

A large, leafy tree with dense foliage in shades of green and yellow, standing in a vibrant green field. The sky above is filled with soft, white and grey clouds, suggesting a bright but slightly overcast day. The overall scene is peaceful and natural.

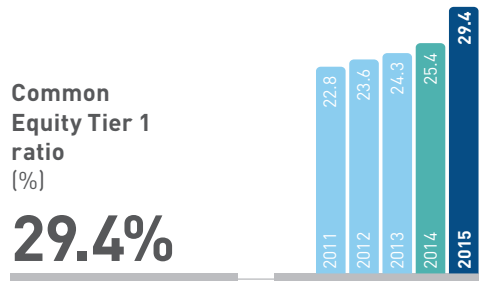
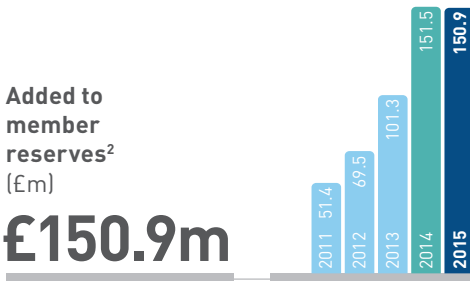
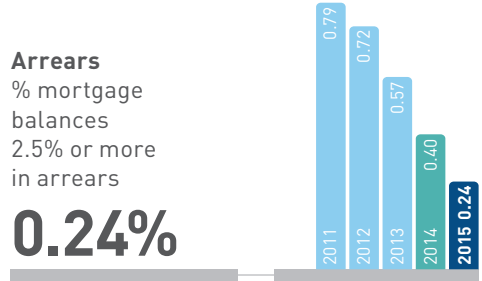
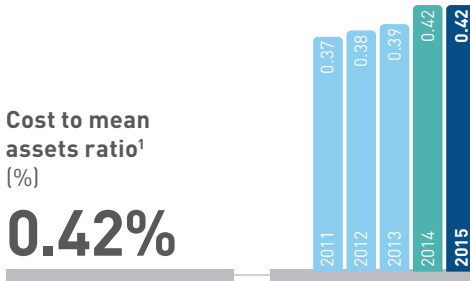
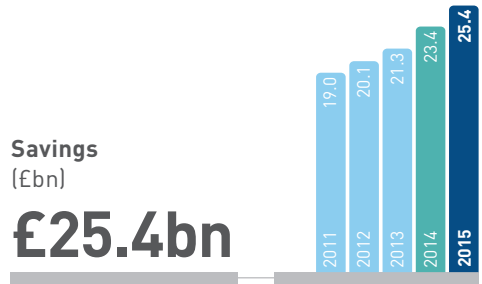
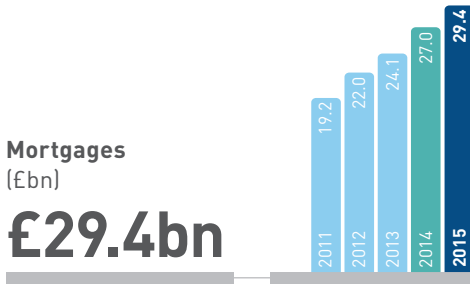
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# Summary Financial Statement 2015

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# Performance highlights 2015

Consistent and well-managed growth in mortgages and savings continues to deliver a stronger Society, for the benefit of all members.



<sup>1</sup> Administrative expenses, depreciation and amortisation/Average total assets.

<sup>2</sup> Profit after tax including Additional Tier 1 capital distribution (net of tax). 2011 restated for comparative purposes to reflect accounting policy change in 2013 relating to timing of the Financial Services Compensation Scheme Levy - see 2013 Annual Report & Accounts note 1 for further details.

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# Summary Financial Statement

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The directors are pleased to present the Summary Financial Statement for the year ended 31 December 2015.

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## Prescribed Statement

The Summary Financial Statement is a summary of information in the audited Annual Report & Accounts, Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on demand at every office of Coventry Building Society from 1 April 2016. The auditor's report in relation to the full financial statements was not qualified in any respect.

Approved by the Board of directors on 25 February 2016.

