CREDIT OPINION

10 December 2025

Update

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RATINGS

Coventry Building Society

Domicile	Coventry, United Kingdom
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A3
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Arif Bekiroglu +44.20.7772.1713
VP-Senior Analyst
arif.bekiroglu@moodys.com

Simon James Robin Ainsworth +44 207 772 5347
Associate Managing Director
simon.ainsworth@moodys.com

Alexandra Engels +44.20.7772.2214
Ratings Associate
alexandra.engels@moodys.com

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Coventry Building Society

Updated credit analysis following affirmation of all ratings

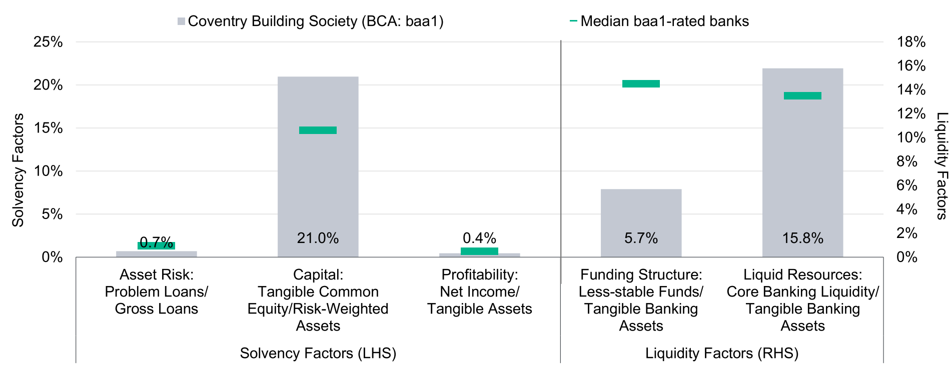
Summary

Coventry Building Society's (Coventry BS) long-term deposit and senior unsecured debt ratings of A3 reflect its Baseline Credit Assessment (BCA) of baa1; our Advanced Loss Given Failure (LGF) analysis, indicating low loss-given failure for depositors and senior bondholders, resulting in a one-notch uplift from the BCA; and our assessment of a low probability of support from the Government of the United Kingdom (Aa3 stable), resulting in no uplift.

Coventry BS' BCA of baa1 reflects our expectation of a modest weakening in its strong asset quality after its integration with The Co-operative Bank plc (Co-op Bank) in line with sectoral trends; its moderate capitalization, despite higher leverage, and profitability, which provide a solid loss-absorbing buffer; its good liquidity profile; revenue and risk concentration in UK residential mortgages; and elevated operational challenges of integrating Co-op bank into Coventry BS.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Ratings

Credit strengths

» Strong asset quality with a focus on prime residential mortgages

» Strong risk-based capital position

» More diverse established sources of wholesale funding compared to most rated peers'

» Strong liquidity position supplemented by granular deposits and a moderate stock of high-quality liquid assets

Credit challenges

» Higher buy-to-let (BTL) exposure than peers

» Nominal leverage is weaker than peers

» Moderate profitability under pressure from narrowing margins and integration costs

» Limited business diversification and the resulting reliance on interest income, in common with all building societies

» Higher governance risks due to the integration of the Co-op Bank and the merged group's evolving business model

Outlook

The outlooks on Coventry BS's long-term deposit and senior unsecured debt ratings are stable, reflecting our expectation that the society's capitalisation, liquidity, and funding metrics will remain in line with its current standalone assessment and the economies of scale and completion of the integration will be achieved beyond the outlook period.

Factors that could lead to an upgrade

Coventry BS's long-term ratings and assessments could be upgraded following a successful integration of Co-op Bank. The society's long-term deposit and debt ratings could also be upgraded following a significant increase in the stock of more junior bail-in-able liabilities.

Factors that could lead to a downgrade

Coventry BS's long-term ratings and assessments could be downgraded following a deterioration in the society's solvency and liquidity, material cost or time overruns in the phased integration plans, or following a significant reduction in the stock of bail-in-able liabilities.

