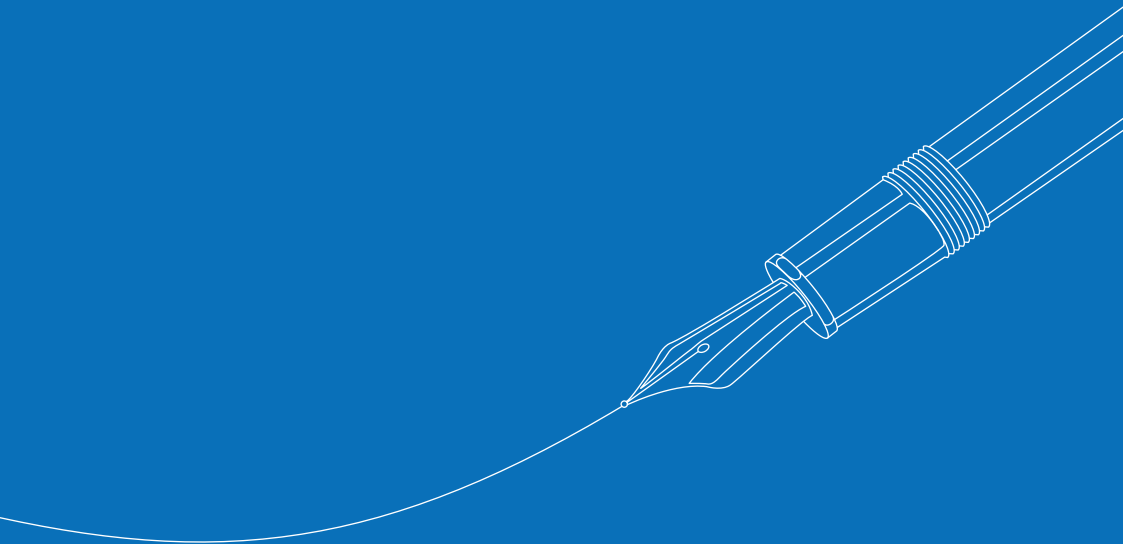
SUMMARY FINANCIAL STATEMENT

2012



the COVENTRY

TLC not PLC

SUMMARY

Financial Statement 2012

The directors are pleased to present the Summary Financial Statement for the year ended 31 December 2012.

SUMMARY

Directors' Report

The Society continues to prosper in what is a difficult environment for mortgage lenders, reporting excellent results for the year.

Performance highlights include:

Strong business performance

- Profit before tax increased by 49% to £88.5 million.
- Mortgage assets increased by £2.8 billion to £22.0 billion.
- New mortgage lending increased by 29% to £5.1 billion.
- Net mortgage lending was £2.3 billion, equivalent to 31% of all net mortgage lending in the UK (source: Council of Mortgage Lenders).
- Savings balances increased by £1.1 billion to £20.1 billion.

Strong, stable and efficient

- Maintained strong 'A' credit ratings throughout 'credit crunch' – Fitch (A) and Moody's (A3).
- Core tier 1 ratio of 23.2%, the highest reported by any top 10 building society or mutual lender.
- Cost to mean assets ratio of 0.38%, the lowest level reported by a UK building society.
- Impairment charges just £9.6 million from a loan book totalling in excess of £22.0 billion.

Doing the right things for our members

- The Society reported the highest average savings rate[1] of any top 10 building society or mutual lender in 2011, in the three year period 2009-2011 and the five year period 2007-2011.
- From 6 April 2013 the Society will raise its easy access variable cash ISA rate to 2.50% AER[2] - benefiting a quarter of a million ISA customers and meaning that no Coventry saver will earn less than 2.50% AER on any cash ISA.
- The Society does not use sales incentive schemes or sales targets for any individual member of staff, and has not had any such incentive since 2010.
- During the whole of 2012, the Financial Ombudsman asked for the outcome on a complaint referred to it for review to be changed on just six occasions.
- The Society's market-leading[3] cash ISA was in the national press 'best buy' tables for 41 weeks during 2012, and the Junior ISA has been a 'best buy' account from its launch on 6 April.

[1] Average rate estimate based upon interest payable on shares divided by average of opening and closing shares balances, as disclosed in Annual Report & Accounts.

[2] Annual Equivalent Rate.

