Factbook

Annual Results 2024

The co-operative bank
Ethical then, now and **always**

Chief Executive Officer's review

I am delighted to welcome The Co-operative Bank to Coventry Building Society, bringing the original ethical bank once again into the ownership of a mutual organisation.

Our shared values and ambition to become a genuinely different type of financial services provider to UK consumers makes this an exciting proposition. It has only been achieved however, because of the hard work undertaken by my new colleagues over a number of years, to return the Bank to a position of strength and stability alongside sustainable profitability.

2024 continued this progress. The Group delivered a **statutory profit before tax of £72.9m** (2023: £71.4m) and had **a CET1 ratio of 18.7%** (2023: 20.4%). The result for the year included **£34.1m of costs in relation to the sale of the Group to Coventry Building Society** (2023: £6.4m). Excluding those, alongside other exceptional items not representative of the day-to-day running of the Bank, **profit before tax on an underlying basis was stable at £116.2m** (2023: £120.9m). It is very encouraging to see that the Bank's improved financial strength has been recognised externally resulting in a number of credit rating upgrades, and driving a **return to investment grade** once again.

Alongside this solid financial performance, the Bank made significant progress in simplifying its IT infrastructure, delivering the commitment to exit legacy platforms and datacentres and **bring £19bn of mortgage balances and £5bn of savings balances onto a single system.** The progress made to modernise and streamline the technology used to serve customers sets a strong foundation for future development of product and service improvements and will support future integration work with the Society.

I was delighted that the **Bank continues to be recognised as the UK's best ESG rated high street bank for the fourth year running** and it is encouraging to see the progress more widely in the industry as ESG increasingly forms part of customers' decisions around who they choose to bank with. The joining of the Society with the Bank will further progress our shared values and long heritage in these areas.

In these first weeks as interim Chief Executive Officer, I have been hugely impressed by the dedication of my new colleagues in serving our customers at a time of significant change. The collaboration with Society colleagues has started positively and the ambition to deliver on behalf of all of our customers is clearly evident, and the more I meet, talk and listen, the more I am struck by our shared desire and commitment to serving customers.

There is no question we have more to do to invest in the service capabilities of the Bank, and central to this is giving my colleagues the tools and capabilities to do the job they want to do, and this is why we will also invest in our vibrant working environment while promoting diversity and inclusion across the Bank and wider group, as we come together as one team with shared ambitions.

This is of the utmost importance as we begin the journey of integrating the two organisations and deliver the long-term benefits of the transaction for our customers and members.

I am hugely excited to be leading the Bank in the interim and the combined group on this transformation. We have a loyal customer base and engaged colleagues who have continued to deliver for customers and want to do even better. **The Bank is operationally and financially resilient, with a strong capital and liquidity profile** and partnerships in place that align to its co-operative values and ethics. It has shown continued progress in a period of considerable business change, and I would like to thank Nick Slape and his team for their leadership of the business during this period of turnaround.

As I have said, there is a lot to do. Earlier this year, we announced the appointment of Andrea Melville as Chief Executive Officer of the Bank. Andrea will join us in June 2025, and is someone who shares our passion to build something brilliant that will stand out in UK financial services. She will be an excellent addition to the Bank's and broader group's leadership team. I am looking forward, along with the Board, to building on the foundations created in recent years and delivering the great potential presented by this genuinely transformational opportunity.

Steve Hughes

Interim Chief Executive Officer

Our 2024 Sustainability Highlights

Our Environmental Social Governance (ESG) rating

Our commitment to the co-operative values and ethics on which the Bank was built over 150 years ago makes us a natural leader in Environmental, Social and Governance (ESG). Our unique, customer-led Ethical Policy defines how we do business and we regularly poll our customers, colleagues and stakeholders to ensure they have a say in how our business is run.

For the fourth year running, The Co-operative Bank has been rated as the UK's best ESG rated high street bank by leading ESG risk rating agency, Sustainalytics.[1]

In 2024, we also maintained our ratings from other ESG rating agencies, receiving an AAA rating from MSCI[2] in November 2024, and a Prime rating of C with ISS in July 2024, reinforcing our position as a leader in ESG.

