NS Half-year/Interim Report

HALF-YEAR FINANCIAL REPORT

COVENTRY BUILDING SOCIETY
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Excellent progress on integration while strengthening the foundations for the future.

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

"I'm pleased with the progress in the first half of 2026, strengthening the foundations of the combined Group through successful integration and building momentum behind our strategy.

We have delivered a robust financial performance despite a difficult geopolitical backdrop, challenging external trading conditions and intense market competition. We have operated in a disciplined way with a clear focus on capital.

We expect competition to remain elevated, digitisation and AI adoption to continue at pace and the demands of consumers to continue to change. The rationale for our acquisition is even more compelling and we will focus on realising the power of the combination through a multi-year investment programme.

The Group remains absolutely focused on delivering the right outcomes for our members and customers as we continue our journey of building a purpose-led organisation that will stand out in UK financial services."

Excellent delivery on integration as it moves into its final phase, with continued focus on capital accretion

- Underlying[1] profit before tax decreased to £183 million (H1 2025: £200 million) in line with expectations, primarily reflecting base rate reductions over the past 12 months and a very competitive market environment.
- Statutory profit before tax decreased to £125 million (H1 2025: £722 million), due to the inclusion in the prior year of a £584 million one off gain from the acquisition of the Bank and further integration related costs in the period.
- Underlying[1] income of £531 million (H1 2025: £560 million) and net interest margin of 1.19% (H1 2025: 1.24%), with the reduction related mainly to the increasingly competitive trading conditions, particularly on our retail deposits.
- The Group's underlying[1] costs remained stable at £350 million (H1 2025: £351 million) which reflects the delivery of our first phase of efficiencies as we integrate the Society and the Bank, offsetting inflationary pressures.
- We continue to prioritise our leverage ratio, which has improved to 4.8% (FY 2025: 4.6%) and our CET 1 ratio is stable at 19.6% (FY 2025: 19.7%). Both measures are well above regulatory levels.
- Integration remains on track as the programme enters into its final phase, having successfully consolidated support functions, and which has included integrating our finance, people and procurement systems. Plans are progressing to transfer the Bank's assets and liabilities[2] into the Society in early 2027 and bring eligible Bank customers into membership.

Delivering for our members and our personal and business customers

- The mortgage market remained very competitive, with compressed margins. We have prioritised value over volume for new lending resulting in a reduction on our mortgage book of £0.8 billion. Supporting first time buyers is core to our purpose and a key objective, helping over 4,300 members and customers onto the property ladder.
- The Group has 744,000 (FY 2025: 759,000) active personal current accounts. We have recently enhanced our proposition by launching a market-leading switcher offer in June, supported by improvements including fee-free overseas spending and materially improved packaged accounts as we look to deepen relationships across the Group.
- We increased our active business banking customers by almost 2,000 to 82,000 and opened over 7,000 accounts.
- The Society has continued to offer competitive savings products with a £157 million premium[3] (H1 2025: £201 million) above the market average being paid to members. The reduction is as a result of lower bank base rate and the more competitive savings market.
- We have introduced a new unified framework for a Group Net Promoter Score[4] (NPS) in the period, incorporating the transactional banking activities of The Co-operative Bank. To date we have achieved a strong NPS of +56 and continue to deliver high levels of customer service to members, customers and intermediary partners along with improvements to our digital capabilities.

Supporting our colleagues and the communities we serve

- Colleague feedback and engagement remains a priority as we continue to bring both organisations together. Our latest quarterly engagement survey shows that 70% of colleagues believe the Group is a great place to work.
- The Group has once again been named as one of the UK's Best Workplaces™ for Wellbeing[5], recognising our commitment to supporting colleagues' physical, mental, financial and social wellbeing.
- We have invested over £1 million in our communities, supporting youth homelessness, financial inclusion and community resilience, and reaching more than 1,000 young people through careers and skills initiatives.

