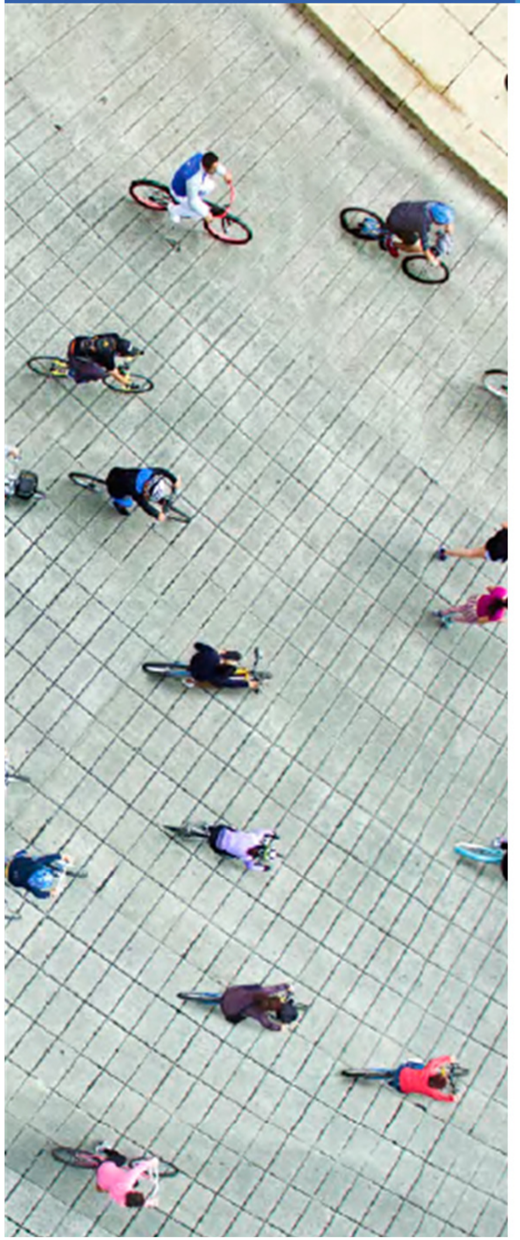

Half year results 2019

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COVENTRY Building Society

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1. Introduction

Overview

COVENTRY Building Society

Simple business model

- Providing simple, transparent retail savings products which offer long term value.
- Helping customers own residential properties through low risk mortgage lending primarily through intermediaries.
- Delivering sustainable organic growth and having a low risk approach to safeguard the Society's future.
- Ensuring operations are cost efficient, allowing the society to pay above market interest rates to savers.
- Strategically investing in the future whilst maintaining capital strength.
- Underpinned by our CARES values which shapes decision making and focuses on putting members first.

Financial Strength

Strong CET1 ratio highest reported by any top 20 lender.[1]	**34.2%**
Management expense ratio lowest reported by any UK building society	**0.48%**
Leverage ratio exceeds regulatory requirements.[2]	**4.5%**

The 2nd Largest Building Society in the UK

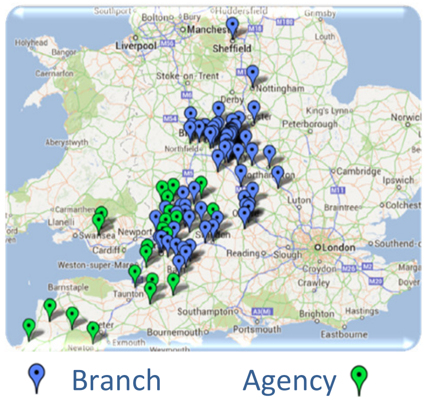
	Long term	Short term	Last credit opinion
Moody's	**A2**	**P-1**	Sept 2018
Fitch	**A-**	**F1**	Apr 2019

Low risk

- Low LTV lending and third party distribution provides resilience to the business model if the market deteriorates.
- 22% of mortgages and 62% of savings on administered rates at 30 June 2019.
- Mortgage and savings rates remain competitive with pricing supported by low levels of operating costs, impairments and conduct provisions.
- Nationwide distribution of savings and mortgage avoids geographical concentration.

Member Focus

- The Society returned £117m of value back to members so far in 2019 through competitive savings rates[3].
- The Society still has a strong Branch network consisting of 70 branches to service our members.
- Continuing to invest in the branch network is a key part of our strategic plan.



- All figures as at 30 June 2019 unless otherwise stated
- 1. Source: CML Top 20 mortgage lenders (as published July 2018) - latest published CET 1 data As at 29/07/2019 2.Under the BoE modified calculation excluding Central bank exposure less than 3 months 3. The Society's average month end savings rate (society mix of products) compared to BoE WA rate for household interest bearing deposit (society mix of products)

2. Half year 2019 Results

Highlights H1 2019

COVENTRY Building Society

Growth in the Business

- ✓ Mortgage assets have increased by £1.3bn an increase of 8.5%
- ✓ Savings balances increased by £1.9bn an increase of 11.8%
- ✓ The Society has continually outperformed the growth of the market, this year over two times the rate of the rest of the market for both mortgages and savings.

Cost Efficiency whilst Investing for the Long Term

- ✓ The lowest cost to mean asset ratio of any UK building society, whilst investing significantly in its technology infrastructure and branch network.
- ✓ Our ratio remains low, at 0.48%,including our increase in strategic investment. 0.39% excluding investment[1].

Putting Members First

- ✓ The average weighted savings rate paid to members was 1.52%, 0.69% higher than the average paid in the market, maintaining a value of £117 million.
- ✓ The Society's overall Net Promoter Score has been maintained at a very strong +75[2] (31 December 2018: +75),
- ✓ One of the lowest complaint overturn rates at the Financial Ombudsman Service[3].

Capital Strength with Low Risk Mortgages

- ✓ Financially safe and strong institution maintaining CET1 ratio of 34.2%, the highest reported by a top 20 lender[4] and a UK leverage ratio of 4.5%[5].
- ✓ Consistently low arrears levels falling even further to 9 bps so far in 2019.

1. Increase in strategic investment costs charged to the Income Statement compared to 2017 2.Source: https://www.netpromoter.com/ 3. Financial Ombudsman Service 4. CML Top 20 mortgage lenders (as published July 2018) - latest published CET 1 data As at 29/07/2019 5.Under the BoE modified calculation excluding Central bank exposure less than 3 months

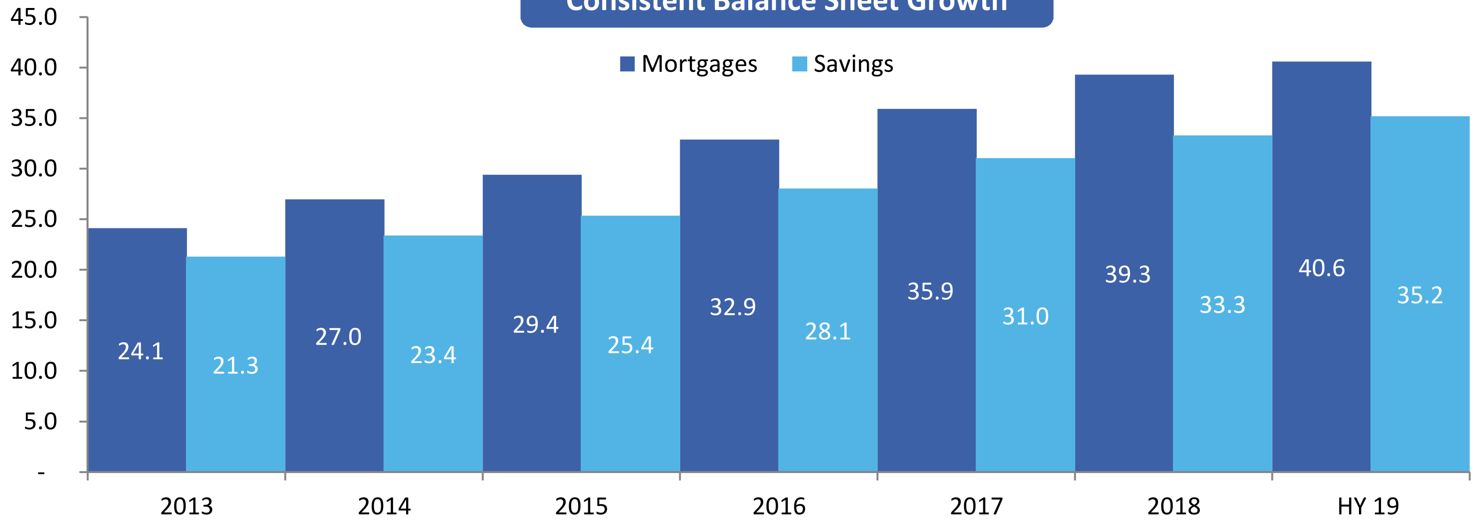
Organic Consistent Growth

COVENTRY Building Society

Growth in the Business

- Mortgage assets have increased by £1.3bn an increase of 8.5% [1]
- Savings balances increased by £1.9bn an increase of 11.8% [1]
- The Society has continually outperformed the growth of the market, this year over two times the rate of the rest of the market for both mortgages and savings.