In October 2024, we were proud to remain **one of two banks** in the UK labelled as an Eco Provider by consumer champion Which?[3]

MSCI ESG RATINGS AAA

CCC | B | BB | BBB | A | AA | AAA

Rating Agency	Rating	Scale	Latest update
MSCI	AAA	AAA to CCC	2024
Sustainalytics	11.2	0 to 100	2025
ISS ESG	C	A+ to D-	2024

22.1%

Mean gender pay gap
0.7% reduction
(2023: 22.8%)

Scope 1 & 2 location based emissions 14.8% reduction[4]

c.£100k

Donated to 102 community projects across the UK through Customer Donation Fund

Friends of the Earth

14 Postcode Gardener projects established

14.4%

Mean ethnicity pay gap
3.7% reduction
(2023: 18.1%)

44,284

Community Directplus accounts (4.1% increase)
(2023: 42,526)

New ESG strategy developed

Risk ratings maintained with ESG rating agencies

Compassionate Customer Care Award GOLD

First organisation awarded Gold Compassionate Customer Care Award by Hospice UK

CENTRE POINT ENDING YOUTH HOMELESSNESS

£129,169 raised for Centrepoint

Together to Net Zero

Net Zero Transition Plan updated

£83,468 raised by colleagues for local and national charities[5]

1. As of January 2025, The Co-operative Bank received an ESG Risk Rating of 11.2 from Morningstar Sustainalytics and was assessed to be at low risk of experiencing ESG issues. In no event should this Risk Rating be construed as investment advice or expert opinion as defined by the applicable legislation.
2. Rated by MSCI with an ESG Risk Rating of AAA in 2024.
3. Which? Eco Provider for Current Accounts. October 2023 and 2024.
4. 2023 Scope 1 and 2 emissions have been restated to include actual data for Q4 2023, following assurance by SGS Assurance Limited.
5. Figure includes centrally organised fundraising initiatives and fundraising that was self-reported by colleagues through our matched funding scheme.

Our 2025 targets and commitments

Our commitments for 2025 are set out below. Following the acquisition of the Bank by Coventry Building Society, we will to look align our approach regarding long-term ESG commitments across the wider group, and as we develop this approach, the targets below are subject to change.

Environmental

- We will reduce **scope 1 & 2 emissions** in line with our **Net Zero Transition Plan**, by reducing energy consumption through **optimising energy use** across our branches and offices.
- **Scope 1, 2 and 3:** We will begin to implement our internal **Net Zero Transition Plan** developed in 2024, which outlines a pathway to Net Zero Greenhouse Gas Emissions that delivers real economy decarbonisation in line with our Net Zero commitments and Just Transition principles.
- We will review our product and propositions to align these to our internal **Net Zero Transition Plan** in light of the acquisition of the Bank, and to ensure they **support our customers in their decarbonisation journey** and address our **mortgage portfolio** emissions (Scope 3 Category 15 – Financed Emissions) directly.
- In 2025, we will **positively impact biodiversity in over 400 spaces across 17 sites**, meaning that with our help over **650** spaces across England and Wales will have been greened since 2023. We'll do this with our partner, **Friends of the Earth**, by funding Postcode Gardeners who will engage with over **1,500** community members and more than **90** community groups to transform the spaces.

Social

- We are championing **equality for all** by campaigning with our partners on the causes that matter most to our customers: with our partners we'll expose the **human rights crisis** that is unfolding in the UK; **raise awareness of domestic and economic abuse**; work to **secure a future for hospice care** and we'll help to **end youth homelessness**, starting in our hometown of Manchester.
- We will continue to give back to our communities by **providing charities and community groups over 1,000 days of support from colleagues** through our volunteering programme.

