



| Summary Financial Statement 2017

Our Performance 2017

These pages show how we have performed across a range of measures aligned to our strategic goals.

9.3%



**Mortgage
balance growth**

against market growth of 3.4%¹

our 2016 result: 11.8%

10.6%



**Savings
balance growth**

against market growth of 2.7%¹

our 2016 result: 10.6%



4%



**Complaints against
us were upheld by the
Financial Ombudsman³**

financial services average 36%

Awarded

by Fairer Finance

Clear & Simple
Mark for our
General Terms
for savers.



8/10

Customers



would recommend us to others

1. Source: Bank of England.

2. The Society's weighted average month end savings rate (Society mix of products) compared to Bank of England weighted average rate for household interest-bearing deposits (market mix of products).

3. Source: Financial Ombudsman Service – latest published information: 1 January 2017 to 30 June 2017.

91%

of our employees
are proud to work
for the Society



79%



of our employees
engaged in charitable
or community activities

our 2016 result: 78%

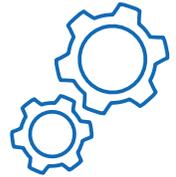


0.13%

Mortgage balances were
2.5% or more in arrears
against industry average of 0.81%⁴

our 2016 result: 0.17%

0.42%



Costs as a
percentage of
average assets

our 2016 result: 0.41%

34.9%



Capital strength

Common Equity Tier 1 ratio

our 2016 result: 32.2%

208%



Liquidity strength

Liquidity coverage ratio

our 2016 result: 151%

4. Prudential Regulation Authority latest available information at 30 September 2017.

Summary Financial Statement

The directors are pleased to present the Summary Financial Statement for the year ended 31 December 2017.

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 31 March 2018. The auditor's report in relation to the full financial statements was not qualified in any respect.

Approved by the Board of directors on 22 February 2018.

Peter Ayliffe Chairman

Mark Parsons Chief Executive

Michele Faull Chief Financial Officer

Summary Directors' Report

Coventry Building Society delivered a strong and balanced performance in 2017, maintaining our record of savings and mortgage growth, excellent member service and a robust financial position. This was driven by our clear and consistent focus on Putting Members First.

We have grown our membership, attracted record savings deposits and increased mortgage balances nearly three times faster than the market¹, sustaining our position as a top 10 UK mortgage and savings provider². We are well capitalised and efficient, retaining enough profit to support our capital strength, and we are using our financial strength to invest in meeting the expectations of current and future members.

Critically our performance has members at its heart. To be successful we must provide clear benefits to our members, not only in terms of the long-term value of savings and mortgages, but also in the quality of service and support we provide.

Central to our performance is our commitment to savers. Despite the UK's 10 year record of low savings rates we firmly believe in the importance of cash savings to individual savers and the wider UK economy. We are proud of our track record of paying significantly higher than average savings rates and in 2017 have maintained this record. The average rate of interest we paid on savings in 2017 was 1.49% which was 0.86% higher than the market average³.

Our simple and open approach to savings is becoming an increasing point of differentiation for the Society. We were the first major UK savings provider to enable individuals to compare our own savings products with those of competitors through our website. We think this transparency is how savings should be and that it reflects confidence in our strong rates.

This unique approach has been endorsed by Fairer Finance, which placed us first in its rankings of savings providers for the third

1. Source: Bank of England.

2. Source: eBenchmarkers Spring 2017 (savings), CML Economics 2016 top mortgage lenders (balance outstanding) latest published data as at 22 February 2018 (mortgages).

3. The Society's weighted average month end savings rate (Society mix of products) compared to Bank of England weighted average rate for household interest-bearing deposits (market mix of products).

year running, as well as presenting us with its Clear & Simple Mark for our savings terms and conditions – the first UK savings provider to receive this accolade. We have also become one of only four UK savings providers to become a Which? Recommended Provider for Savings accounts⁴.

This approach to savings means we have attracted more savers and more deposits in 2017, with balances growing by 11%, almost four times faster than the market as a whole¹. These deposits supported our mortgage performance in 2017, with mortgage balances growing by 9%.