Consistent Balance Sheet Growth



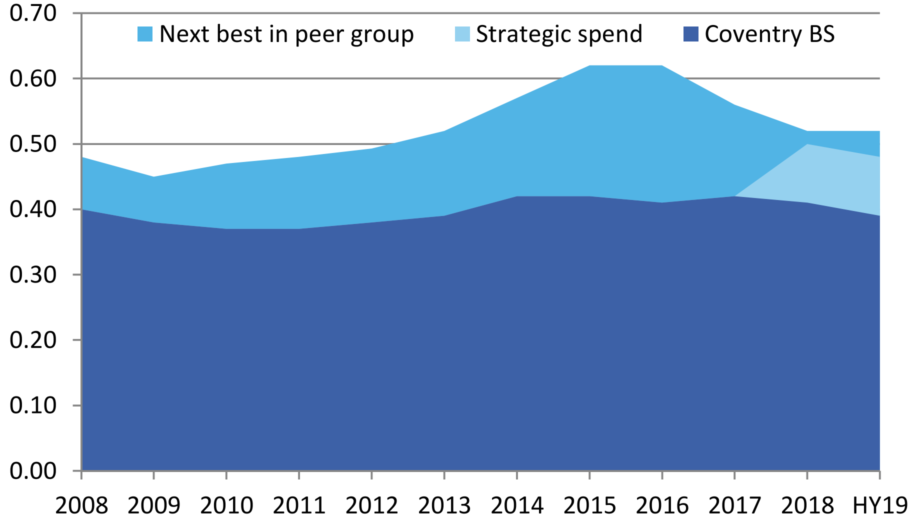
- This long-standing organic growth strategy has been maintained consistently for many years
- The Society now accounts for 3.3% of all UK mortgage lending, and market share has increased by over 50% since 2011.[2]
- Gross lending of £4.0 billion and net lending of £1.3 billion in the first half of 2019. The Society's mortgage balances are expected to have grown by more than two and a half times the rate of the market for the 12 months to 30 June 2019

1.Over the previous 12months since June18 2 Source: CML July 2018, Note the CYBG and Virgin Money merger

Maintaining Cost Advantage

COVENTRY Building Society

Management Expenses (%)[1,2]



Remaining Cost Efficiency…..

- The lowest cost to mean asset ratio of any UK building society at 0.48%, including the increase in our strategic investment programme.
- The Society's low cost base gives a competitive advantage with underlying costs at 0.39% for the first half of 2019.
- Cost efficiency is driven by the simple business model, efficient distribution channels and high average account balances, with growth driving economies of scale.
- The Society expects cost growth to continue through 2019 as the strategic investment programmes progress. The Society is focused on spending members' money wisely and the cost to mean asset ratio is expected to remain amongst the lowest reported by any UK building society.

….whilst Investing for the future

To sustain the Society's great service record in the future, there is a need to invest in technology and infrastructure to meet the changing service expectations of the customers, during the last 6 months we have made significant progress with our three strategic programmes.

The Society increased it's technology capabilities across the business with great success in implementing print and telephony upgrades and increasing the businesses digital competences.

1. Source: CML Top 20 mortgage lenders (as published July 2018) 2.Next best in peer group YE2018 release used

Investment Update

Branch network re-design ☑

- Important face of the Society with the membership which builds trust and engages the community. Branches are an important part of our service promise to customers, with a branch Net Promoter score of +90 on average through H1 2019.
- Branches account for around 30% of retail savings acquisition each year and manage around £10.5bn of the total retail book.
- So far we have renovated over 20% branches since we started the project in 2018, with 8 in the first half of this year and a further 11 expected to complete before the end of 2019.
- Flexible design principles will future proof our branches and better reflect the future of branch engagement.
- Great feedback from the community as we continue to roll out the design.

Operational Resilience ☑

- To enhance operational resilience we are progressing a move to a co-located/ cloud hybrid datacentre environment.
- Will provide dedicated and resilient point to point connectivity.
- Cloud technology adopted subject to rigorous risk assessment.
- Enable scalability of operation, and achieve economies of scale in a safe and secure way.
- During 2019 we still expect to complete the majority of the remaining migrations.

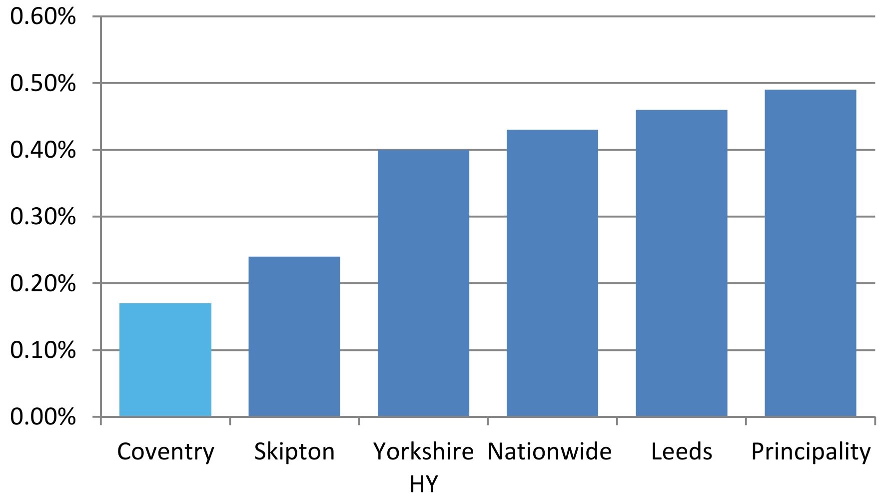
Upgrading Banking Platform ☑

- As stated at year-end, we experienced a number of challenges with this activity in 2018 and identified that progressing as planned was likely to be more complicated and expensive that originally envisaged.
- As a result, we have reviewed options to meet our objectives while reducing the risk of the upgrade.
- This review has now finished and the activity has been re-planned as a number of individual initiatives, giving us a roadmap of change projects. This more modular approach is designed to reduce execution risk and allow more flexibility in scheduling both activity and cost.
- We expect to start a number of these initiatives in the second half of the year including a multi-year programme to implement new Mortgage Origination tools to improve our service to Intermediaries and borrowing members.
- The roadmap extends across the Strategic Planning period and as a result, we expect costs to remain elevated for a number of years. We are not planning to progress the replacement of our Core Banking Platform within our planning horizon.

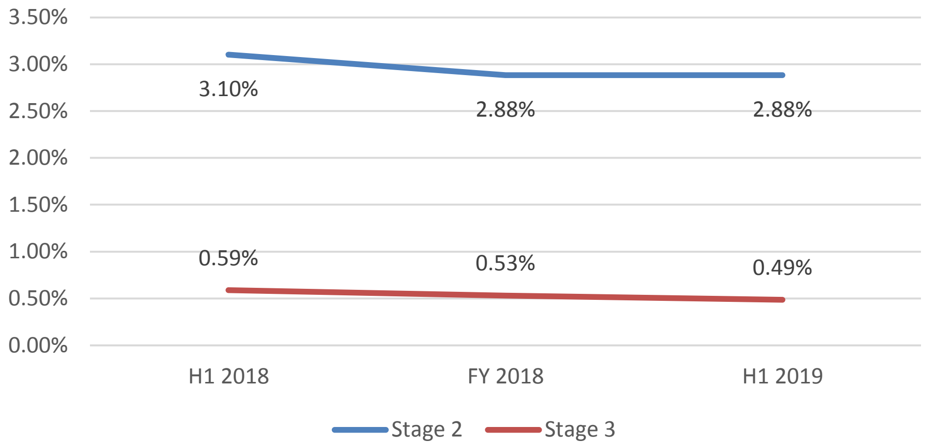
Asset Quality Remains Strong

COVENTRY Building Society

% of Accounts > 3 months in arrears [1]



% of mortgage balances in Stage 2 & 3



Low risk, increased prudence in provisioning

- The key measures of arrears and possessions have both improved in the first half of 2019 with balances three or more months in arrears falling to £60.1 million (31 December 2018: £67.6 million).
- Only 27 cases in possession (31 December 2018: 34).
- Despite this underlying improvement, we have increased impairment provisions reflecting a management view of the market and economic uncertainty driven by Brexit and a weakening macroeconomic backdrop. The impairment charge during the period was £1.2 million (30 June 2018: credit of £1.0 million).
- We continue to focus on low risk lending and the average loan to value (balance weighted average) of loans originated in the six months to 30 June 2019 has remained unchanged at 54.6% (31 December 2018: 54.6%), despite a house price inflation environment which has been flatter and has notably seen falls in some locations.
- Impairment provisions as a percentage of balances classified as being in Stage 3 (default) under IFRS 9 remains low reflecting our underlying low loss experience. Provisions as a percentage of Stage 3 balances have increased to 6.1% (31 December 2018: 5.6%) with coverage for Stage 3 loans in arrears higher at 9.1% (31 December 2018: 8.9%).
- Provisions continue to reflect 5.5 years coverage of the losses we have seen over the last 12 months (31 December 2018: 5.5 years).