Governance

- **The Co-operative Bank Charitable Fund** will commit a portion of underlying Bank profits to continue driving positive social and environmental change, whilst responding to the needs of our communities.
- In 2025, we will continue to implement our new EDI strategy and will measure a wider set of metrics on EDI reporting in alignment with the wider Coventry Building Society group. In 2025, we will aim to keep at least **40% of senior positions filled by women** and will aspire to achieve **45%** as part of our commitments to the **Women in Finance charter**.
- To continue embedding our new **ESG strategy** and to help motivate and empower colleagues with a clear sense of direction, all colleagues will have at least one **ESG related objective for 2025**. This further reinforces colleagues' commitment to our customer-led Ethical Policy after we introduced mandatory ESG objectives in 2024.

A strong 2024 performance

The Co-operative Bank provides a range of banking products and services to c.2.4m Retail customers and a sizable and growing customer base of business customers, providing mortgages, business loans, credit cards and deposit products.

As the **UK's best ESG-rated high street bank**[1] our purpose is to provide customers with a real ethical alternative to other high street banks in the UK.

Key financial performance metrics (Dec 2024)

Strong earnings:	**£72.9m** Profit before tax vs. £71.4m in FY 23
Bank margins continue to grow: Net interest margin (NIM) improved by **3bps from 180bps to 183bps** in FY 24 vs FY 23, as benefits from the structural hedge more than offset mortgage margin pressure. The structural hedge contribution is now over 50% of Bank NIM. Statutory cost income ratio increased from **86.1% to 86.7%** reflecting the impact of transaction related costs.	**1%** Underlying costs decreased by £3.0m to £390.7m vs FY 23

£20.5bn Loan Book	**£460.6m** Net Interest Income	**1.83%** Net Interest Margin[2]
£19.7bn Customer deposits	**£116.2m** Underlying PBT[3]	**6.3%** RoTE[4]
	(2.4bps) Asset quality ratio[5]	**18.7%** CET1 ratio

2024 Financial performance summary

(£m)	FY 24	FY 23
Net interest income	460.6	477.0
Operating expenses	(441.5)	(445.5)
Impairment credit/(charge)	5.0	(0.6)
Profit before tax	**72.9**	**71.4**
Net interest margin (bps)[2]	183	180
Cost:income ratio (%)[6]	86.7	86.1
RoTE (%)[4]	6.3	10.6
Asset quality ratio (bps)[5]	(2.4)	0.3

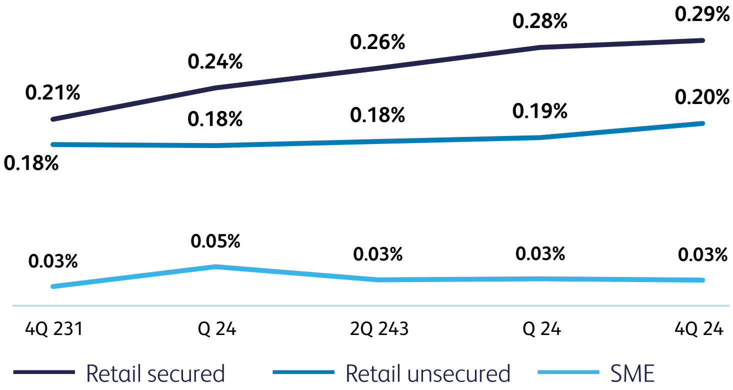
Notes: (1) As of January 2025, The Co-operative Bank received an ESG Risk Rating of 11.2 from Morningstar Sustainalytics and was assessed to be at low risk of experiencing ESG issues. (2) Net interest income divided by average interest earning assets; (3) Statutory profit before tax plus exceptional project expenditure less other exceptionals; (4) Annualised profit after tax (excluding transaction costs) over average equity less intangibles; (5) Impairment credit/(charge) divided by average customer assets; (6) Total statutory expenditure over total statutory income (excludes impairment).

We have a low risk lending profile

The asset quality ratio (AQR) in 2024 moved to a **release of (2.4bps)** (FY 23: charge of 0.3bps), reflecting improved credit worthiness of customers derived from additional data received throughout the cost of living crisis. The average core mortgage book loan-to-value (LTV) **remains low at 56.0%** (FY 23: 55.7%).

Secured accounts that are greater than three months in arrears represented **0.29% of total accounts** (FY 23: 0.21%).