**Ian Pickering** Chairman    **Mark Parsons** Chief Executive    **John Lowe** Finance Director

## Summary Directors' Report

Coventry Building Society is a mutual organisation with a long and proud heritage. It is also a competitive and professional financial services provider that must meet the expectations of its modern membership. These expectations reflect the speed and choice which advances in technology have made possible. But they also reflect the need for security and trust that have been the basis of our relationship with members since the Society's formation in 1884.

The 2015 Annual Report & Accounts describes another performance that is financially strong and which maintains a successful record of growth based on low risk and low cost operations.

The financial performance is important and we are pleased to report strong results. However, it is more important that these results are achieved by doing the right things for our members, whether new to the Society or

those who have been with us for many years. We describe this as 'Putting Members First'.

Underpinning this is a set of values that drives the way everyone at the Society acts and makes decisions. These values are to be Caring; Attentive; Reliable; Ethical; and Straightforward. Together they spell CARES, and Coventry CARES sums up the experience we are aiming to deliver for our members.

Central to this is providing long-term value to members. It continues to be a tough time for savers and in a low interest rate environment it is important that we provide competitive savings products not just today, but reliably and sustainably into the future.

We are achieving this. At the end of 2015 our average savings rate was 1.97% compared to a market average of 1.11%<sup>1</sup>. Furthermore, at the end of 2015 our average variable rate on cash ISAs was nearly two and a half times the market average<sup>2</sup>.

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<sup>1</sup> Weighted calculation comparing the Society balance mix of accounts to market mix as quoted by Bank of England (December 2015 data) for interest bearing sight deposits, interest bearing time deposits and Cash ISAs (excludes non-interest bearing current accounts, notes and coins and corporate/PNFC deposits).

<sup>2</sup> Source: Bank of England. Average quoted interest rate on all variable rate cash ISAs including bonus accounts as at 31 December 2015.

Our ability to do this, whilst maintaining a very competitive mortgage portfolio, is underpinned by the high quality of our mortgage lending, which results in extremely low impairment charges, and our low cost operations. We continue to lead the sector in cost-efficiency, with our management expense ratio of 0.42%<sup>3</sup> remaining significantly lower than that of our peers<sup>4</sup>.

We also strive to keep things simple, transparent and easy to use. To help achieve this we have commenced a four year technology programme that will deliver improved processes and systems, and provide our members with enhanced service options.

The evidence of our progress is shown by the views of members themselves. Whether calling about a savings account or visiting our branches, over 95% of members are satisfied with the service they receive with 9 out of 10 saying they would recommend us to friends or family<sup>5</sup>.

However, Putting Members First also recognises that we can get it wrong sometimes, and when this happens our aim is to put things right as simply and quickly as possible.

Our commitment to this is shown by our record with the Financial Ombudsman Service, which overturned just 7% of Coventry cases it saw in 2015, compared with over 50% for the industry as a whole<sup>6</sup>.

In 2015 the consumer organisation Fairer Finance independently assessed the performance of the largest financial service brands in terms of customer happiness, trust, complaint handling and transparency. It rated us No.1 for both savings and mortgages.

Trust is not only built on value and service, it also requires confidence in our financial strength and stability. Coventry Building Society remains a low risk financial services organisation. To illustrate this, since 2010, we have provided nearly 250,000 new mortgages, making losses on just 22 of them.

We continue to make an appropriate level of profit in order to maintain our capital strength whilst returning value to members in the form of competitive savings and mortgage rates.

#### Employee engagement

In the 2015 employee opinion survey, 91% of staff at the Coventry said that they were proud to work for the Society.



#### Community

Nearly two-thirds of our employees took part in our community programme through volunteering or fundraising.



<sup>3</sup> Administrative expenses, depreciation and amortisation/Average total assets.

<sup>4</sup> Top 10 building societies, latest published data, as at 25 February 2016.

<sup>5</sup> Source: 14,716 branch customers and 18,313 savings contact centre customers in 2015.

<sup>6</sup> Source: Financial Ombudsman Service – latest published data, as at 25 February 2016.

In 2015, we increased profit before tax to £216.0 million, adding £150.9<sup>7</sup> million to reserves. This increased our Common Equity Tier 1 ratio to 29.4% and our leverage ratio to 4.0%.