1. Excluding items that are one off in nature relating to the purchase and integration of the Bank.
2. Through a proposed Part VII business banking transfer under the Financial Services and Markets Act 2000, subject to the necessary legal and regulatory approvals.
3. 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 five months of the year (H1 2025: five months).
4. A measure of customer advocacy that ranges between -100 and +100 which represents how likely a customer is to recommend our products and services. A new unified framework for the Group has been introduced in the period and there is no consistent comparator available for the prior period.
5. by Great Place to Work.

Financial Review

Income Statement

	Period to 30 June 2026			Period to 30 June 2025[1]		
(Unaudited)	Group underlying performance	Items related to acquisition & integration[2]	Group statutory performance	Group underlying performance	Items related to acquisition & integration[2]	Group statutory performance
	£m	£m	£m	£m	£m	£m
Interest receivable[3]	**1,760**	**21**	**1,781**	2,033	21	2,054
Interest payable[4]	**(1,244)**	**7**	**(1,237)**	(1,484)	10	(1,474)
Net interest income	**516**	**28**	**544**	549	31	580
Other income and charges	**12**	**-**	**12**	16	-	16
Gains/(losses) from derivative financial instruments[5]	**3**	**(26)**	**(23)**	(5)	(47)	(52)
Total income	**531**	**2**	**533**	560	(16)	544
Administrative expenses[6]	**(318)**	**(46)**	**(364)**	(319)	(23)	(342)
Amortisation and depreciation[7]	**(32)**	**(14)**	**(46)**	(32)	(14)	(46)
Impairment release/ (charge)[8]	**2**	**-**	**2**	(9)	(9)	(18)
Gain on acquisition of a subsidiary[9]	**-**	**-**	**-**	-	584	584
Profit before tax	**183**	**(58)**	**125**	200	522	722

1. £6 million of underlying costs have been reclassed from other income and charges to administrative expenses in the prior period as a result of concluding finance system integration activities post acquisition of the Bank. There is no impact on reported profit before tax.
2. The following footnotes detail the acquisition & integration related items and their exclusion from underlying performance.
3. Relates to the unwind of the day one fair value adjustment recognised against the acquired loans & advances to customers and certain hedged liquidity instruments.
4. Relates to the unwind of the day one fair value adjustment recognised against certain external wholesale funding issuances acquired with the Bank.

5. Represents the impact of acquiring derivative instruments but not acquiring the linked hedge accounting relationships and therefore the resulting restart of hedge relationships on the acquired derivatives.

6. Represents one off costs relating to the bringing together of people, systems and processes.

7. Represents the amortisation against the Core Deposit Intangible asset, which arose on acquisition and acceleration of amortisation and depreciation against assets impacted by integration decisions.

8. Represents the recognition of the reset expected credit loss allowance against Bank acquired loans & advances to customers.

9. Represents the resulting gain calculated as the fair value of the consideration paid less the net assets acquired.

Underlying Group net interest income decreased to £516 million (30 June 2025: £549 million). The reduction is mainly due to a more competitive savings market which has resulted in back book churn into higher rate products and front book variable and fixed rate pricing. In addition, mortgage new business margins continue to be compressed. This is slightly offset by increased income in the Group structural hedge of £24 million. We are not expecting an easing in this competitive environment and do expect some further moderation to income.

The underlying Group net interest margin of 1.19% (30 June 2025: 1.24%) has reduced in line with expectations given current trading conditions.

Throughout the period, the Group continued to pay above average savings rates, returning £157 million (30 June 2025: £201 million) in member value[1] compared to market average rates. The reduction is due to the impact of the lower Bank rate over the last 12 months and more competitive trading conditions.

Other income and charges

The Group also recognises other income relating predominately to fees on lending, credit cards and current account transactional fee income and related expenses.

In the first half, the Group successfully repurchased £0.5 billion of surplus MREL debt and whilst this resulted in a loss of £7 million in the period, this will deliver a lower interest expense in the second half of the year and into 2027.

Losses on derivative financial instruments

The Group uses derivative financial instruments to manage interest rate and currency risks arising from its fixed mortgage and savings activity and from non-sterling and fixed rate wholesale issuances.