Accounts > 3 months in arrears[1]



High quality loan book

(£m)	FY 24	FY 23
Average LTV new business	72.2%	66.0%
Average LTV core mortgage book	56.0%	55.7%

Impairments

Net impairment credit/(charge) of

£5.0m vs FY 23: (£0.6m)

2024 impairment credit driven by improvement in macro-economic environment, removal of certain affordability related PMAs and revisions to the discount rate of assumed mortgage recoveries.

Our capital position remains strong

CET1 ratio has decreased from

20.4% to 18.7%

(following the impact of dividends of c.2%)

The reported CET1 ratio of 18.7% (FY 23: 20.4%) remains well above the regulatory minimum (14.3%, including Capital Requirements Directive ("CRD") IV buffers).

Risk-weighted assets (RWAs) totalled

£4.9bn vs FY 23: £4.8bn

Remained stable during the year.

The PRA leverage ratio[2] of

4.0% vs FY 23: 4.1%

This has decreased as a result of lower CET1 resources. The Group is not bound by a minimum leverage ratio currently, since its retail deposits are less than £50bn.

1. Volume of accounts in arrears over total volume of accounts.
2. CET1 resources divided by leverage exposures.

Fully capital compliant including all buffers

The reported CET1 ratio of **18.7%** (FY 23: 20.4%) remains well above the regulatory minimum (14.3%, including Capital Requirements Directive ("CRD") IV buffers). The Group has a minimum Total Capital Ratio of **13.1%** of RWAs, which is required to be met by a minimum of **9.8%** CET1 capital resources and a maximum of **3.3%** Tier 2 capital resources.

At the end of 2024, the Group had Pillar 1 requirements equivalent to **8.0%** (FY 23: 8.0%) of total RWAs and an Individual Capital Requirement ("ICR") equivalent to **5.05%** of total RWAs (FY 23: 5.05%).

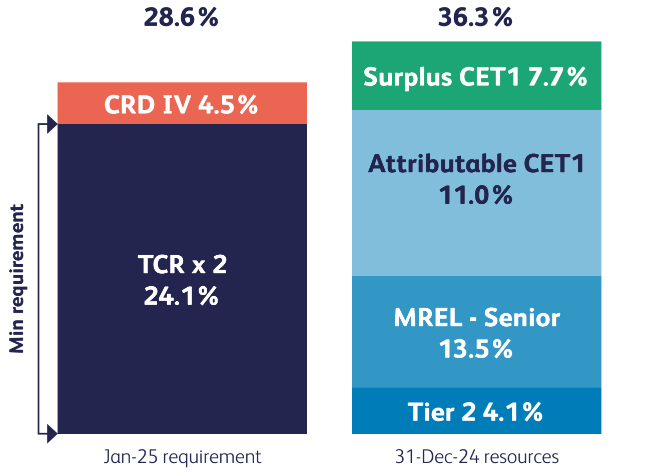
	FY 24	FY 23
CET1 ratio[1]	18.7%	20.4%
Risk-weighted assets (£m)	4,888	4,781
PRA leverage ratio	4.0%	4.1%

MREL-qualifying resources decreased by £91.6m

MREL-qualifying resources decreased by £91.6m to **£1,772.2m**, predominantly due to the £12.0m final dividend in respect of the year ending 31 December 2023 paid in May 2024 and the £90.0m interim dividend paid in November 2024, the impacts of which have been partially offset by profits in the year.

The Group's MREL requirement is equivalent to two times TCR, resulting in a total MREL requirement of **£1,275.8m** (FY 23: £1,247.8m). The Group's current MREL resources total **£1,772.2m** (FY 23: £1,863.8m), providing significant headroom to current MREL requirements. The Group currently has a CRD IV buffer of 4.5% of RWAs above the TCR. This results in an MREL requirement plus CRD IV buffers of **£1,495.9m** (FY 23: £1,461.4m), creating a surplus of **£276.3m** (FY 23: £402.4m).