Our commitment to Putting Members First is based on, and delivered by our people. In our 2015 employee opinion survey, 98% of respondents agreed that the Society is 'committed to member satisfaction' – with 0% disagreeing. Overall employee engagement rose from 84% to 88% – the highest score recorded by the Society. Our engaged and motivated employees are what make the difference.

We believe the high level of engagement is not only based on doing the right things for our members but on the support we are able to give local and national causes. In 2015 we once again saw increasing employee involvement in fundraising and volunteering with nearly 200 community organisations benefiting from the skills and consideration of our people.

The outcome of all these drivers is a successful, member focused Society that is growing in a sustainable manner. Our mortgage balances have grown by 9% in 2015, five times the rate of market growth<sup>8</sup> and our savings balances by 8%.

The story of Coventry Building Society is the consistency of our performance, achieved in 2015's competitive market but also throughout the recent years of financial crisis and economic downturn. However, the real achievement has been to deliver this performance in the right way, by Putting Members First.

**Ian Pickering**  
Chairman

**Mark Parsons**  
Chief Executive

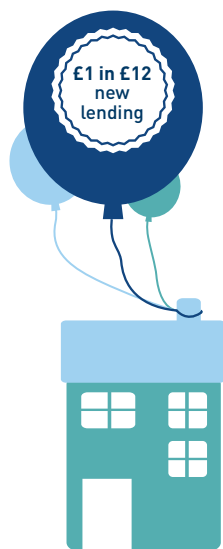
### Savings

Our increase in ISA balances in 2015 was equivalent to £1 in £5 of the market growth in ISA balances<sup>8</sup>.



### New lending

Our share of the net UK mortgage market lending was equivalent to £1 in every £12 of new lending growth<sup>8</sup>.



### Complaints

The Financial Ombudsman Service changed just 7% of our cases compared with over 50% for the industry as a whole<sup>8</sup>.



<sup>7</sup> Profit after tax including Additional Tier 1 capital distribution (net of tax).

<sup>8</sup> Source: Bank of England.

# Summary Financial Statement

for the year ended 31 December 2015

<b>Results for the year</b>	<b>Group 2015 £m</b>	<b>Group 2014 £m</b>
Net interest income	363.9	341.3
Other income and charges	5.4	8.2
Net losses from derivatives and hedge accounting	(0.3)	(0.7)
<b>Total income</b>	<b>369.0</b>	<b>348.8</b>
Administrative expenses	(137.4)	(124.6)
Impairment credit/(charge) on loans and advances to customers	1.9	(5.4)
Provisions for liabilities and charges	(15.8)	(15.3)
Charitable donation to Poppy Appeal	(1.7)	(1.7)
<b>Profit before tax</b>	<b>216.0</b>	<b>201.8</b>
Taxation	(44.7)	(43.3)
<b>Profit for the financial year</b>	<b>171.3</b>	<b>158.5</b>

<b>Financial position at end of year</b>	<b>Group 2015 £m</b>	<b>Group 2014 £m</b>
<b>Assets</b>		
Liquid assets	4,375.3	3,950.2
Loans and advances to customers	29,411.0	26,959.6
Hedge accounting adjustment	78.1	98.1
Derivative financial instruments	173.0	208.3
Fixed and other assets	77.0	62.1
<b>Total assets</b>	<b>34,114.4</b>	<b>31,278.3</b>
<b>Liabilities</b>		
Shares	25,355.8	23,395.6
Borrowings	6,336.0	5,604.3
Hedge accounting adjustment	121.0	162.0
Derivative financial instruments	353.5	323.3
Other liabilities	76.8	82.4
Subordinated liabilities	58.2	58.2
Subscribed capital	161.6	161.6
<b>Total liabilities</b>	<b>32,462.9</b>	<b>29,787.4</b>
<b>Equity</b>		
Reserves and other equity instruments	1,651.5	1,490.9
<b>Total liabilities and equity</b>	<b>34,114.4</b>	<b>31,278.3</b>

## Key financial ratios

	Group 2015 %	Group 2014 %
Common Equity Tier 1 capital ratio <sup>1</sup>	29.4	25.4
Leverage ratio <sup>2</sup>	4.0	3.9
Liquid assets as a percentage of shares and borrowings <sup>3</sup>	13.8	13.6
Gross capital as a percentage of shares and borrowings <sup>4</sup>	5.90	5.90
Profit for the year as a percentage of average assets <sup>5</sup>	0.52	0.53
Management expenses as a percentage of average assets <sup>6</sup>	0.42	0.42

The percentages have been calculated from the Group 'Results for the year' and 'Financial position at end of year'. Shares and borrowings represent the total of shares, amounts owed to credit institutions, amounts owed to other customers and debt securities in issue. Average assets are the average of the Group's 2015 and 2014 total assets (2014: average of the Group's 2014 and 2013 total assets).

