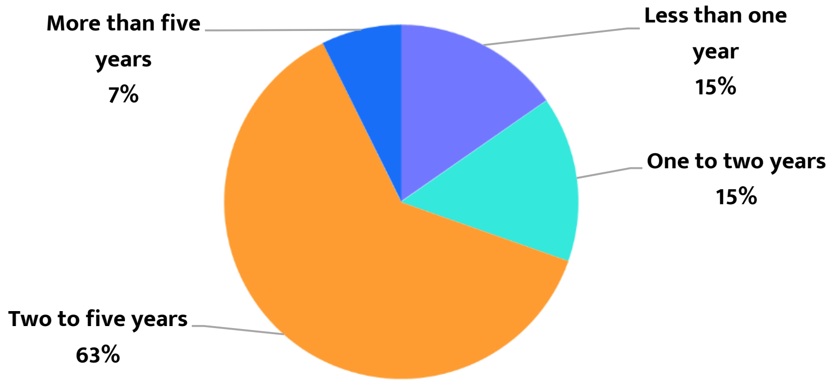
In the year the Society issued £350 million from the EMI RMBS programme, a €750m Covered Bond and also raised £250 million from an inaugural issuance of Senior Non-Preferred bonds, which is MREL eligible.

During 2021, the Society was awarded EMEA Structured Finance Issue of Year from International Financing Review and Overall Deal of the Year from Global Capital for its Economic Master Issuer programme.

Wholesale Funding Outstanding at 31 Dec 2021 £m



Wholesale Funding Profile %



Our Priorities in ESG

A purpose led approach to business, committed to our members

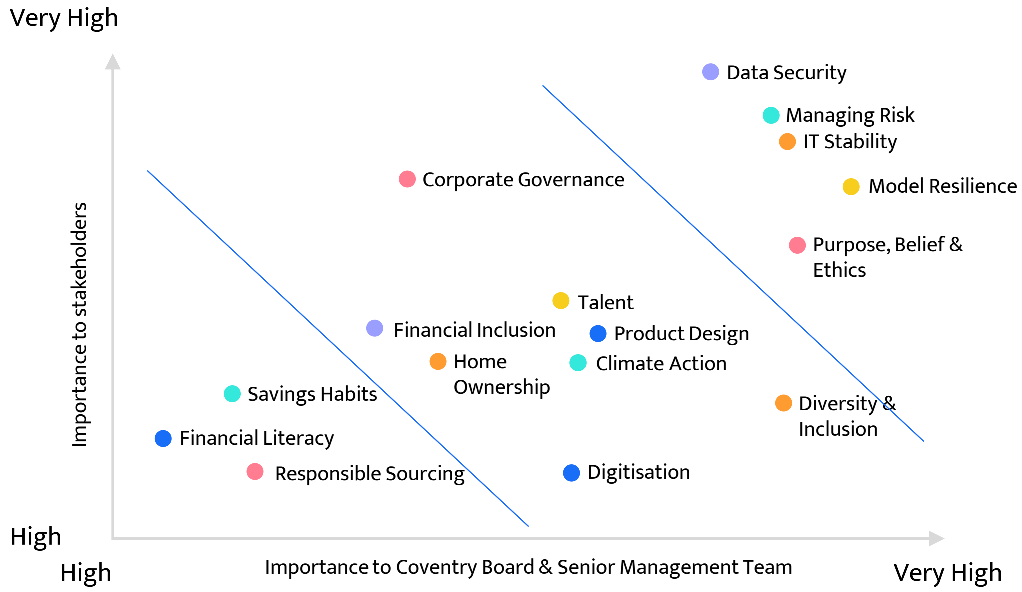
In 2021 the Society formalised its process for seeking the views and opinions of its stakeholders on our business priorities and our role in wider society. A materiality assessment, sought stakeholder views on key topics relating to the Society's economic, social and environmental performance and impacts. This allowed us to:

- identify the sustainability issues that are most relevant to our business and stakeholders;
- shape our sustainability strategic framework; and
- provide focus in prioritising our commitments and resources.