MREL requirement



Following the Bank's Supervisory Review and Evaluation Process which resulted in a decrease in the Bank's ICR requirement from 5.05% to 4.03%.

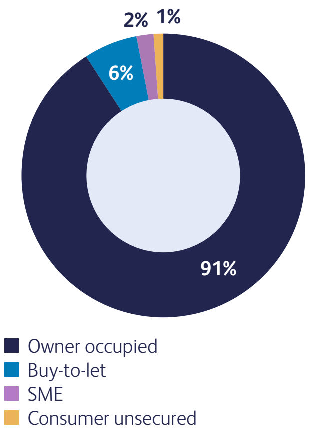
Liquidity and funding remains strong and well above the 100% regulatory minimum

Liquidity remains strong and significantly above the 100% regulatory minimum. Liquidity Coverage Ratio ("LCR") has reduced by 19.0 percentage points to **192.4%** (2023: 211.4%) predominantly due to **£1,523.9m** TFSME repayments in the period, calculated on a 12 month rolling average in line with Pillar 3 requirements.

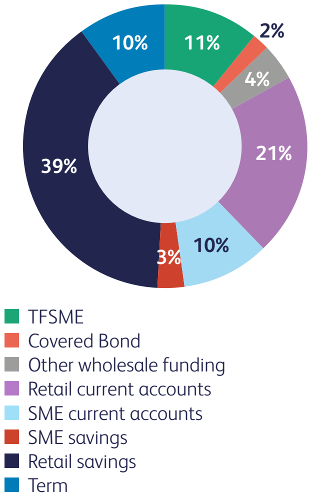
The Bank's Loan to Deposit ratio was **103.7%** (FY 23: 106.4%), emphasising the predominance of customer funding in our model.

Low cost customer funding profile with blended total cost of funds of **283bps** in 2024.

Core lending mix



Funding split



1. FY 23 CET1 ratio is prior to dividends not yet paid (24: £nil, 23: £12m)

New mortgage applications increased to £3.4bn; over 50% higher than 2023

Retail secured balances have increased to **£19.2bn** (FY 23: £19.1bn). Core segment assets increased to **£19,876.6m** (2023: £19,681.3m) due to increased SME loans and retail mortgage assets.

Average completion margins increased from 61bps to **77bps** compared to 2023. Due to the increase in mortgage margins, the overall reduction in average mortgage book margins slowed compared to recent years, falling to 94bps from 114bps in 2023.

Our balance sheet remains stable with a low-risk portfolio

Customer deposit balances across both Retail and SME customer segments increased to **£19.7bn** (FY 23: £19.0bn) as a result of increased variable and term deposits as customer rates improved.

Our Retail customer's current account average balance decreased to **£4,063** (FY 23: £4,367), however this remains higher than before the outbreak of COVID-19. Term deposits have increased in the year to **£2.3bn** (FY 23: £1.9bn), as customers look to take advantage of higher rates.

Segmental summary

(£m)	FY 24	FY 23
Retail mortgages	19,225.5	19,067.6
Retail unsecured	232.1	235.3
SME assets	419.0	378.4
Core assets	**19,876.6**	**19,681.3**
Legacy & central items	5,603.1	6,390.0
Total assets	**25,479.7**	**26,071.3**
Retail deposits	16,435.8	15,690.4
SME deposits	3,241.6	3,320.7
Core liabilities	**19,677.4**	**19,011.1**
Legacy & central items	4,537.7	5,651.2
Equity	**1,264.6**	**1,409.0**
Total liabilities and equity	**25,479.7**	**26,071.3**

Return to investment grade long-term credit rating

The Bank secured an investment grade credit rating with Moody's, when they upgraded our long term deposit rating to A3. This upgrade is a result of the Bank maintaining sustainable profitability, a strong liquidity and capital position and the substantial progress made in delivering our transformation programme. Current Bank rating is presented in the table below and we anticipate future performance will deliver a return to investment grade long-term ratings.

Rating Agency	Long Term Rating	Short Term Rating	Outlook	Latest Update
Moody's	A3	P-2	Stable	Dec-24

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Information correct as of 03/2025

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