1. Common Equity Tier 1 capital ratio: The Common Equity Tier 1 capital ratio measures the Group's Common Equity Tier 1 capital, which comprises the general reserves and the Available-for-sale reserve with regulatory adjustments, as a percentage of its risk weighted assets. The Group calculates its capital requirement under Basel III using the IRB approach for prime residential and buy to let mortgage exposures (2014: excluded £0.5 billion of mortgages acquired from Bank of Ireland, treated under Internal Ratings Based basis in 2015), and the Standardised approach in calculating the capital requirements for other risk areas.
2. Leverage ratio: The leverage ratio measures the Group's Tier 1 capital, which comprises Group's Common Equity Tier 1 capital (see above) and Additional Tier 1 capital, as a percentage of total on- and off-balance sheet exposures. The leverage ratio calculations shown are in accordance with the definitions of CRD IV on an end-point basis, as amended by the European Commission delegated regulation.
3. Liquid assets as a percentage of shares and borrowings: The liquid assets ratio measures the Group's assets held in the form of cash, short-term deposits and debt securities as a percentage of the Group's shares and borrowings. Most of the Group's assets are long-term mortgages, while many of its liabilities to investors are repayable on demand. Liquid assets are required to ensure that the Group can effectively manage this situation. They are generally readily realisable, enabling the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund general business activities.
4. Gross capital as a percentage of shares and borrowings: The gross capital ratio measures the Group's capital as a percentage of shares and borrowings. The Group's capital consists of profits accumulated since its establishment in the form of reserves, Perpetual Capital Securities, subordinated liabilities and subscribed capital which cannot be repaid in priority to ordinary members. Capital provides a financial cushion against unforeseen eventualities that might arise in the Group's business and ensures that members and other creditors are properly protected.
5. Profit for the year as a percentage of average assets: The profit to average assets ratio measures the Group's profit after taxation for the year as a percentage of the average assets. The Group needs to make an adequate level of profit each year in order to maintain its capital ratios at an appropriate level to protect members and to satisfy regulatory requirements.
6. Management expenses as a percentage of average assets: The management expenses ratio measures the Group's administrative expenses (which include amortisation and depreciation), as a percentage of the average assets. Administrative expenses consist mainly of the costs of employing staff, operating systems and other office expenses. They need to be controlled so that the Group operates as efficiently as possible, whilst providing the service that members require.

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# Summary Directors' Remuneration Report

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We are pleased to present a summary of our Directors' Remuneration Report, which sets out the directors' remuneration for the year ending 31 December 2015 and the remuneration policy for 2016. You can find the full report on pages 74 to 86 of our 2015 Annual Report & Accounts which will be on our website from 1 April 2016, [www.thecoventry.co.uk](http://www.thecoventry.co.uk).

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At the last Annual General Meeting, our members comprehensively endorsed our approach to pay and benefits. This opportunity will be offered again at our 2016 AGM with members being asked to approve the 2015 Annual Remuneration Report on an advisory basis.

## **Our policy**

We understand the importance of controlling costs. Indeed, it is a key factor in ensuring that we can continue to offer competitive rates to savers and borrowers. We must also attract and retain people with the right skills, knowledge and attitude to work across the Society, from the directors who determine and lead the strategy, to the employees in our branches and contact centre whose excellent service you so often compliment us upon. Our approach to determine pay reflects the need to strike this balance.

Plans for 2016 remuneration are currently being considered in the light of new regulations increasing deferral of some elements of variable pay to seven years for some of the directors. We are also reviewing the structure of directors' pay to see whether any wider changes are required.