This was a strong performance in an environment that has shown some softening of house purchase demand and strengthening of mortgage rate competition. Our performance was underpinned by well-priced products in the lower loan to value and remortgage segments of the market. Just as importantly it reflects the service we provide to our borrowers and mortgage intermediary partners; we were pleased to be awarded the highest accolade for mortgage servicing, the Financial Adviser Five Stars award, for the second year running.

Our focus on lower loan to value lending is reflected in an average loan to value of our mortgage book of 47%. Together with the low interest rate environment this has resulted in continued very low loan impairments.

Our simple, focused business model means we have a low cost base. Notwithstanding a continued investment in technology and people, our management expense ratio⁵ was broadly maintained at 0.42% (2016: 0.41%). This is significantly lower than that of our building society competitors⁶, an advantage

which allows us to provide long-term value to our savers and borrowers by operating at a relatively low net interest margin⁷ of 1.02% as we return value to our members through favourable interest rates.

Looking forward, we expect price competition in the mortgage market to remain and margins to tighten further. However, our low cost operating model means that we will be able to continue to offer attractive long-term value to savings and mortgage members.

The combination of growth, low risks and low costs is the foundation of our financial strength and in 2017 we continued to deliver sufficient profits to support our capital position. As a mutual organisation dedicated to Putting Members First, we do not aim to maximise profits. Instead we aim to balance the long-term value we provide through consistently competitive pricing with being a secure and trusted home for our members' savings. In 2017 profit before tax was £243 million and our risk based capital measure⁸ increased to 34.9%, the highest reported by any top 20 lender⁹ demonstrating that we are strong and secure.

The service we provide to our members is an important part of our balanced performance and in 2017 our members continue to rate our core services highly, with more than 8 out of 10 members happy to recommend us to others¹⁰. Of the few complaints referred to the Financial Ombudsman Service only 4% were upheld, the lowest reported rate of all UK banks and building societies¹¹.

Despite a strong service record we are not complacent and understand that in a changing technological age our members will continue to expect more of us. To address this, we are

4. As at August 2017.

5. Administrative expenses, depreciation and amortisation/Average total assets.

6. As at 22 February 2018.

7. Net interest income as a percentage of average total assets.

8. Common Equity Tier 1 ratio.

9. Source: CML Economics, 2016 top mortgage lenders (balance outstanding) – latest published CET 1 data as at 22 February 2018.

10. Source: Average from 6 surveys in 2017: 12,065 branch visitors scoring 9 or 10/10; 13,642 savings contact centre callers scoring 4 or 5/5; 3,761 online services users scoring 9 or 10/10; 1,749 brokers scoring 9 or 10/10; 1,943 mortgage contact centre callers scoring 9 or 10/10; 1,913 customers who have opened an account scoring 9 or 10/10.

11. Source: Financial Ombudsman Service – latest published information: 1 January 2017 to 30 June 2017.

investing to deliver further improved service functionality and customer experience, for example the new customer website that showcases our simplicity and transparency. Behind the scenes we are also investing to enhance our core technology systems and infrastructure to improve business resilience and service flexibility. This commitment to investing for the future will increase further in 2018, and includes investment in making our branches even more welcoming within their communities.

Above all we continue to invest in our people, who make the Society what it is. Our growth is a positive factor in this regard, providing opportunities for internal career progression as well as giving us greater relevance in the external job market. In 2017 the Society was rated one of the 100 Best Companies to Work For in the UK, an accolade which reflects our ambition in supporting and engaging our people.

The Society was also named one of the Best Employers for Race¹² recognising our commitment to encouraging diversity. We know that our very high level of employee engagement has its foundation in the Society's commitment to do the right things for members.

Alongside Putting Members First, we also seek to do the right thing for the communities we serve. In 2017, over three quarters of our employees were actively engaged in a wide variety of fundraising and community

volunteering activities. This year we celebrate the 10 year anniversary of our partnership with The Royal British Legion during which time we have become its largest corporate partner, donating over £15 million since October 2008. This work is mirrored by the contribution of our employees at a local level, supporting over 250 charities and schools. We are delighted that the city of Coventry has won the bid to become the 2021 UK City of Culture. We supported the bid and have committed to support this transformational opportunity for Coventry.

At its heart, Coventry Building Society is a people business, with a set of values that guide all of its decision making. So it is right that we finish by paying tribute to Ian Pickering, our late Chairman, who exemplified these values and worked tirelessly to ensure we stayed true to our mission of Putting Members First. This will continue to be our focus going forward.