This process was overseen by the Society's Executive, with the outputs reported to the Board where they were discussed and considered as part of the 2021 strategic planning process.

The Society also reviewed the Sustainable Development Goals and focused priorities with defined targets

Materiality Assessment



SDG Priority Targets

- 250 apprenticeships over five years from 2021.
- 50% of senior management roles recruited internally by 2025.
- 10,000 children and young people in Coventry supported via education programmes over the three years from 2021.

- Offer career development to enable colleagues to achieve their potential.
- Progress the sustainability agenda with our suppliers.
- 40% of all senior manager and above roles held by women by 2025.
- 25% Black, Asian, Minority Ethnic management roles by 2025.
- All key suppliers have committed to the CBS Supplier Code of Conduct by 2023.

- Number of people supported through "Access to Housing" is 1,000 between 2021 and 2025.
- Double first time buyer numbers in 2021 (3,200 to 7,500) and move to supporting 10,000 first time buyers annually by 2023.

- Carbon neutral Scope 1 and 2 emissions by the end of 2021.
- Net zero Scope 3 upstream emissions by the end of 2030.
- Ambition to be net zero by 2040.
- 50% reduction in paper by 2023 compared to 2017 levels.

EPC Portfolio Ratings

	A	B	C	D	E	F	G
30 Sept 2021	0.1%	6.5%	26.7%	45.5%	17.5%	3.%	0.7%
31 Dec 2020	0.1%	6.6%	26.2%	45.3%	17.9%	3.2%	0.7%
Change	nil	-0.1%	+0.5%	+0.2%	-0.4%	-0.1%	nil

The EPC register records the energy performance certificate (EPC) for 14m properties in England, Wales and Scotland. Landmark reviewed EPC data on our portfolio as a proxy for transition risk. We have a strong 76.7%[1] EPC match for the portfolio. Compared to the March 2021 analysis, the EPC position for our portfolio remains broadly unchanged albeit slightly improved - with an improvement to 3.8% (previously 3.9%) for EPC rated F & G properties and a 0.4% decrease in E rated properties and a 0.4% increase in the A-C range.

	A	B	C	D	E	F	G
Current[2]	0.1%	6.5%	26.7%	45.5%	17.5%	3.1%	0.7%
Potential	3.8%	47.8%	37.1%	9.0%	1.9%	0.4%	0.1%

The EPC also records the cost of improving the property from the current energy efficiency to the potential energy efficiency. On a portfolio level, CBS is focussed on the D-G range. If all properties were retrofitted to their potential, this figure would change dramatically.

1. 77% of the Owner Occupied book and 86% of the BTL book (both by value) doesn't have an actual EPC the remainder is modelled
2. This data is as at 30 September 2021

Summary Financial Statements

Balance Sheet summary

	31 Dec 2021 £m	31 Dec 2020 (Audited) £m
Assets		
Loans and advances to customers	**46,620.6**	43,482.8
Liquidity	**7,622.0**	7,314.5
Other	**287.1**	701.0
Total assets	**54,529.7**	51,498.3
Liabilities		
Retail funding	**39,890.2**	38,151.1
Wholesale funding	**11,907.3**	10,367.9
Subordinated liabilities and subscribed capital	**56.9**	67.2
Other	**215.7**	706.0
Total liabilities	**52,070.1**	49,292.2
Equity		
General reserve	**2,012.6**	1,835.1
Other equity instruments	**415.0**	415.0
Other	**32.0**	(44.0)
Total equity	**2,459.6**	2,206.1
Total liabilities and equity	**54,529.7**	51,498.3

Income Statement summary

	Period to 31 Dec 2021 £m	Year ended 31 Dec 2020 (Audited) £m
Net interest income	**476.2**	408.5
Other income	**(1.4)**	(0.1)
Gain/(loss) on derivatives and hedge accounting	**(6.6)**	(0.7)
Total income	**468.2**	407.7
Management expenses	**(263.5)**	(245.6)
Expected credit losses	**28.7**	(36.4)
Provisions	**-**	(0.5)
Charitable donation to Poppy Appeal	**(0.6)**	(0.8)
Profit before tax	**232.8**	124.4