Key Indicators

Exhibit 2

Coventry Building Society (Consolidated Financials) [1]

	06-25[2]	12-24[2]	12-23[2]	12-22[2]	12-21[2]	CAGR/Avg.[3]
Total Assets (GBP Billion)	86.7	62.9	61.0	56.6	54.5	14.2[4]
Total Assets (USD Billion)	118.8	78.8	77.7	68.1	73.6	14.6[4]
Tangible Common Equity (GBP Billion)	3.1	2.7	2.5	2.2	2.0	13.9[4]
Tangible Common Equity (USD Billion)	4.3	3.4	3.2	2.7	2.7	14.4[4]
Problem Loans / Gross Loans (%)	0.7	0.7	0.5	0.4	0.4	0.5[5]
Tangible Common Equity / Risk Weighted Assets (%)	21.0	28.9	29.7	27.9	37.3	29.0[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	16.0	12.8	10.4	9.0	9.5	11.6[5]
Net Interest Margin (%)	1.5	1.0	1.3	1.1	0.8	1.2[5]
PPI / Average RWA (%)	2.5	3.2	5.6	5.4	3.3	4.0[6]
Net Income / Tangible Assets (%)	0.6	0.3	0.5	0.3	0.3	0.4[5]
Cost / Income Ratio (%)	70.6	54.3	40.9	45.4	59.6	54.1[5]
Gross Loans / Due to Customers (%)	102.3	104.8	105.2	112.5	115.1	108.0[5]
Core Banking Liquidity (HQLA) / Tangible Banking Assets (%)	--	15.8	--	--	--	15.8[5]
Less-stable Funds (LCR) / Tangible Banking Assets (%)	--	5.7	--	--	--	5.7[5]

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Further to the publication of our revised methodology in November 2025, only ratios from annual 2024 onwards included in this report apply reported risk weights for all exposures, discontinuing our previously applied standard adjustment for certain government securities. Sources: Moody's Ratings and company filings

Note: Our analysis reflects Coventry Group's financials. This interim report is the first period of the combined reporting for the enlarged Group following the acquisition of The Co-operative Bank Holdings p.l.c. by Coventry Building Society on 1 January 2025. The half year ending 30 June 2025 includes the financial impacts of this acquisition along with resulting acquisition and integration-related costs.

Profile

Coventry BS is a building society in the UK, with total group assets of £87 billion as of 30 June 2025, more than four million customers and 114 branches. Coventry's mortgage portfolio is well diversified, reflecting the national coverage of its distribution channels.

On 1 January 2025, Coventry BS acquired the entire issued share capital of The Co-operative Bank Holdings for a total cash consideration of £780 million, with up to £125 million deferred for a period of three years, subject to the future performance of The Co-op Bank. The Co-op bank is now a wholly owned subsidiary of the society. Each entity will retain its respective banking licences, and the customers of each organisation and members of the society will continue to have the same Financial Services Compensation Scheme protection as before the acquisition.

Detailed credit considerations

Strong asset quality given focus on prime residential mortgages; high exposure to the BTL sector

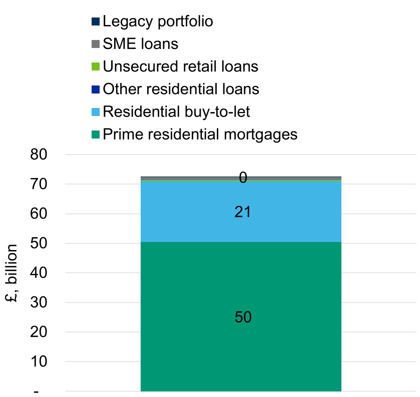
Coventry BS' asset quality is strong because of its conservative risk appetite, as illustrated by its focus on prime residential mortgages, which generally carry lower risk than other mortgage products, and its low volume of commercial and unsecured loans.

We assign an Asset Risk score of aa3 to Coventry BS, one notch below the initial score reflecting our expectation of a potential weakening in asset quality from the high interest rate and inflation environment constraining debt servicing capacity of borrowers. After the acquisition of the Co-op Bank, Coventry BS' loan book remains largely within its current risk profile as the two entities operate in similar segments (Exhibit 3). Furthermore, we expect the overall asset quality to remain strong given Co-op bank's much improved track record, and the overall risk appetite to remain within Coventry BS board's tolerance level and central risk management framework.

The group has a sizeable 21% BTL portfolio relative to total loans (Exhibit 3), one of the largest among its rated peers. While its BTL portfolio, which only includes interest-only mortgages, carries higher risk than traditional owner-occupied mortgage loans, this risk is mitigated by the portfolio's historically stable performance, reflecting the conservative underwriting standards applied to this book, including limits on LTV, the number of properties and the minimum rental coverage. Furthermore, the supply constraints and the ability of the landlords to pass on the elevated inflation and funding costs to the tenants, should contain asset-quality deterioration.