The Group applies hedge accounting where possible and its approach continued to be effective throughout the period. The underlying gain in the period of £3 million (30 June 2025: £5 million loss) reflects a small loss from the unwinding of previous gains, as expected due to the nature of hedge accounting, offset by small ineffectiveness gains from downward rate movements in the first half.

The Bank's hedge accounting programme ceased in the prior year as the acquired balance sheet was measured at fair value on acquisition. The Group elected to recommence a hedge accounting programme in 2025 in order to manage the volatility of the acquired portfolio of derivative assets, which allowed for a more controlled run-off. This has resulted in a charge in the period of £26 million (30 June 2025: £47 million) and is shown outside of our underlying performance as this is an item directly related to the acquisition of the Bank.

Underlying Group management expenses including depreciation and amortisation for the period were £350 million (30 June 2025: £351 million). Following the acquisition of the Bank, excellent progress has been made in delivering cost synergies across both our third-party supplier relationships and through integrating support functions. This is offsetting inflationary pressures. As we progress into the second half of the year, the impact of cost efficiencies from integrating the Bank are expected to increase further.

The Group statutory management expenses include £60 million of one-off expenses as we continue to integrate the Bank into the Group and build the foundations for us to deliver on our ambitious strategy.

Supported by our robust financial performance, the Group has continued to invest meaningfully to improve services and resilience. The total spend on investment and integration, including capital expenditure, of £97 million (30 June 2025: £64 million) has been focused on activity to modernise our services and integration of the Bank, with good progress on our digital roadmap as demonstrated by a range of new capabilities, in particular around card and transaction controls and the removal of foreign fee charges. This investment also includes continued focus on cyber controls, operational resilience and improvements to our finance, risk and people processes and systems.

The underlying cost to income ratio[2] has increased to 66% (30 June 2025: 63%), reflecting reduced income as a result of lower bank rate and trading conditions.

Provision for expected credit losses (ECL)

The Group ECL provision has decreased to £41 million (31 December 2025: £44 million) and reflects a worsening in economic scenarios as a result of continued volatility in geopolitical and national issues, offset by reduced levels of post model adjustments.

The reduction in ECL provision of £3 million, offset by a £1 million charge for write-off losses predominantly in the Bank unsecured portfolio, has resulted in an overall credit impairment release of £2 million in the period.

The Group ECL provision equates to 0.06% of the overall lending book (31 December 2025: 0.06%), which is reflective of very strong credit quality with very low arrears and losses.

Items relating to acquisition and integration

The prior period statutory Income Statement includes the benefit of the £584 million gain on acquisition as well as other items related to the unwind of fair value adjustments arising on acquisition and the impacts of resetting both the hedge accounting programme expected credit losses.

During the period, the unwinds of the fair value adjustments have continued to be recognised along with the ongoing impact of the hedge accounting programme reset. Costs of continuing our journey to integrate the Bank and settlement of the final consideration have also been incurred in the period.

Balance Sheet

	30 Jun 2026 (Unaudited) £m	31 Dec 2025 (Audited) £m

Assets		
Loans and advances to customers	**72,145**	72,936
Liquidity	**12,107**	13,896
Other	**1,146**	1,407
Total assets	**85,398**	88,239

Liabilities		
Retail and business deposits	**70,239**	71,722
Wholesale funding	**10,137**	11,316
Subordinated liabilities and subscribed capital	**285**	290
Other	**400**	622
Total liabilities	**81,061**	83,950

Equity		
General reserve	**3,583**	3,506
Other equity instruments	**665**	665
Other	**89**	118
Total equity	**4,337**	4,289
Total liabilities and equity	**85,398**	88,239

Loans and advances to customers

The Group's lending remains focused on high quality owner-occupied and buy to let lending within the prime residential market, distributed mainly through mortgage intermediaries in a cost-effective way.

The Group manages its growth according to economic conditions, market pricing and funding conditions. The lending book has contracted £0.8 billion to £72.1 billion (31 December 2025: £72.9 billion) in the first six months of the year. The reduction was driven by a conscious decision to reduce new lending given the compressed margins currently being experienced.