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The main elements of remuneration for executive directors are set out below:

Element	Operation
Base salary	Reviewed annually with regard to a number of factors, including role, experience and individual performance; the economic environment and the Society's financial performance; and within market competitive ranges. Executive director salary increases are assessed in line with other staff, including where higher increases may be awarded, for example following an increase in responsibilities.
Benefits and pension	These include a company car or car allowance and private fuel, private medical insurance and life insurance. Executive directors are also eligible to participate in the defined contribution pension plan. The Chief Executive receives a pension contribution of 20% of base salary and the remaining executive directors receive 15% of base salary. Pension contributions may be offered as a cash alternative should contributions exceed the annual or lifetime allowance.
Annual bonus	This rewards performance over a single financial year and is provided to all eligible Society staff, including executive directors, to a maximum of 20% of base salary. Payment to executive directors is subject to a six month retention period and rules are in place to enable reduction and repayment in compliance with the Remuneration Code.
Long term incentive plan (LTIP)	This is the deferred element of variable pay which rewards performance over the longer term. The maximum award is 40% of the base salary of executive directors at the start of the performance period. The 2016 scheme is under review but will continue to meet the deferral requirements of the Remuneration Code, which for 2016 schemes will extend to seven years for some executive directors. Payment to executive directors is subject to a six month retention period with reduction and repayment rules in place in compliance with the Remuneration Code.

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The basis of non-executive directors' remuneration is set out below:

Element	Operation
Non-executive director fees	Non-executive directors receive a base fee with an additional fee for chairmanship of a committee and/or holding the position of Senior Independent Director or Deputy Chairman. They are reimbursed for reasonable expenses, paid in accordance with the Society's Rules. The non-executive directors do not participate in any Society pension or bonus arrangements. Fees are reviewed annually with regard to the Society's financial performance; annual pay increases awarded to executive directors and other staff; and within market competitive ranges.

## Remuneration summary 2015

### Base salary

2015 saw the Society sustain strong member-focused performance, led by a stable board of directors. The approach taken to determining directors' pay for 2015 was aligned to that taken across the wider Society, and led an increase in total base salaries for eligible executive directors of 5.2%.

### Variable pay

In determining the annual bonus and LTIP awards to executive directors, the Remuneration Committee considered the level of the awards given a number of financial and

non-financial measures. Due to the Society's strong performance, this gave rise to a bonus for all eligible members of staff, including executive directors, equivalent to 12% of base salary from a potential maximum of 20%; and resulted in a maximum award under the LTIP to each participant of 40% of base salary for eligible executive directors. Base salary is set as the salary for each participant at the date of the original 2013 grant. The Chief Executive was not eligible for an award having joined after the date of grant.

## Summary Directors' Remuneration Report cont.

### Directors' remuneration

The pay and benefits of directors for the year ended 31 December 2015 and the previous year are as follows:

Audited information: Single total figure of remuneration for each executive director:

	Base Salary £000	Taxable Benefit £000	Annual Bonus £000	Long Term Incentive Plan £000	Pension Allowance <sup>1</sup> £000	Loss of Office £000	Total £000
<b>2015</b>							
Mark Parsons	475	19	57	–	95	–	646
John Lowe	309	16	37	104	43	–	509
Peter Frost <sup>2</sup>	255	79	31	88	35	–	488
Feike Brouwers <sup>3</sup>	87	3	–	–	8	73	171
Remuneration as a director	64	2	–	–	6	–	72
Remuneration as an employee	23	1	–	–	2	73	99
<b>Total</b>	<b>1,126</b>	<b>117</b>	<b>125</b>	<b>192</b>	<b>181</b>	<b>73</b>	<b>1,814</b>
<b>2014</b>							
Mark Parsons (appointed 01.07.2014)	230	10	28	–	46	–	314
John Lowe	296	14	36	88	30	–	464
Peter Frost	236	25	29	64	24	–	378
Feike Brouwers <sup>3</sup>	255	9	15	67	25	–	371
<b>Total</b>	<b>1,017</b>	<b>58</b>	<b>108</b>	<b>219</b>	<b>125</b>	<b>–</b>	<b>1,527</b>

1. Pension allowance includes both contributions to the Group's defined contributory pension scheme and cash payments in lieu of contributions.
2. Peter Frost's taxable benefits include £52,000 for payments agreed under his contract of employment to enable his relocation to the Coventry area.
3. Feike Brouwers resigned as an executive director on 31 March 2015. He continued in the role as Chief Risk Officer as an employee. He commenced garden leave from 30 April 2015. Loss of office includes remuneration due to the end of his garden leave (9 August 2015). He received half of the 2014 annual bonus, and the full amount due to him awarded under the 2012-2014 LTIP. All amounts relating to future annual bonus and LTIPs, including those vesting at the end of 2015, were forfeited.