1. Source: Annual report and accounts, last available data used as at 29/07/19

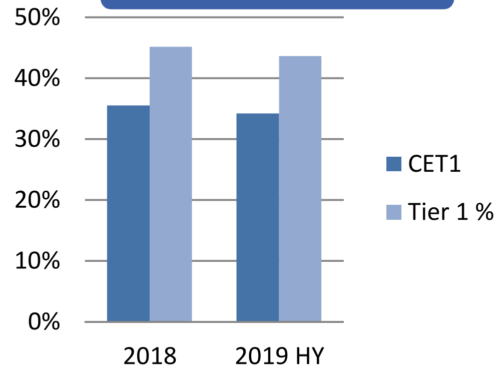
Brexit – Prudence and Impact

COVENTRY Building Society

AT1 Tender and Re-issue

- Tender and Re-issue gave certainty to the Society and Investors, and manage through the uncertainty of Brexit, seen by many as very investor friendly.
- Tender for any or all of the outstanding AT1 at a cash price of 102.25% - the first of this kind, with approval from the PRA within the 5 years from initial issuance.
- Provided investors with liquidity event and option to re-invest cash proceeds in new AT1
- AT1 remains an important part of the capital of the Society, supporting the leverage ratio (81bps of ratio)
- Issuance of new £415m AT1 nc5 at 6.875% rated investment grade by Moody's
- Tender resulted in £385.1m (96.3%) outstanding bond being bought back, saving cost for the Society
- Cost within CET1, affecting CET1 ratio but remaining robust at 34.2%, with Tier 1 ratio of 43.4%

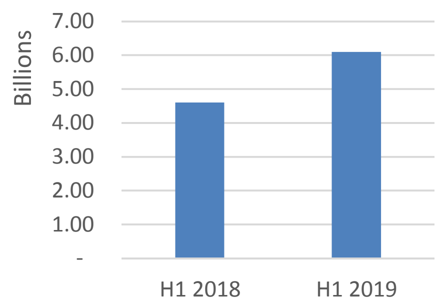
Tier 1 Ratios



Liquidity elevated

- Core liquidity levels are £1.5bn higher in H1 2019 from H1 2018 (£6bn from £4.5bn)
- The Society prefunded in H1 2019 to de-risk Brexit Risk
- Cloud technology adopted subject to rigorous risk assessment.
- Completion of over £500m of bi-lateral funding arrangements, increasing Covered Bond issued in late 2018. Funding activity has continued with the issuance of €500m 7 year Covered Bond.
- LCR is 232% as at 30th June 2019, (177% on 30th June 2018).
- Prefunding and retention of the higher liquidity levels is expensive for margin, but prudent risk management

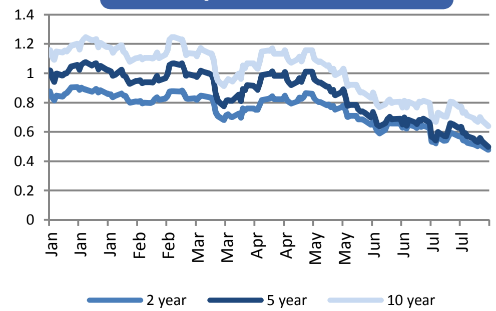
Core Liquidity Levels



Volatility in Hedge Accounting

- The Society uses derivative financial instruments to manage interest rate and currency risk arising from its mortgage and savings activity and from non-sterling wholesale funding.
- During the first half of 2019 there has been considerable market volatility impacting swap valuations.
- Whilst the Society's derivative financial instruments have remained effective in economically hedging risks as they were designed to do, hedge accounting relief has not been obtained creating accounting volatility
- A loss of £12 million have been recognised (31 December 2018: £0.6 million loss). These losses represent timing differences and are expected to reverse over the remaining life of the derivatives

Swap Rates in 2019



Members First in a Competitive Market

COVENTRY Building Society

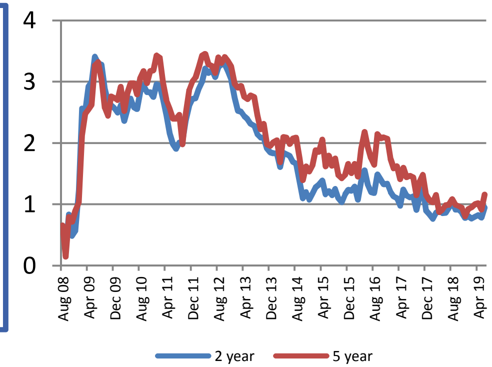
Putting Members First

- The average weighted savings rate paid to members was 1.52%, 0.69% higher than the average paid in the market (31 December 2018: 1.50%, 0.72% higher than the market)[1].
- The Society's overall Net Promoter Score has been maintained at a very strong +75[2] (31 December 2018: +75), supported by one of the lowest complaint overturn rates at the Financial Ombudsman Service[3].
- During the six months to 30 June 2019 we maintained the value provided to members through superior savings rates compared with the market average[1] at £117 million (30 June 2018: £117 million). Whilst member value was maintained, profit before tax decreased by £38 million to £75 million.

Competitive Mortgage Market

- The market environment has remained competitive during 2019 and there has been a further modest decrease in net interest margin.
- This competition continues to reflect new entrants particularly in the savings market, and continuing competition in the mortgage market impacted both by the UK ringfenced banks and a slowdown of housing market activity.
- Mortgage margin reductions from previous years continue to feed through as borrowers refinance existing mortgages post fixed period.

75% LTV Mortgage Margins[5]



Actions already taken

- The Society's simple business model means that we continue to focus on simple, low risk mortgage products and are able to leverage our deep experience and effective partnerships with intermediaries.
- The Society has increased its product offering to Portfolio landlords, increasing the amount of properties it will lend on from 3 to 5, an additional fee is charged for portfolio landlords, currently 25bps.
- The Society has taken the difficult decision to reduce back book savings rates to over 25% of balances in June to September. The decrease in rate for the products affected averages 20 bps.

1. The Society's average month end savings rate (society mix of products) compared to BoE WA rate for household interest bearing deposit (society mix of products) 2.www.netpromoter.com 3. Financial Ombudsman Service
5 mortgages rates provided by BoE minus applicable SONIA swaps.

H1 2019 Financials

COVENTRY Building Society

Income statement

£m	HY2019	HY2018
Interest receivable and similar income	501.7	480.5
Interest payable and similar charges	(300.6)	(266.8)
Net interest income	201.1	213.7
Other income	1.1	(1.0)
Net gains/losses from derivatives	(12.4)	(0.6)
Total income	189.8	212.1
Management expenses	(113.3)	(99.6)
Impairment credit/charges	(1.2)	1.0
Financial Services Compensation Scheme	-	1.4
Provisions for liabilities and charges	-	(1.0)
Charitable donation (Poppy Appeal)	(0.6)	(0.8)
Profit before tax	74.7	113.1
Taxation	(14.1)	(23.3)
Profit for the period	60.6	89.8

Balance sheet

£m	HY2019	HY2018
Liquidity	7,575.6	5,973.2
Loans and advances to customers	40,586.5	37,409.3
Derivative financial instruments	417.8	263.2
Intangible and tangible assets	111.9	86.0
Other assets	42.3	34.8
Total assets	48,734.1	43,766.5
Shares	35,158.7	31,442.5
Wholesale	10,906.0	9,900.9
Derivative financial instruments	314.0	212.6
Other liabilities	106.1	87.3
Subordinated liabilities	25.5	25.5
PIBS	41.6	41.6
Members' interests and equity	2,182.2	2,056.1
Total liabilities & equity	48,734.1	43,766.5

Financial Metrics

COVENTRY Building Society

%	2014	2015	2016	2017	2018	HY 2019
Net interest margin / mean assets	1.15	1.11	1.06	1.02	**0.96**	**0.86**
Cost/ mean total assets (including Strategic Investment)	0.42	0.42	0.41	0.42	**0.50**	**0.48**
Cost / income ratio (including Strategic Investment)	35.7	37.2	37.9	40.4	**52.3**	**59.7**
Retained profit / mean assets	0.53	0.52	0.50	0.46	**0.35**	**0.26**
Liquidity (as percentage of SDL)	13.6	13.8	13.5	15.5	**14.7**	**16.4**
Wholesale funding	19.4	20.0	21.6	22.7	**23.7**	**22.4**
Mortgage assets growth	11.8	9.1	11.8	9.3	**9.3**	**8.5**
Common Equity Tier 1 ratio	25.4	29.4	32.2	34.9	**35.5**	**34.2**
UK Leverage Ratio[1]	4.2	4.4	4.4	4.6	**4.6**	**4.5**
Liquidity Coverage Ratio (LCR)	>100	141	151	208	**202**	**232**

Financial Strength

- Net interest margin reflects member focused pricing, whilst being sufficient to support growth and maintain capital ratios.
- The Society’s cost base remains low, with a cost to mean assets ratio of 0.39% excluding strategic expenditure on technology infrastructure and the branch network. This is a key advantage in an increasingly competitive mortgage market, and allows us to make strategic investment whilst costs remain the lowest in the sector.
- Wholesale has increased with issuance of a €500m Euro Covered Bond, an additional issuance of £100m of the SONIA covered bond.
- CET1 ratio the highest reported by any top 20 lender,[2] Liquidity Coverage Ratio significantly in excess of regulatory minimum as we take further precautions with Brexit related risks.