During the period, the Group advanced £4.3 billion of mortgages (30 June 2025: £4.0 billion), of which £3.1 billion was owner occupied (H1 2025: £3.0 billion), £0.7 billion standard buy to let (H1 2025: £1.0 billion) and a further £0.5 billion (H1 2025: £nil) related to limited company buy to let following our successful launch in April 2025.

The growth in lending was offset by a higher level of redemptions and other repayments, following the Group's measured approach to participation given the competitive trading environment and impact on acquisition margins.

The balance weighted average indexed loan to value of the mortgage portfolio has seen a small decrease to 54.8%[3] at 30 June 2026 (31 December 2025: 54.9%).

Despite the current economic conditions, the Group continues to have a robust and high quality asset book. This is demonstrated by very low arrears with only 0.39% of mortgages more than three months in arrears (31 December 2025: 0.38%).

The Group's small unsecured credit card portfolio (30 June 2026 and 31 December 2025: £0.2 billion) has remained stable in the first half of the year. Credit quality remains strong with low arrears rates.

In addition, the Group's £1.0 billion portfolio of business and commercial loans was also flat in the period. 60% of this portfolio represents PFI and housing association loans. Credit quality remains strong with a low level of arrears.

Liquidity

Liquid assets have decreased to £12.1 billion (31 December 2025: £13.9 billion) as a result of a lower requirement from reduced mortgage trading and savings product mix changes. The Group liquidity position remains strong as demonstrated by our 12-month rolling average Liquidity Coverage Ratio (LCR) of 232% (31 December 2025: 230%), significantly in excess of the regulatory minimum.

Liquid assets are principally held in deposits at the Bank of England, supplemented by UK Government and other high quality debt securities. This means that asset quality remains very high, with 96% of the portfolio rated Aaa-Aa3 (31 December 2025: 97%). 100% of liquid assets are held in UK sovereign or UK financial institutions (31 December 2025: 98%).

Retail and business funding

The Group continues to be predominantly funded by retail and business deposits, with balances of £70.2 billion at 30 June 2026 (31 December 2025: £71.7 billion). Deposit balances reduced by £1.5 billion in the period as a result of the very competitive trading environment and our measured approach to lending. The Group's overall savings market share has remained flat in the period.

The Group has £4.9 billion (31 December 2025: £5.0 billion) of personal current account balances and overall, balances have remained stable in the period. Our longer-term strategy is to increase our market share in the current account market and deepen relationships with our existing member and customer base. To support this, we successfully launched a market leading packaged current account with a generous switcher offer for existing members at the end of June, in addition to removing foreign usage fees.

The Group continues to build business and commercial relationships with savings and current account balances remaining stable in the period (30 June 2026 and 31 December 2025: £3.5 billion).

Wholesale funding

The Group uses wholesale funding to provide diversification of funding by source and term, supporting growth and lowering risk by reducing the overall cost of funding. This benefits retail deposit customers through better savings rates and lending customers by enabling us to offer more competitive long-term rates.

Wholesale funding in the period has decreased to £10.1 billion (31 December 2025: £11.3 billion). The Group issued two covered bonds in the period, with €750 million in April and £750 million in May, which was more than offset by repayments in the period.

Repayments included the Group successfully repurchasing £0.5 billion of surplus MREL debt through liquidity management exercises across two outstanding securities (issued by the Society and the Bank respectively) in May. Whilst this resulted in a loss of £7 million recognised in the period, this activity will deliver a lower interest expense in the second half of the year and into 2027 and has simplified our resolvability.

The Society and Bank both previously accessed the Bank of England's Term Funding Schemes with over £10 billion in combined drawings. The Group is expected to pay the final outstanding repayment of £260 million in December 2026.

Equity

The Group's equity is predominately made up of over 140 years of retained profits in the general reserve and Additional Tier 1 (AT 1) capital of £0.7 billion.