Exhibit 3

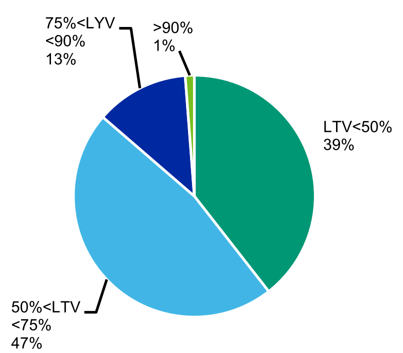
Loan portfolio composition
As of June 2025



Source: Issuer financials

Exhibit 4

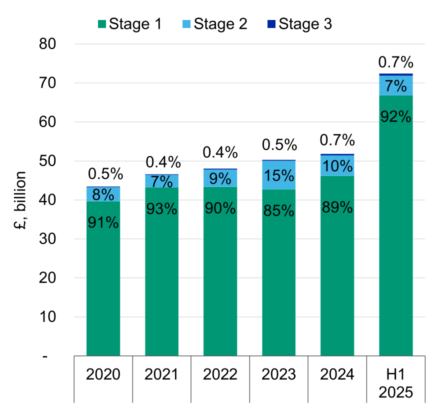
Portfolio LTV
As of June 2025



Source: Issuer financials

Exhibit 5

Low problem loans underpinning strong asset quality



Source: Issuer financials

As of 30 June 2025, the weighted average indexed LTV of the group's mortgage loan portfolio was 54%. Loans with LTV of 90% and more constituted a modest 1.2% (Exhibit 4). While the group's exposure to the high-LTV segment will remain low, we could lower our assessment of the society's asset quality if its exposure to higher-risk lending reaches a significant level.

Even though the Group have sizeable stage 2[1] loans (Exhibit 5)— which peaked in 2023, with more than half coming from BTL as higher interest rates and cost of living led the society to offer forbearance — their volume has been declining as the rents are adjusted to reflect these pressures and some of the stage 2 are gradually cured.

The BCA incorporates a negative one-notch qualitative corporate behaviour adjustment to reflect the high operational challenges ahead given the relatively large size of the Co-op Bank and the need for a gradual, well-managed and phased upgrade, and the integration of technology platforms, systems, risk appetite and governance.

Strong risk-based capitalisation, but lower-than-peer nominal leverage

We assign a Capital score of a2 to Coventry BS' capital, versus the aa2 initial score. The three notches lower assigned score compared to initial score reflects our review of its limited access to equity markets, as is typical for building societies; mostly IRB model reliance in risk weighted asset calculations and weak leverage that we expect it to improve.

In the first half of 2025, Coventry BS' Common Equity Tangible Common Equity (TCE) (per our definition, that excludes Coventry BS' £665.0 million AT1 instrument) over risk-weighted assets (RWA) was 20.98% and that over total assets was 3.6%. These indicators declined following the acquisition but should gradually improve, primarily on the back of retained earnings during the outlook period of 18 months.

Coventry BS' Common Equity Tier 1 (CET1)/RWA capital was 19.1% and the UK leverage ratio[2] was 4.5% by 30 June 2025. Following the acquisition, the group's retail deposits have risen above the £50 billion current regulatory threshold. However, the leverage threshold will increase to £75 billion of retail deposits from 1 January 2026 and will not be subject to not is constrained by the minimum leverage ratio requirement of 3.25%. The

The Co-op Bank's Tier 2 note moved to the Society in Sept 2025. Furthermore, the Bank of England continues to exercise its discretion to treat the Bank's outstanding externally held eligible liabilities as meeting the consolidated MREL requirements of the Co-op Bank not already substituted to Coventry BS applicable to the combined group until 31 March 2027. The group's MREL requirement was 27.5% (2x of Pillar 1 and 2A capital requirement) as of June 2025 (latest available).

Profitability to moderate because of margin contraction, competitive pressures and cost base increase

We assign a Profitability score of ba2 to Coventry BS one notch lower than the initial score of ba1. The assigned score reflects our expectation of a contained moderation in, but still good, profitability in the next 12-18 months as a result of declining mortgage margins. These pressures will, to some extent, be offset by interest-free current account deposits. Coventry BS will benefit from its Co-op Bank acquisition and the ongoing cost-optimisation initiatives.