1.Under the BoE modified calculation excluding Central bank exposure less than 3 months (2018 results)
2. Source: CML Top 20 mortgage lenders (as published July 18) - latest published CET 1 data As at 27/02/2019

3. Asset Quality

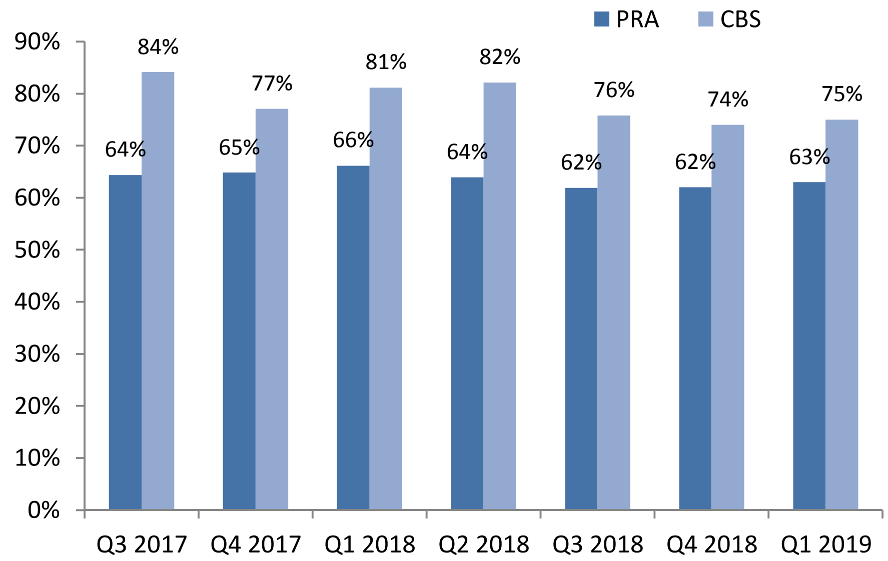
Asset quality

COVENTRY Building Society

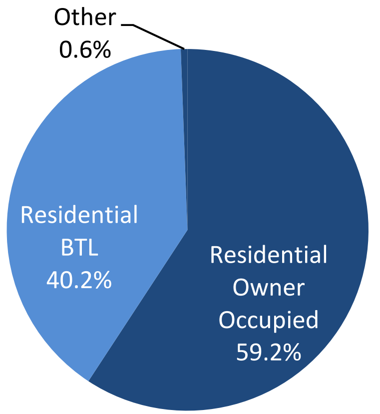
Low Risk Loan-to-Value (LTV)

- 75% of new lending in 2019 has been at LTVs of 75% or below, in comparison to the market average of 63% (to end of Q1 2019).
- Market lending above 90% in the first quarter of 2019 was 4.5%; Coventry lending above this LTV was nil[2]
- No sub-prime, commercial or second charge lending (legacy inherited commercial book currently £2.1m in run off).
- Negligible levels of unsecured lending on book (£22m)
- The balance weighted average indexed LTV of the entire mortgage book is 54.6%.
- 96% of the overall book has an indexed LTV of 85% or less.
- Two-thirds of all buy-to-let lending was originated at 65% LTV or less.

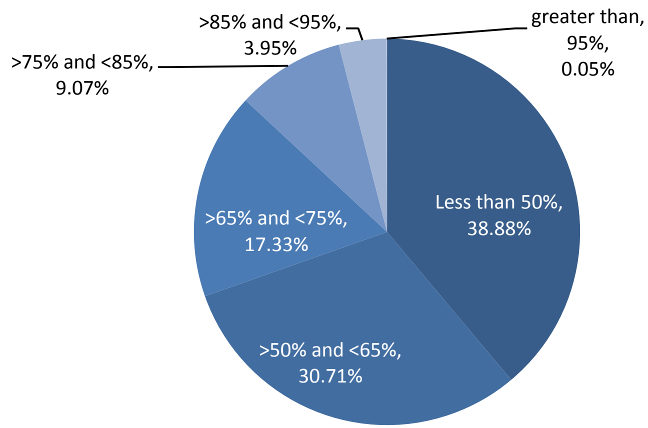
Gross lending ≤ 75% LTV[1]



Total book split by product (Value)



Total book split by LTV (Value)



1.Source: PRA 2.Original advance excluding any product fees

Asset quality

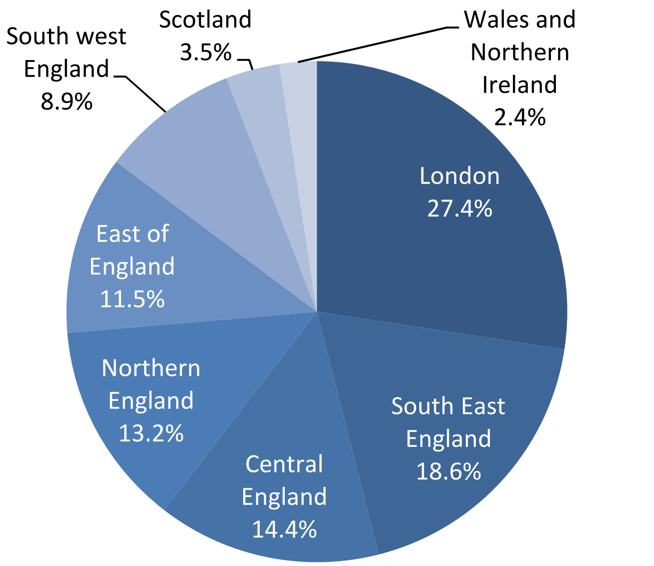
Geographic Split

- 90% 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.

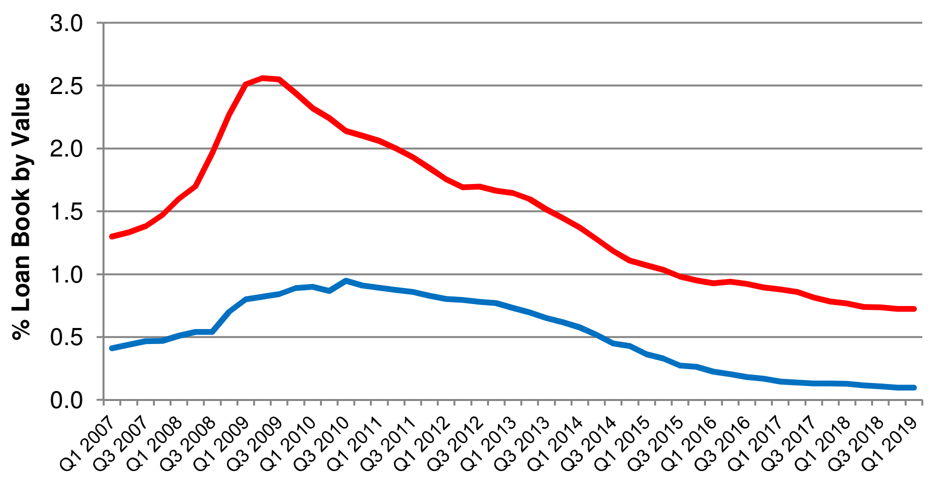
Mortgage Book Performance

- The Society’s arrears performance continues to improve and to be significantly better than the industry as a whole.
- The value of loans in arrears by ≥ 2.5% of the mortgage balance at 30 June 2019, as a proportion of the total book, has fallen to 0.09%.
- Arrears are very rarely capitalised. There was only 4 cases in H1 2019 for Coventry versus 2,800 for the industry as a whole Q1 2019[1]
- At 30 June 2019, only 27 properties were in possession.