In addition the Society's former Chief Executive and Deputy Chief Executive, as good leavers of the Society were awarded £65,000 and £47,000 respectively in relation to the 2013-2015 LTIP award, pro rata to the period of their employment with the Society. Further details can be found on page 83 of our 2015 Annual Report & Accounts.

## Audited information: Non-executive directors' emoluments

	Base fees		Committee Chair fees		Taxable benefits		Total fees and taxable benefits	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
<b>Non-executive directors:</b>								
<b>Ian Pickering</b> (Chairman)	136	133	-	-	6	4	142	137
<b>Janet Ashdown</b>	46	45	-	-	2	2	48	47
<b>Peter Ayliffe</b>	46	45	-	-	3	1	49	46
<b>Bridget Blow</b> (Deputy Chairman; Senior Independent Director - until 31.12.15; and Chairman of the Remuneration Committee - until 31.12.15)	46	45	17	16	-	-	63	61
<b>Roger Burnell</b> (Chairman of the Board Risk Committee; and Senior Independent Director - from 01.01.16)	46	45	13	12	-	-	59	57
<b>Ian Geden</b> (Chairman of the Remuneration Committee - from 01.01.16)	46	45	-	-	2	1	48	46
<b>Glyn Smith</b> (Chairman of the Board Audit Committee and Models and Ratings Committee)	46	45	23	23	5	3	74	71
<b>Total</b>	412	403	53	51	18	11	483	465

On behalf of the Board

**Ian Geden**  
Chairman of the Remuneration Committee  
25 February 2016

## Statement of the Auditor to the Members and Depositors of Coventry Building Society

We have examined the Summary Financial Statement of Coventry Building Society for the year ended 31 December 2015 which comprises the 'Results for the year', 'Financial position at end of year' and 'Key financial ratios', comprising pages 6 to 7 and the directors' emoluments disclosures on pages 10 and 11.

This statement is made solely to the Society's members and depositors of Coventry Building Society, as a body, in accordance with Section 76 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members and depositors as a body, for our audit work, for this statement, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

The directors are responsible for preparing the Summary Financial Statement, in accordance with the Building Societies Act 1986, which includes information extracted from the Annual Report & Accounts and the auditable part of the Directors' Remuneration Report of Coventry Building Society for the year ended 31 December 2015.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Summary Financial Statement with the full annual financial

statements, the Directors' Remuneration Report and the Directors' Report, and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made thereunder.

### Basis of opinion

Our examination involved agreeing the balances disclosed in the Summary Financial Statement to the Annual Report & Accounts. Our audit report on the Society's Annual Report & Accounts and the auditable part of the Directors' Remuneration Report describes the basis of our opinion on those financial statements and the auditable part of that report.

### Opinion

In our opinion the Summary Financial Statement is consistent with the full annual financial statements, the Summary Directors' Report and the Directors' Remuneration Report of Coventry Building Society for the year ended 31 December 2015 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made thereunder.

**Ernst & Young LLP**  
Registered Auditor  
Leeds  
25 February 2016

Coventry Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (firm reference number 150892 [www.fca.org.uk](http://www.fca.org.uk)).

Our Customer Service Centre is open Monday to Friday 8am-8pm, Saturday 9am-5pm, Sunday 10am-4pm.

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details. We may monitor, record, store and use telephone calls to help improve our service and as a record of our conversation.

Information correct at time of going to print (March 2016).

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## Get in touch



### At a branch

For details of our opening hours, visit [thecoventry.co.uk/branch-finder](http://thecoventry.co.uk/branch-finder)



### Online

Visit us at [thecoventry.co.uk](http://thecoventry.co.uk)



### By phone

Call us on 0800 121 8899



### By post

Write to us at Economic House, PO Box 9, High Street, Coventry CV1 5QN

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