Peter Ayliffe
Chairman

Mark Parsons
Chief Executive

12. Source: Business in the Community Best Employers for Race list 2017.

Summary Financial Statement

for the year ended 31 December 2017

Results for the year	Group 2017 £m	Group 2016 £m
Net interest income	411.0	385.0
Other income and charges	5.1	10.5
Net losses from derivatives and hedge accounting	(0.3)	(1.0)
Total income	415.8	394.5
Administrative expenses	(167.9)	(149.5)
Impairment credit on loans and advances to customers	(0.2)	1.5
Provisions for liabilities and charges	(3.5)	(6.1)
Charitable donation to Poppy Appeal	(1.5)	(1.3)
Profit before tax	242.7	239.1
Taxation	(57.9)	(56.7)
Profit for the financial year	184.8	182.4

Financial position at end of year	Group 2017 £m	Group 2016 £m
Assets		
Liquid assets	6,209.5	4,827.8
Loans and advances to customers	35,930.9	32,881.6
Hedge accounting adjustment	17.2	144.5
Derivative financial instruments	306.5	354.2
Fixed and other assets	108.4	87.8
Total assets	42,572.5	38,295.9
Liabilities		
Shares	31,035.7	28,054.3
Borrowings	9,127.3	7,742.0
Hedge accounting adjustment	76.5	158.7
Derivative financial instruments	214.0	366.7
Other liabilities	75.9	85.8
Subordinated liabilities	25.5	25.5
Subscribed capital	41.6	41.6
Total liabilities	40,596.5	36,474.6
Equity		
Reserves and other equity instruments	1,976.0	1,821.3
Total liabilities and equity	42,572.5	38,295.9

Summary key financial ratios

	Group 2017 %	Group 2016 %
Gross capital as a percentage of shares and borrowings	5.09	5.28
This measures how much capital we have to protect our members and other creditors against unforeseen eventualities.		
Liquid assets as a percentage of shares and borrowings	15.5	13.5
This measures our ability to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund general business activities.		
Profit for the year as a percentage of average assets	0.46	0.50
The Group needs to make an adequate level of profit each year in order to maintain capital at a level which protects members and satisfies regulatory requirements.		
Management expenses as a percentage of average assets	0.42	0.41
Management expenses are the costs of running the Society. This ratio measures the Society's efficiency, with a lower number indicating greater efficiency.		

These ratios are required by the Building Societies Act. We consider our performance using a broad range of measures which are shown on pages 2 and 3 of this document.

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 2017 which comprises the Summary Directors' Report, 'Results for the year', 'Financial position at end of year' and 'Key financial ratios', comprising pages 7 and 8 and the directors' emoluments disclosures on pages 10 to 13.

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 audited part of the Directors' Remuneration Report of Coventry Building Society for the year ended 31 December 2017.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Report & Accounts, 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 and disclosures in the Summary Financial Statement to the Annual Report & Accounts, and the directors' emoluments to the Directors' Remuneration Report. Our audit report on the Society's Annual Report & Accounts and the audited 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 Report & Accounts, and the directors' emoluments are consistent with the Directors' Remuneration Report of Coventry Building Society for the year ended 31 December 2017 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

22 February 2018

Summary Directors' Remuneration Report

We are pleased to present a summary of our Directors' Remuneration Report, which sets out the directors' Remuneration Policy (the Policy), and the Annual Remuneration Report for 2017 (the Report).

If you are eligible to vote at the Annual General Meeting (AGM) you will have an advisory vote on the Report which outlines how the Policy was implemented in 2017. There will not be an advisory vote on the Policy itself this year, as this is only submitted to an advisory vote every three years, unless there have been changes to the Policy. The directors' entitlement to remuneration is not conditional on the AGM vote. However, the Remuneration Committee takes account of members' feedback.

The Policy and Report are on pages 79 to 87 of the 2017 Annual Report & Accounts which will be available on our website (coventrybuildingsociety.co.uk/accounts2017) from 31 March 2018.

Remuneration policy – executive directors

The Society's Policy is designed to ensure remuneration rewards executive directors for their responsibilities, performance and experience, and aids the recruitment, retention and motivation of high calibre individuals to lead and direct the Society to deliver improved performance and long-term sustainability for the benefit of our members.