Geographic distribution by Value June 2019



Loans in Arrears >=2.5% of mortgage balance – including possessions



1. Source PRA

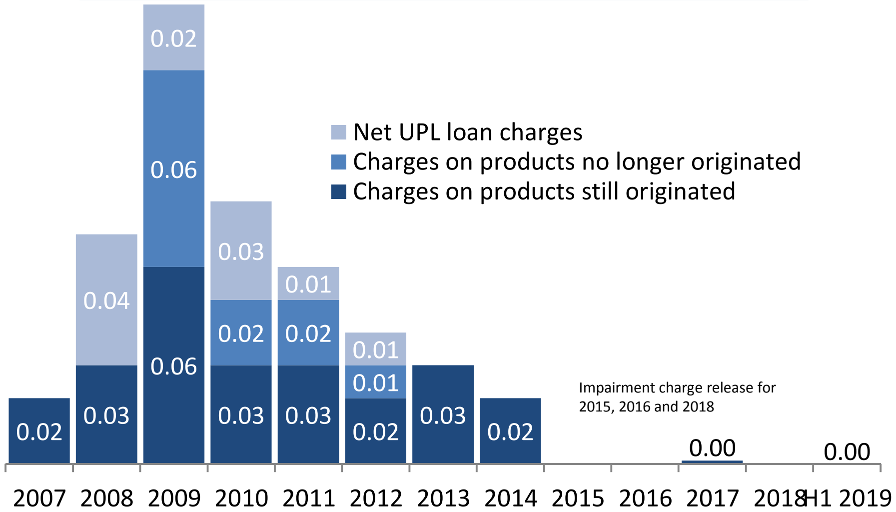
Asset quality

COVENTRY Building Society

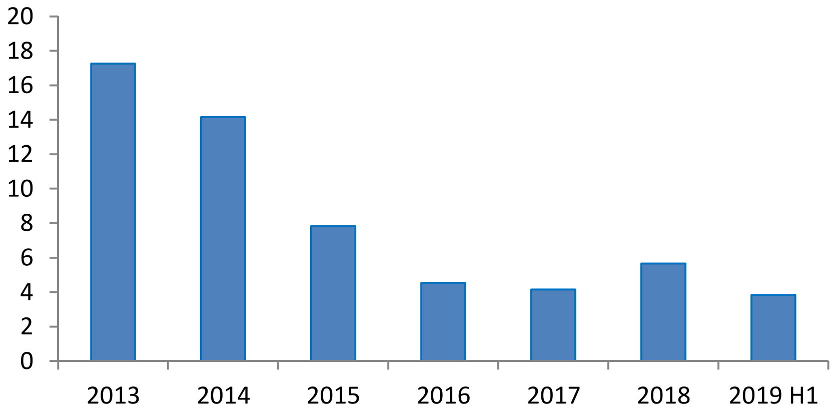
Robust Origination and Monitoring

- Coventry has strong and experienced central underwriting and collections teams, with no outsourcing.
- 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[1].
- Arrears levels are consistently below industry averages at just 0.17% of accounts being more than three months in arrears (Industry average 0.81%).[2]
- At 30 Jun 2019, only 27 properties were in possession, of which 8 are legacy products, 8 standard owner occupier and 11 Buy to Let out of a total of c.280k properties.

Impairment charges as % of loans



Average Society Possessions per month



Very Low Impairments

- Impairments are very low on a mortgage book of £39.2bn.
- Impairment charges have fallen over the recent past with releases reported in 2015, 2016 and 2018.
- 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.
- Increase in the provision of £0.4m in 2019 due to reduction in specific and possession provision cases, offset by management judgement overlays.

1.Original advance excluding any product fees 2. Source UK Finance including possession cases

4. Asset Quality: Buy-to-let

Asset quality – Buy-to-let

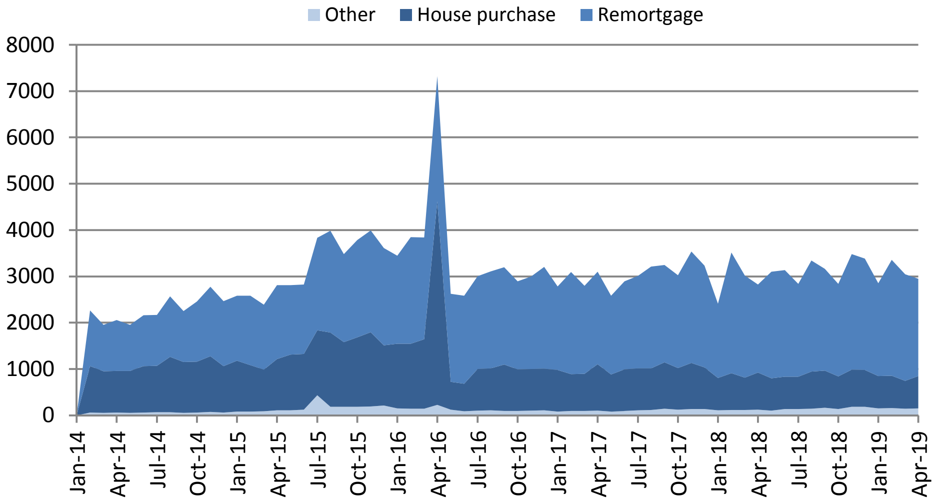
Coventry BTL Experience

- 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.
- Arrears and impairment levels have been very low. On circa £29bn of lending since entering the market in 2002, we have incurred total losses of £9.4m.
- The balance weighted average LTV of the buy-to-let book is only 55.2% as at 30 June 2019.
- There have been only 4 losses on all buy-to-let lending originated in 2010 or later (total losses £49k) and only 11 buy-to-let properties in possession at June 2019 from a book of c. 115,000 properties.

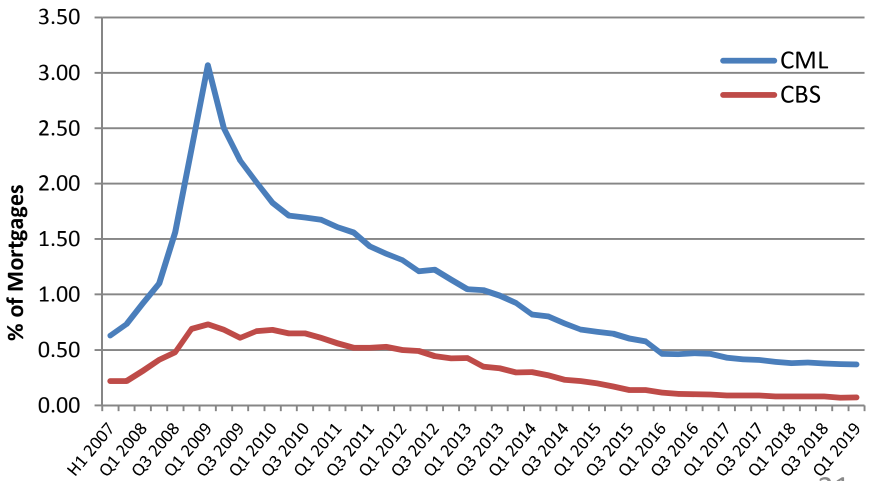
Coventry BTL Performance

- 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 2019 the number of loans >3 months in arrears (including possessions) reduced to 0.07% (0.08% Dec 18)
- Buy-to-let lending proved to be even more resilient than owner occupier lending during the crisis, with peak > 3 months arrears of 0.73% compared to 1.34% for the owner occupier book.
- c.85% of our borrowers have only one property with the Society and c. 4% have more than two with the Society (maximum 5 properties).

New mortgages by purpose of loan, non-seasonally adjusted, UK (CML) (£m)[1]



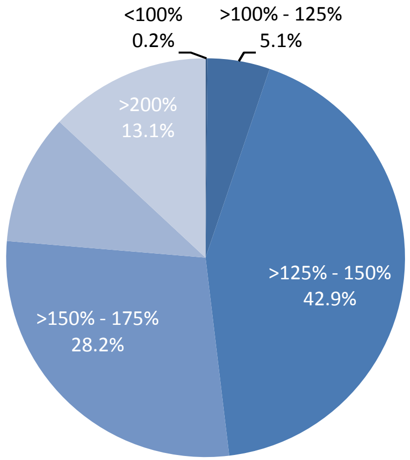
Coventry vs. CML >3mths buy-to-let arrears (incl. possessions)[1]



1.Source CML:

Asset quality – Buy-to-let

Interest Coverage Ratio 2019[1]



Lending Criteria

- Properties must be readily saleable into the owner occupier market.
- 100% subject to physical valuations.
- Maximum of 5 properties with the Coventry and an aggregate loan limit of £2,000,000.
- 50% maximum LTV on new build flats.
- 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)

London Market

- 44% of all BTL Balances are in London compared to 27% of overall book
- Coventry lending policy ensures any loan greater than £1m to be less than 50% LTV, up to 75% LTV loan size is capped at £750k and above 75% is capped at £350k.
- Coventry does not lend on licensed HMO properties.
- Severe stress testing carried out on our London BTL book, showed strong resilience.
- Lower arrears than the rest of the country with 3bps greater than 3 months in arrears (7bps national average).