In H1 2025, Coventry BS had £247.59 million of net income (adjusted per our methodology), which translated into a return on tangible assets of 0.6%, up 20 basis points from the level in H1 2024 (reported solo). Consequently, Coventry BS' net interest margin was 1.48% in H1 2025, compared with 1.02% (solo) as of year-end 2024.

Coventry BS' reported £359.1 million of operating expenses in H1 2025 (£157.4 million for Coventry BS and £231 for the Bank in H1 2024). The corresponding cost-to-income ratio was to 71% versus corresponding 53% (solo the Society) and 92% (solo the Bank) during the same time frame. The higher cost base reflects the impact of the Bank acquisition and the cost of providing transactional current accounts as well as relatively weak efficiency of the Co-op bank which the Group is addressing overtime.

Strong funding profile with high reliance on granular retail deposits and diversified sources of wholesale funding

Coventry BS' funding profile is strong, given the significant proportion of retail deposits in its funding structure, and its diversified sources of wholesale borrowings and proven track record of market access. These considerations are captured by an aa2 assigned score under the funding structure in line with the initial score.

As of the end of June 2025, the group's deposits represented 86% of its funding mix and the gross loan to deposit (LtD) ratio was 102%. Most of the group's deposits are protected by the UK government's Financial Services Compensation Scheme (FSCS), underlying its strong funding profile.

Coventry BS' TFSME borrowings (£2 billion outstanding as of 30 June 2025) which was repaid in the end of October 2025; we expect Co-op bank's residual TFSME borrowings of £0.26 billion to be repaid utilizing using surplus liquidity.

Solid liquidity position, with a large stock of liquid assets

We assign a score of baa1 to Coventry BS' Liquid Resources, in line with the initial score, reflecting its sound level of HQLA holdings, with liquid assets, consisting of mostly of cash and deposits with the central bank and government bonds. Our assigned score reflects expected modest decrease because of remaining TFSME repayments of £0.26 billion. The group's LCR as of the end of June 2025 was 253% and we expect the LCR to remain well above the regulator's minimum requirements of a total LCR of 100%.

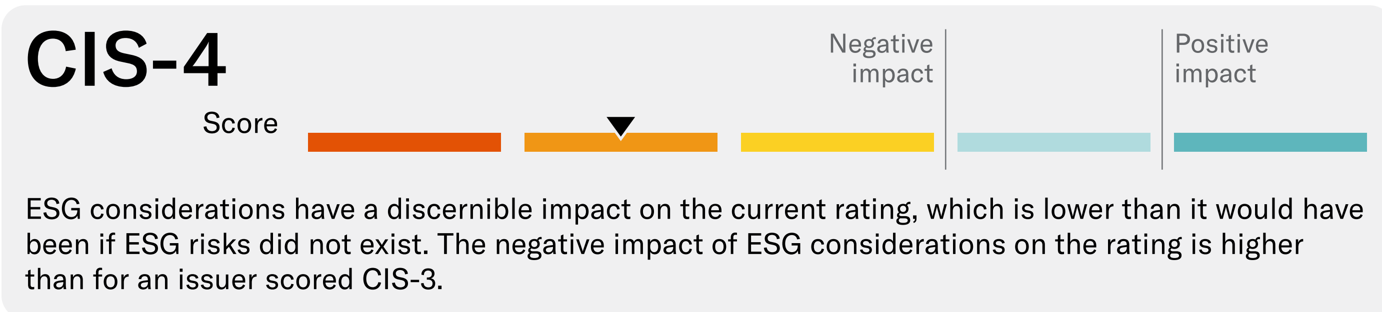
Structural dependence on the state of the UK housing market

Given the similar nature of the two entities' loan books and product offerings, the BCA continues to incorporate a one-notch negative qualitative adjustment to reflect lack of business diversification, in line with current approach for rated building societies.