The Policy is aligned with the business strategy, objectives of the Society and with the Prudential Regulation Authority's (PRA's) Remuneration Code. The Policy is consistent with the overall financial stability of the Society, by promoting sound and effective risk management and does not encourage excessive risk taking.

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

Element	Operation
Base salary	Executive director salary increases are assessed annually in line with other employees. Salary levels, take into account experience, market data, the economic environment, individual and Society performance.
Benefits and pension	These include a company car or car allowance and in some cases private fuel, private medical insurance and life insurance. Executive directors may participate in the defined contribution pension plan or receive a cash alternative in lieu should contributions exceed the annual or lifetime allowance. The CEO receives 20% of base salary and other executive directors receive 15%.
Annual Success Share bonus	This rewards performance over a single financial year on a balanced scorecard (see below) and is provided to all eligible Society employees, including executive directors, to a maximum of 20% (10% for on target) of base salary.
Annual Executive Variable Pay Plan (ExVPP)	A consistent set of balanced scorecard measures (see below) is used to assess both the Success Share and ExVPP. The maximum award is 60% (30% for on target) of the base salary of executive directors.

Success Share and ExVPP payments to executive directors are subject to deferral (as detailed on page 11). Rules are in place to enable reduction and repayment of awards, in compliance with the Remuneration Code.

Balanced Business Scorecard

The Society's balanced scorecard contains 12 strategic measures which are aligned to the business strategy and are weighted equally by the remuneration committee. The balanced scorecard approach has member outcomes at its heart and guards against excessive risk taking.

Deferral and retention

For executive directors whose total remuneration is above the regulatory deferral threshold of £500,000, 60% of their total variable pay (annual Success Share bonus and ExVPP) is subject to an extended deferral period of seven years. The deferred award is released in equal instalments on the third to seventh anniversaries of the assessment date after the end of the performance period. For each of these annual payments,

half of the awards are made in cash with the other half retained in an equivalent share-like instrument for a further period of twelve months with effect from the 2017 performance period. This means the total deferred variable pay earned in relation to 2017 will be paid between March 2021 and March 2026.

For executive directors below the regulatory deferral threshold, 40% of the ExVPP is deferred until the second anniversary of the assessment date after the end of the performance period i.e. March 2020. For the annual Success Share bonus and the ExVPP payments, half of the awards are made in cash with the other half retained in an equivalent share-like instrument for a further period of six months.

Remuneration summary for executive directors

Base salary

The annual review of salaries conducted in April 2017 saw a 2% basic increase for all employees and an additional 1.25%, where appropriate, to progress towards market levels. The executive directors received 3.25% in line with this approach.

Variable pay

The Society delivered a strong and balanced performance in 2017, outperforming five of the twelve strategic measures and performing in line for six measures set for the period. Further information on performance against the balanced scorecard measures can be found on page 83 of the full Annual Report & Accounts.

Given the Society's performance, the Remuneration Committee considered the level of variable awards and determined an annual Success Share bonus for all 2,418 eligible employees, including executive directors, of 12% of base salary from a potential maximum of 20%. In line with this, executive directors received ExVPP awards of 36% of base salary from a potential maximum of 60%. The last of the legacy Long Term Incentive Plans (LTIP) awarded in 2015 and based on performance in the financial years 2015-2017, paid out at 25.2% from a potential maximum of 40% for executive directors.

Total remuneration earned by each executive director

Audited information	Fixed remuneration			Variable remuneration			Total (including legacy LTIP) £000	Total (excluding legacy LTIP) £000
	Base salary £000	Taxable benefit £000	Pension allowance ¹ £000	Annual Success Share bonus £000	ExVPP £000	Legacy LTIP ² £000		
2017								
Mark Parsons	509	19	102	62	185	116	993	877
John Lowe ³ (until 27.04.17)	108	13	16	n/a	n/a	n/a	137	137
Peter Frost	276	26	41	33	100	60	536	476
Andy Deeks ⁴ (from 27.04.17)	140	7	21	25	76	18	287	269
Michele Faull ⁵ (from 27.04.17)	230	7	34	31	93	n/a	395	395
Total	1,263	72	214	151	454	194	2,348	2,154
2016								
Mark Parsons	493	19	99	69	194	96	970	874
John Lowe	320	12	48	45	126	75	626	551
Peter Frost	267	26	40	38	105	60	536	476
Total	1,080	57	187	152	425	231	2,132	1,901