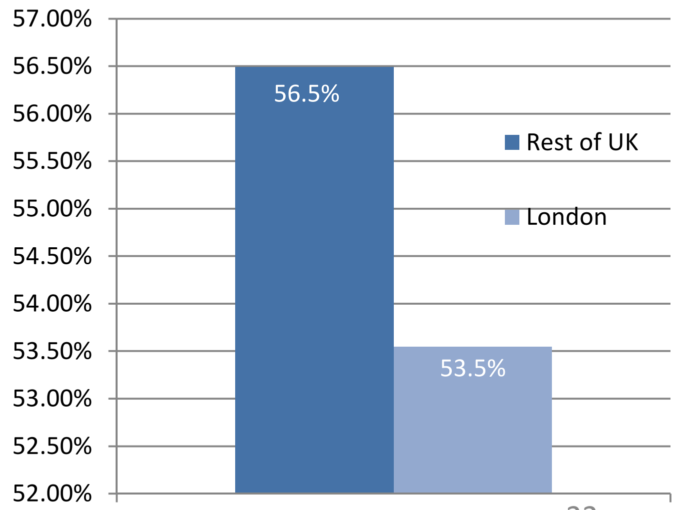
Interest Coverage Ratio (ICR)

- On almost all 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.
- Prudent assumptions regarding rental voids, rent increases etc .are included
- Coventry's actual indexed ICR for 30th June 2019 173.2%

Portfolio Landlords

- Portfolio landlord regulation introduced in 2017.
- Buy-to-let criteria maintained and additional checks by dedicated portfolio underwriters only.
- Assessment of geographical concentration and whole portfolio.
- Portfolio maximum LTV of 65% across all properties within the portfolio.
- The whole portfolio minimum ICR of 125%.
- No individual property with ICR < 100%.
- The proportion of portfolio landlords is c.20% of new business

Balanced weighted average LTV



1. Based on original rental at 5% stress rate - All data as at 30 June 2019

5. Funding and Liquidity

Liquidity

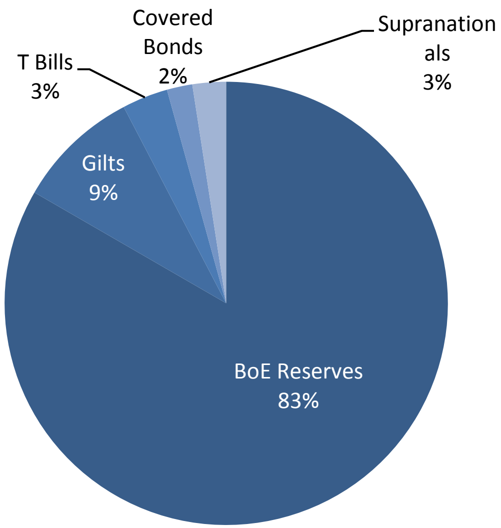
Liquidity

- 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.
- This year the total available liquidity has increased month on month, this is driven by both an increase in unencumbered assets and an increase in the reserve account balance .
- Core liquidity is eligible as High Quality Liquidity Assets Buffer.
- Majority of liquid assets in UK Sovereigns with a small proportion in Supranational bonds, more recently the Society has invested in UK covered bonds.

LCR / NSFR

- The Society maintains liquidity considerably above regulatory requirement. With an LCR of 232% as at the 30th of June 2019.
- The NSFR was 141% as at 30th of June 2019.
- The Loan to Deposit ratio was 116% reflecting the stable funding profile of the Society.
- Statutory Liquidity stands at 16% as at 30 June 2019.

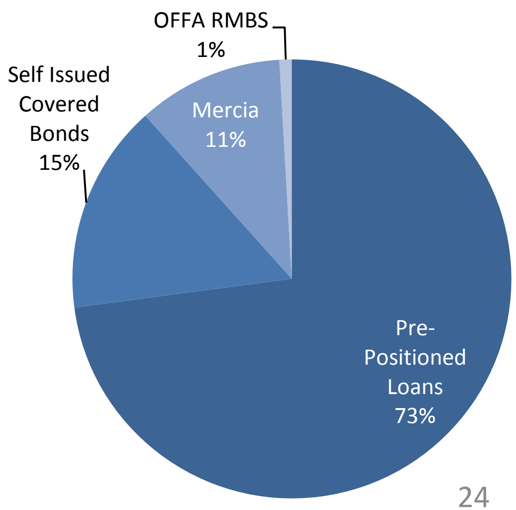
Core Liquidity[1]



£6.1bn Core Liquidity

£3.2bn Contingent Liquidity[2]

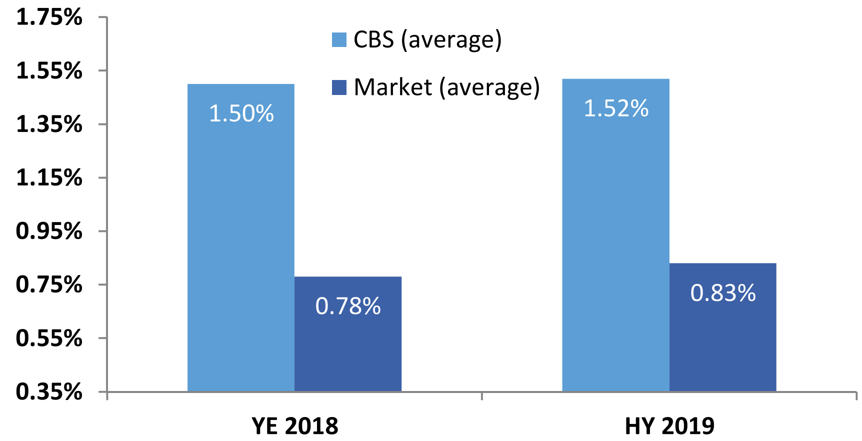
Contingent Liquidity[1]



1.Showing value of unencumbered assets as at June 2019.

Retail funding

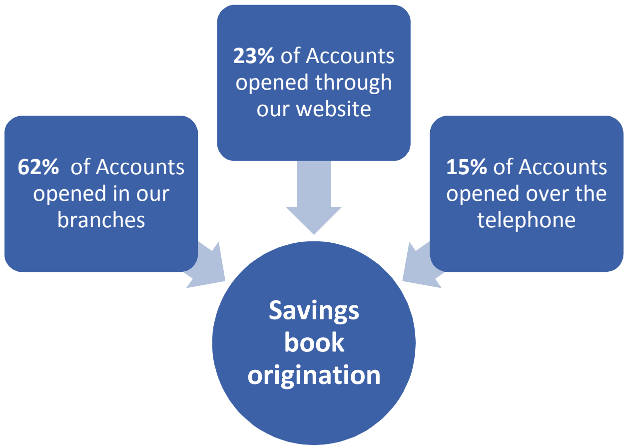
Retail Funding Prices vs. Market[1]



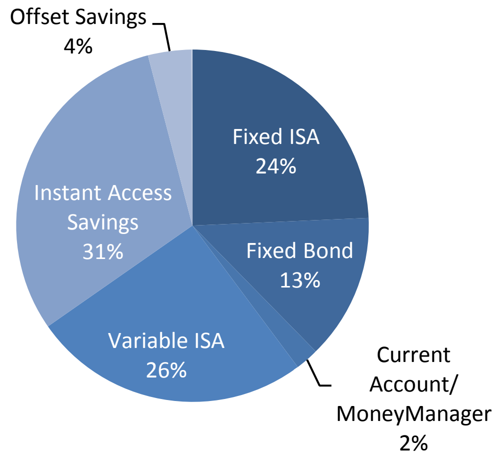
Retail Savings Focus

- Lending is primarily funded through retail deposits.
- Coventry has a proven track record in acquiring and retaining retail balances.
- Savings book growth 11.8% over three times the rate of the market in the last 12 months.
- Savings diversified over distribution channels; Branch, Internet and Telephone.
- Coventry market share remained at 2.5% in the first half of the 2019, with over 181,000 new accounts opened so far in the year.
- The Society pays above market rates on savings, in line with our continued strategy of returning value to members.
- New partnership with Hargreaves Lansdown offering Society products on the platform to acquire new funding, initially with an exclusive agreement to offer the only instant access product.