The Group made post tax profits of £106 million in the six months to 30 June 2026, with a further £29 million distribution to AT 1 capital holders from reserves and a small movement in other reserves.

Capital Ratios

(Unaudited)	**End-point 30 Jun 2026 £m**	End-point 31 Dec 2025 £m
Capital resources:		
Common Equity Tier 1 (CET 1) capital	**2,989**	2,907
Total Tier 1 capital	**2,364**	3,572
Total capital	**3,925**	3,847
Risk weighted assets	**15,235**	14,760

CRD V ratios	**%**	%
Common Equity Tier 1 (CET 1) ratio	**19.6**	19.7
UK leverage ratio[4]	**4.8**	4.6

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

Leverage

We are not bound by regulatory leverage ratios, which measure Tier 1 capital against total exposures, including off-balance sheet items. The UK leverage ratio framework is expected to apply to the Group when its average of retail deposits over the last three years exceeds £75 billion (threshold subject to future review and update) at its annual reporting date.

The Group UK leverage ratio increased to 4.8% in the period (31 December 2025: 4.6%) as a result of the retained profits for the first six months of the year and a reduction in our mortgage exposures. Leverage remains above the current regulatory expectations of 3.25% minima.

Capital

The increase in capital as a result of retained profits in the period has been offset by higher risk weighted assets (RWAs), resulting in a broadly stable CET 1 ratio of 19.6% at 30 June 2026 (31 December 2025: 19.7%). Our CET 1 ratio remains significantly ahead of the Total Capital Requirement for the Group, which was 11.5% of risk weighted assets as at 30 June 2026.

The Society and Bank had both submitted updated models to the PRA in 2023. Our strategy following the acquisition is to move to a single Group IRB model. We have received feedback from the PRA in 2025 on the models which had been submitted and we intend to incorporate this feedback into the build of our new Group model. We currently expect to submit our new Group IRB model at the end of 2027. When approval is granted, the final Group IRB model output RWAs may vary from those calculated currently, thereby impacting capital ratios.

Basel 3.1 RWA floors are currently expected to be phased in from the introduction of the new regulations in 2027 and in time are expected to reduce the Group's reported CET 1 ratio through increasing RWAs. Applying the Basel 3.1 RWA floors to the 30 June 2026 figures on a full transition pro-forma basis would result in a CET 1 ratio of approximately 18.6%. However, on expected Basel 3.1 implementation in January 2027, the Group estimates a 20.1% pro-forma CET 1 ratio at 30 June 2026 due to the removal of the IRB scalar of 1.06%.

All known future capital requirement changes (including Basel 3.1 impacts) have been embedded into the Group's financial plans, ensuring we remain appropriately capitalised.

The capital disclosures above are on a Group basis, including all subsidiary entities.

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 five months of the year (30 June 2025: five months).

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

3. LTV is calculated using the Nationwide Building Society quarterly regional house price index (HPI).

4. The UK leverage ratio includes a restriction on the amount of Additional Tier 1 (AT 1) capital and excludes central bank reserves from the calculation of leverage exposures.

Other Information

The Interim Financial Report information set out in this document is unaudited and does not constitute accounts within the meaning of section 73 of the Building Societies Act 1986.

The financial information for the year ended 31 December 2025 has been extracted from the Annual Report & Accounts for that year. The Annual Report & Accounts for the year ended 31 December 2025 have been filed with the Financial Conduct Authority. The Auditors' report on these Annual Report & Accounts was unqualified.

A copy of the Interim Financial Report is placed on the website of Coventry Building Society, at www.thecoventry.co.uk. The directors are responsible for the maintenance and integrity of the information on the Society's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Forward Looking Statements

Certain statements in this Interim Financial Report are forward looking. The Group, defined in this Interim Financial Report as Coventry Building Society and its subsidiary undertakings, believes that the expectations reflected in these forward looking statements are reasonable based on the information available at the time of the approval of this report. However, we can give no assurance that these expectations will prove to be an accurate reflection of actual results; because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward looking statements. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

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