1. Pension allowance includes both contributions to the Group's defined contributory pension scheme and cash payments in lieu of contributions.
2. The LTIP figure for 2017 is the amount earned in respect of the LTIP award granted in 2015 and based on performance for the three years ended 31 December 2017. The LTIP is a legacy arrangement which concluded in 2017. The 2015-2017 LTIP payment for Mark Parsons is based on a full 36 months whereas the 2014-2016 payment received last year was pro rata for 30 months from his date of joining.
3. John Lowe's remuneration comprises all payments made to him in respect of service until 27 April 2017.
4. Andy Deeks' remuneration comprises base salary and benefits from his appointment to the Board on 27 April 2017. The variable remuneration shown is for a full performance year and therefore includes some pre Board service.
5. Michele Faull's remuneration comprises base salary and benefits from her appointment to the Board on 27 April 2017. The variable remuneration shown is from the date of joining the Society (01 April 2017).

The remuneration for Mark Parsons and Michele Faull is above the regulatory threshold of £500,000 in respect of deferral. For each annual payment, half of the awards are made in cash with the other half retained in an equivalent share-like instrument for a further period. This retention period has increased from six months for the 2016 performance period to twelve months for the 2017 performance period. Consequently, Mark Parsons and Michele Faull will each receive a payment of 20% of variable pay in 2018 (£49,243 and £24,840 respectively) and an equivalent 20% in 2019. The remaining 60% (£147,290 and £74,520 respectively) will be paid in instalments from 2021 onwards until the final payment is received in 2026.

The remuneration for Peter Frost and Andy Deeks is below the regulatory deferral threshold. Consequently, Peter Frost and Andy Deeks will each receive 100% of the annual Success Share bonus (£33,342 and £25,200 respectively) and 60% of the ExVPP (£60,014 and £45,360 respectively) in 2018 with the remaining 40% (£40,010 and £30,240 respectively) payable in 2020.

The total impact of deferral in relation to the 2016 and 2017 performance periods is illustrated overleaf by reference to the CEO's variable pay.



Remuneration policy – non-executive directors

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, taking into account market data, annual pay increases awarded to executive directors and other employees, the economic environment and the Society’s performance.

Total remuneration earned by each non-executive director

Audited information	Base fees		Committee Chair and other fees		Taxable benefits		Total fees and taxable benefits	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Non-executive directors:								
Ian Pickering (Chairman – until 28.09.17)	109	141	–	–	6	6	115	147
Peter Ayliffe (Deputy Chairman – until 30.09.17) (Chairman – from 01.10.17)	73	48	5	4	5	3	83	55
Janet Ashdown (retired 27.04.17)	16	48	–	–	2	4	18	52
Bridget Blow (retired 28.04.16)	–	16	–	2	–	–	–	18
Roger Burnell (Chair of the Board Risk Committee and Senior Independent Director) (Chair of the Board Audit Committee – until 09.05.17 and from 12.12.17)	49	48	28	22	–	–	77	70
Catherine Doran (appointed 01.08.16)	49	20	–	–	6	1	55	21
Ian Geden (Chair of the Remuneration Committee) (Deputy Chairman – from 21.11.17)	49	48	12	11	2	3	63	62
Jo Kenrick (appointed 06.11.17)	8	–	–	–	1	–	9	–
Alasdair Lenman (appointed 01.11.16 until 28.09.17) (Chair of the Board Audit Committee – from 09.05.17 until 28.09.17)	45	8	8	–	–	–	53	8
Glyn Smith (Chair of the Board Audit Committee and Models and Ratings Committee – resigned 30.09.16)	–	36	–	18	–	5	–	59
Total	398	413	53	57	22	22	473	492

On behalf of the Board

Ian Geden

Chairman of the Remuneration Committee

22 February 2018

Contact us



At a branch

For details of our opening hours,
visit thecoventry.co.uk



Online

thecoventry.co.uk



By phone

0800 121 8899



By post

Economic House, PO Box 9,
High Street, Coventry CV1 5QN

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).

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 2018).

Coventry Building Society.

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COVENTRY
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