Savings book origination as at June 2019



Retail Product Breakdown as at June 2019



1. The Society's average month end savings rate (society mix of products) compared to BoE WA rate for household interest bearing deposit (society mix of products) period Jan- may

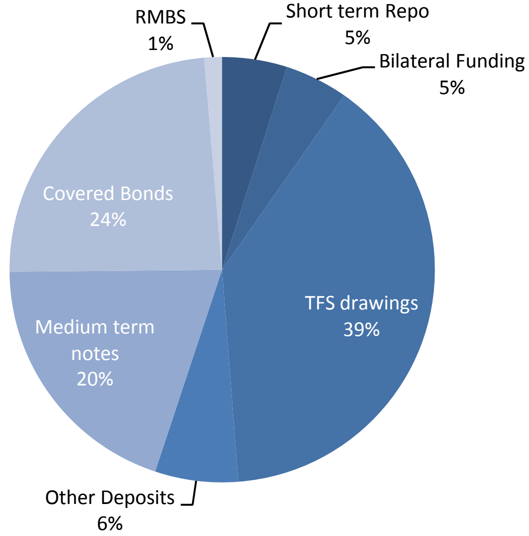
Wholesale funding

COVENTRY Building Society

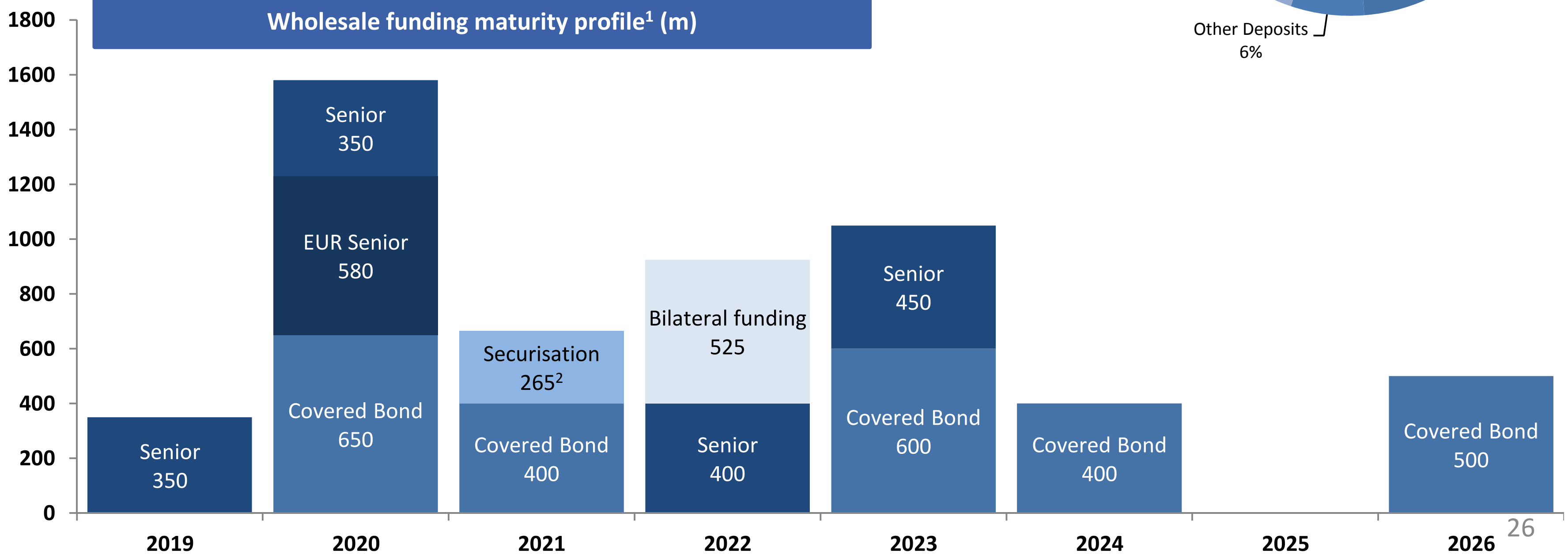
Funding Strategy

- Retail deposits are supplemented by a number of wholesale funding options.
- Wholesale market access provides competitive advantage and diversification of funding
    - MTNs.
    - Covered Bonds.
    - Securitisation.
- Continued move towards longer dated wholesale deals providing reliable long term funding.
- Wholesale funding ratio 22.4% as at 30 June 2019.
- TFS drawings of £4.25bn with No FLS remaining.
- The Society issued £500m 7 year Euro Covered Bond and bilateral funding transactions, demonstrating a more flexible and diversified funding strategy, as markets continue to remain volatile.

Wholesale Funding as at 30 June 2019



Wholesale funding maturity profile[1] (m)

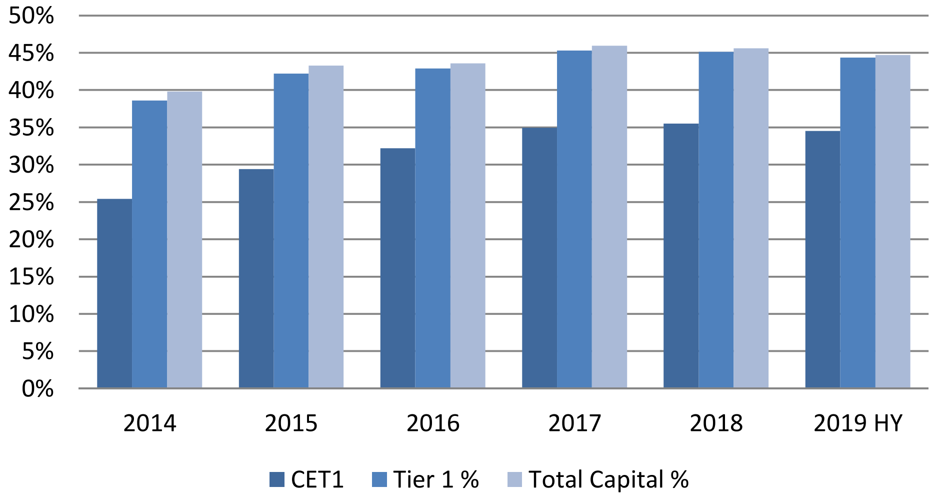


1. Current value after amortisation as at 31 May 2019 2. In GBP, excluding TFS

6. Capital

Capital

CET1 and Total Capital Ratios



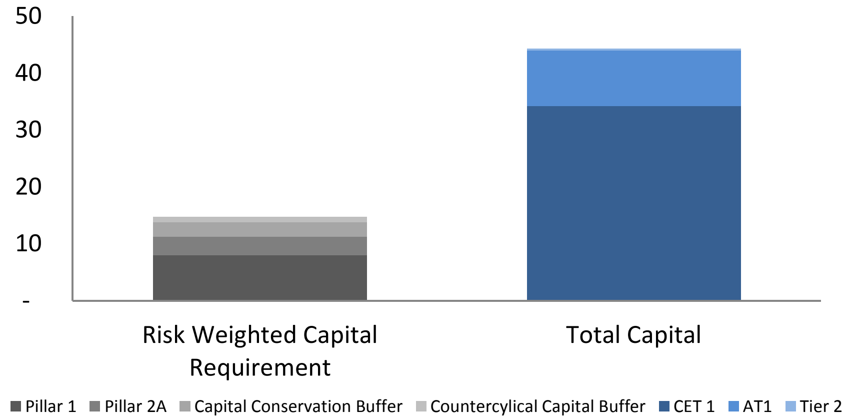
Capital and Reserves

- The Society's CET1 ratio fell to 34.2% as at June 19, remaining comfortably above requirements.
- The Society has been issued with a TCR by the regulator of 11.2% of RWAs, which is comfortably exceeded. This was a reduction of the previous ICG of 12.8%
- Retained earnings from strong profitability are Coventry's primary source of CET1 capital, currently c. £1.73bn.
- Internally generated capital is augmented by £415m of AT1 issuance, providing 81bps uplift in leverage ratio.
- The whole loan sale of non-member buy-to-let mortgages to a third party in 2015 and 2018 provide further capital management options.

Regulatory Capital

- The Society was issued with Total Capital Requirement (TCR) of 11.2% or £539m comprising Pillar 1 and Pillar 2A
- Regulatory capital buffers must be met in addition to TCR and on an end-point basis are as follows:
  - Capital Conservation Buffer – 2.5%
  - Countercyclical Buffer – 1.0%
- Coventry's total capital ratio is 44.0%[1] compared to an RWA-based capital requirement of 14.7% (TCR + Capital Conservation Buffer + Countercyclical Buffer)
- The differential represents a significant 29.3% buffer over and above total capital requirements on an RWA basis

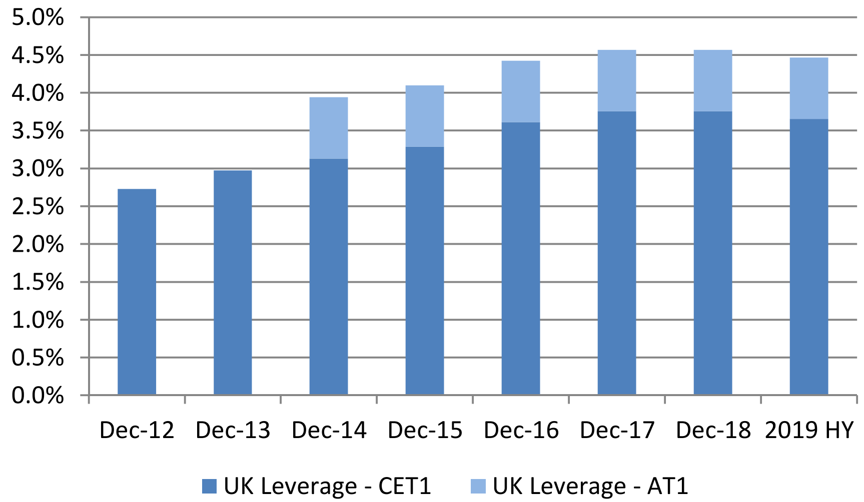
End-point Risk Weighted Capital Requirement