ESG considerations

Coventry Building Society's ESG credit impact score is CIS-4

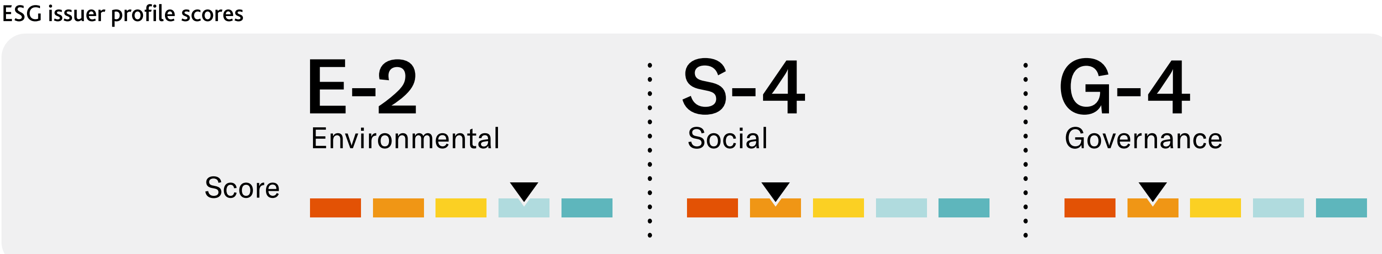
Exhibit 6
ESG credit impact score



Source: Moody's Ratings

ESG considerations are material to Coventry Building Society's (Coventry BS) due to the evolving corporate structure following the acquisition of The Co-operative Bank (the Co-op Bank), which resulted in a weakened leverage, high execution risk and an evolving business model, operational processes and infrastructure. These factors underpinned Coventry BS's ESG Credit Impact Score of high (**CIS-4**), reflecting one notch negative corporate behaviour adjustment currently constraining the Society's rating which is lower than it would have been if ESG risk exposures did not exist.

Exhibit 7
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Coventry BS faces lower-than-industry-average exposure to environmental risks. The Society has limited exposure to carbon transition risks because its loan book is concentrated in UK residential mortgages, with very low exposure to commercial and unsecured loans.

Social

Coventry Building Society faces high social risks from customer relations, because of considerable focus on consumer protection in the UK, exposing banks to potential fines from regulators and litigation from customers as well as cyber risk and the financial and reputational implications of data breaches. Its developed policies and procedures help manage associated credit risks. The Society also faces moderate social risks related to competition from traditional retail banks and challengers among younger demographics, who prefer to keep their banking relationships with large banks providing comprehensive online products and services, including mortgages.

Governance

Coventry BS faces high governance risks related to inherent risk associated in the acquisition of the Co-op Bank. This resulted in a weakened leverage, high execution risk from integration of the acquired entity, operational processes and infrastructure, as well as an evolving business model with increased exposure to SME and Corporate clients.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure (LGF) analysis

We apply our advanced Loss Given Failure (LGF) analysis to Coventry BS because it is based in UK, which we consider to have an operational resolution regime.

We assume residual tangible common equity of 3%, post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt, in line with our standard assumptions. We assume the proportion of deposits considered junior to be at 10%, compared with our standard assumption of 26%, because of the largely retail-oriented depositor base of Coventry BS (in line with our assumption for UK building societies) and the deposits acquired from the Co-op Bank.

Our forward-looking view is based on consolidated Coventry BS that also includes the Co-op Bank's consolidated balance sheet as of 30 June 2025. Our Advanced Loss Given Failure analysis indicate that Coventry BS' depositors and senior unsecured creditors are likely to face low loss given failure given the loss absorption provided by subordinated debt and preference shares and by senior unsecured debt, should deposits be treated preferentially in a resolution; and the volume of junior deposits themselves. This suggests a Preliminary Rating Assessment of a3 for deposits and senior unsecured debt, one notch above the BCA.

Unlike most of its peers, Coventry BS benefits from £665 million of high-trigger Additional Tier 1 (AT1), which would convert to Core Capital Deferred Shares upon a trigger event (such as the Basel 3 CET1 ratio falling below 7%). Furthermore, the junior instruments as Coventry BS senior-non-preferred (SNP) and Tier 2 and the Co-op Bank's SNP are taken into consideration in our analysis. These amounts serve to protect the interests of senior creditors. The assigned SNP rating indicates likely high-loss severity for these instruments in the event of failure, leading to a position one notch below the building society's BCA. Coventry BS' subordinated debt is also likely to face a high loss-given-failure because of the loss absorption provided by its own very modest volume and the amount of debt junior to it. We also incorporate additional notching for AT1, reflecting coupon features.

Government support considerations

Because of the relatively small size of its retail operations, we assume a low probability of government support for Coventry BS' junior deposits and senior unsecured debt, which results in no ratings uplift.

Rating methodology and scorecard factors

Exhibit 8

Rating Factors

Macro Factors		
Weighted Macro Profile	**Strong +**	**100%**

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.7%	aa2	↔	aa3	Asset Composition	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	21.0%	aa2	↔	a2	Access to capital	Nominal leverage
Profitability						
Net Income / Tangible Assets	0.4%	ba1	↓	ba2	Expected Trend	
Combined Solvency Score		a1		a3		
Liquidity						
Funding Structure						
Less-stable Funds / Tangible Banking Assets	5.7%	aa2	↔	aa2	Expected Trend	
Liquid Resources						
Core Banking Liquidity / Tangible Banking Assets	15.8%	baa1	↔	baa1	Expected trend	
Combined Liquidity Score		a1		a1		
Financial Profile		a1		a2		
Qualitative Adjustments				Adjustment		
Business and Geographic Diversification				-1		
Complexity and Opacity				0		
Strategy, Risk Appetite and Governance				-1		
Total Qualitative Adjustments				-2		
Sovereign or Affiliate constraint				Aa3		
BCA Scorecard-indicated Outcome - Range				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

Balance Sheet	**in-scope (GBP Million)**	**% in-scope**	**at-failure (GBP Million)**	**% at-failure**
Other liabilities	8,949	10.4%	13,929	16.1%
Deposits	71,149	82.4%	66,169	76.6%
Preferred deposits	64,034	74.1%	60,832	70.4%
Junior deposits	7,115	8.2%	5,336	6.2%
Senior unsecured bank debt	2,712	3.1%	2,712	3.1%
Dated subordinated bank debt	252	0.3%	252	0.3%
Preference shares (bank)	705	0.8%	705	0.8%
Equity	2,591	3.0%	2,591	3.0%
Total Tangible Banking Assets	86,358	100.0%	86,358	100.0%

Debt Class	**De Jure waterfall**		**De Facto waterfall**		**Notching**		**LGF Notching Guidance vs. Adjusted BCA**	**Assigned LGF notching**	**Additional Notching**	**Preliminary Rating Assessment**
	Instrument volume + subordination	**Sub-ordination**	**Instrument volume + subordination**	**Sub-ordination**	**De Jure**	**De Facto**				
Counterparty Risk Rating	13.4%	13.4%	13.4%	13.4%	3	3	3	3	0	a1
Counterparty Risk Assessment	13.4%	13.4%	13.4%	13.4%	3	3	3	3	0	a1 (cr)
Deposits	13.4%	4.1%	13.4%	7.2%	1	1	1	1	0	a3
Senior unsecured bank debt	13.4%	4.1%	7.2%	4.1%	1	0	1	1	0	a3
Junior senior unsecured bank debt	4.1%	4.1%	4.1%	4.1%	0	0	0	-1	0	baa2
Dated subordinated bank debt	4.1%	3.8%	4.1%	3.8%	-1	-1	-1	-1	0	baa2

Non-cumulative bank preference shares	3.8%	3.0%	3.8%	3.0%	-1	-1	-1	-1	-2	ba1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a1	0	A1	A1
Counterparty Risk Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	1	0	a3	0	A3	A3
Senior unsecured bank debt	1	0	a3	0	(P)A3	A3
Junior senior unsecured bank debt	-1	0	baa2	0	Baa2	
Dated subordinated bank debt	-1	0	baa2	0	(P)Baa2	
Non-cumulative bank preference shares	-1	-2	ba1	0	Ba1 (hyb)	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 9

Category	Moody's Rating
COVENTRY BUILDING SOCIETY	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Senior Unsecured	A3
Junior Senior Unsecured -Dom Curr	Baa2
Junior Senior Unsecured MTN -Dom Curr	(P)Baa2
Subordinate MTN -Dom Curr	(P)Baa2
Pref. Stock Non-cumulative -Dom Curr	Ba1 (hyb)
THE CO-OPERATIVE BANK PLC	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
THE CO-OPERATIVE BANK HOLDINGS P.L.C.	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured -Dom Curr	Baa2
Subordinate -Dom Curr	Baa2
ST Issuer Rating	P-2

Source: Moody's Ratings

Endnotes

1 Financial assets that have experienced a significant increase in credit risk since initial recognition, but do not have objective evidence of a credit loss event and are not considered credit-impaired.

2 The regulatory UK leverage calculation excludes central bank reserves and includes a partial deduction for the amount of AT1 instruments.

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