1. Reported on a transitional basis.

Leverage & MREL

Leverage Ratio[1]



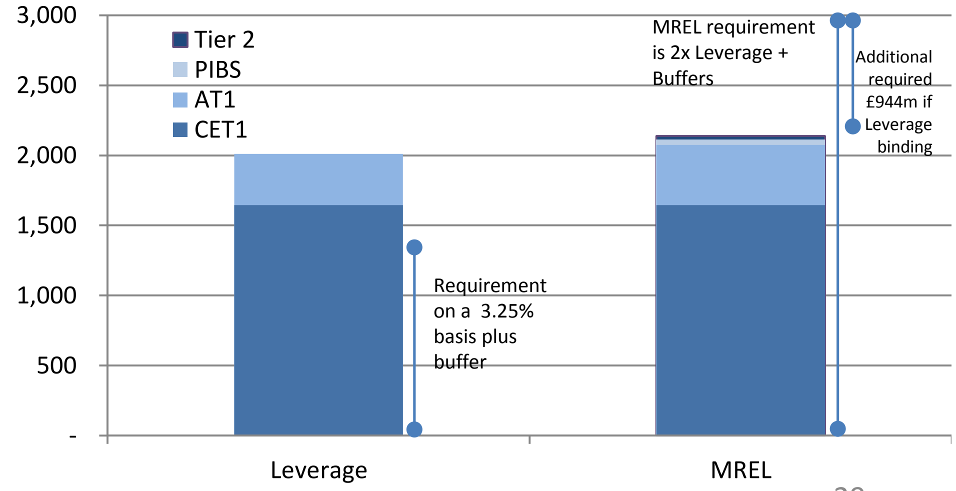
Leverage Ratio Framework

- A binding UK leverage ratio applies to firms with retail deposits of £50bn or more. This is not expected to be binding until at least 2020.
- The components of the UK leverage ratio framework are a minimum ratio of 3.25% (excluding Central Bank exposures below 3 months to maturity). The CCyB is set by the FPC and is currently 1%.
- The modified leverage ratio on a UK basis at 30 June 2019 is 4.5% (4.2[3]% based on CRR leverage), comfortably above the 3.25% minimum level (3.6% including the CCyB).

MREL

- Under the rules the Society is required to meet an interim MREL requirement of 18% of risk weighted assets by 1 January 2020. The indicative 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 22.4% of risk weighted assets. The Society currently exceeds this constraint. If leverage becomes the binding constraint for the Society, this will result in the need to raise MREL eligible debt.
- As at half year of 2019, an additional requirement of £944m of MREL would be required to meet 2x leverage constraint
- This requirement will be expected to grow in the years leading up to 2022, as the balance sheet grows, however, this equates to a manageable 3 to 4 MREL transactions

MREL



1.The BoE modified calculation excluding Central bank exposure less than 3 months 3. Reported on a transitional basis

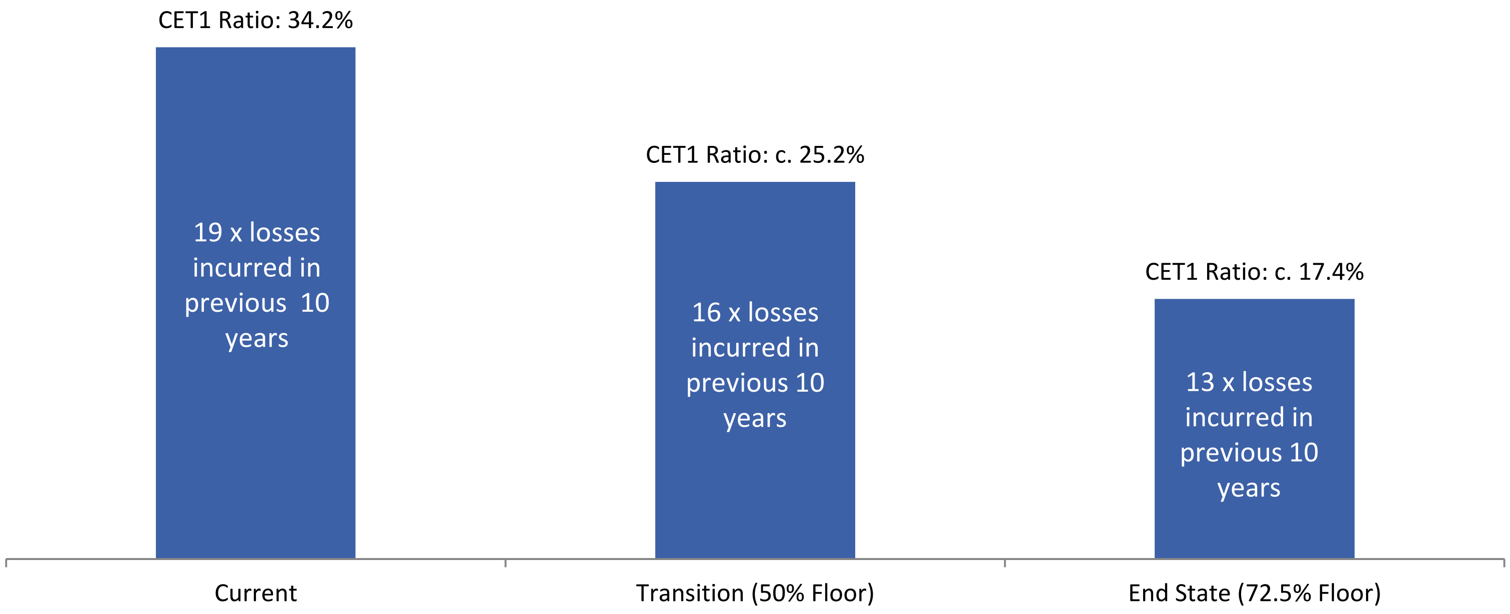
Basel IV Capital implications

COVENTRY Building Society

Basel IV

- 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% in 2022 to 72.5% in 2027.
- Assuming the implementation of 50% output floor, the CET1 ratio reduces materially but remains above 25%, reflecting the impacts of the flooring on a low risk business model.
- Surplus to regulatory minima remains considerable, equal to over 12 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

7. Environmental Social Governance

Environmental Social Governance

COVENTRY Building Society

Environmental Sustainability

- The Society has signed up to the Coventry District Energy Scheme, which produces energy from general waste we donate, produced from our head office sites
- All printed material we produce comes from recycled paper sources or sustainable forests, with the overall goal to reduce the amount of printed material
- This half-year, single use plastic – cutlery, drinks cups, pots- are being removed from all head office sites
- Representatives from around the Society make up the new Environmental Sustainability Working Group, to oversee further environmental plans
- Our print centre has recently been Forest Stewardship Council accredited.

Staff Development

- We were awarded 47th in the Times top 100 Best companies to work for.
- 2 stars from Best companies accreditation for our employee engagement skills.
- The Society has been accredited with the workplace wellbeing charter recognises our commitment to our employees.
- The Employee Value Proposition reflects the values of the organisation and the aspirations of colleagues, resulting in a continuous focus on internal mobility, personal and career development
- The Society has active Graduate and Apprenticeship programmes to increase entry routes into the Society
- Recent winners of private sector Employer of the Year for equality and inclusion

Carbon Footprint

- All electricity supplied to branches and head office buildings is from renewable sources, with LED being fitted into all redesigned areas including branches.
- Staff are also encouraged to support the environment, whether it be from taking public transport and making use of the bus service between head office and the train station, or from utilising the electric vehicle charging points located at head office
- The Society's overall objective is to achieve the Carbon Trust Triple Standard.

Volunteering and Fundraising

- From July 2018, 75% of all staff have engaged in volunteering and fundraising for local schools and charities.
- A total of £237k was raised in the 12 months from July 2018 through staff fundraising, and total volunteer hours amounted to 7,814.
- For the first half of the year, staff have supported 161 charities and 73 schools, with a total of 2,549 children being supported by taking part in staff-led and organised volunteering sessions.

9. Contacts

Contact details

COVENTRY Building Society

Contacts

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Useful links

- **Main website** http://www.coventrybuildingsociety.co.uk/
- **Financial results** http://www.coventrybuildingsociety.co.uk/your-society/financial-results.aspx