[3] Compared to high street banks and building societies (Junior ISA: based on a balance of £3,600 or less, 60 Day Notice ISA based on a balance of £1,000 or less) excluding those with restricted availability (e.g. existing customers only or reliant on maintaining or opening another product with the same provider).

- Mortgages offered by the Society have been in the national press 'best buy' tables for 48 weeks of the year.

Community focused, with high levels of staff engagement

- Total community investment rose to a new record amount of £2.3 million, including £1.9 million donated to The Royal British Legion's Poppy Appeal.
- Awarded 'Gold' status by Investors in People, and is one of the first high street banks or building societies to have reached this standard.

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 11 April 2013. The auditors' report in relation to the full financial statements was not qualified in any respect.

Approved by the Board of directors on 28 February 2013.

Ian Pickering Chairman
David Stewart Chief Executive
John Lowe Finance Director

Business Review

The economic environment remained challenging in 2012.

Economic growth slowed around the world reducing the ability of the UK economy to rebalance and expand through higher exports of goods and services. With low growth in pay and consumer spending, the Bank of England maintained the Base Rate at 0.50% and extended Quantitative Easing to support the domestic economy. The housing market remained subdued, with low numbers of properties sold and static prices. The UK economy emerged from a technical recession, but gross domestic product remained unchanged over the year as a whole.

However, Coventry Building Society recorded another excellent performance. The Society's sustained success throughout the financial crisis confirms its position as one of the most resilient lending and strongest savings institutions in the UK.

Profit before tax increased by 49% to £88.5 million, in a year in which the Society's savings balances increased to a new record figure, and mortgage assets grew by a further 15%.

Sustained lending performance

The Society sustained its consistent record of organic mortgage growth, providing strong support to members and the UK housing market, and increasing its market share to new record levels.

The Society continues to grow without recourse to higher risk lending. It has an extremely high quality mortgage book, which underpins the stability and security of the Society to the benefit of borrowing and saving members alike.

Coventry's share of new mortgage lending has increased four-fold since the start of the financial crisis in 2007, due to its consistent market presence in a period when some competitors have significantly reduced their activities.

Gross advances totalled £5.1 billion, representing 3.6% of all UK mortgage advances.

Net mortgage lending resulted in additional mortgage balances of £2.3 billion, equivalent to over 31% of net mortgage lending undertaken in the UK.

The Society's financial strength also enabled it to purchase a £0.5 billion loan book of high quality UK buy-to-let mortgages originated by Bank of Ireland, bringing the total growth in mortgage assets to £2.8 billion.

A consistently prudent approach has been key to this success. Impairment charges in 2012 were lower than in 2011 despite the increase in assets and continued economic challenges faced by members. The charge of £9.6 million represents less than 0.05%[4] of the overall mortgage book and is certain to be one of the lowest reported by any large mortgage lender.

Coventry mortgage balances that were 2.5% or more in arrears on 31 December 2012 totalled just 0.72% (2011: 0.79%) of total balances. At the time of the latest available published data, arrears were 48% of the industry average.

Supporting savers

In 2012 overall market savings rates have declined, partly as a result of the cheaper sources of funds available via the Government Funding for Lending Scheme.

The Society has tried hard to support savers. Over the five year period 2007-2011, the three year period 2009-2011 and in 2011 alone, Coventry reported the highest average savings rates[1] of any top 10 building society or mutual lender. Until other societies have reported results for 2012 the equivalent position is not known, but the fact that the average rate[1] reported by the Society rose over that paid in 2011 is noteworthy.

The Society's average ISA rate also increased during the year and is now approaching five times the Base Rate. The 60 Day Notice ISA was in the national press 'best buy' tables for 41 weeks and the Junior ISA was market-leading[3] from its launch in April.

The Society has also taken what we believe is currently a unique step amongst major high street banks and building societies to increase significantly its existing cash ISA rates from the start of the 2013 tax year. All 250,000 ISA savers with Coventry will receive at least 2.50% AER[2] on their ISAs – equivalent to the 'best buy'[5] easy access cash ISA rate at the time of the decision – and will have the ability to transfer ISA savings held at other institutions to benefit from this rate. Whilst no guarantee can be made of long-term rates, as a mutual organisation owned by its savers and borrowers, we believe this is the right thing to do and we are pleased to be able to take a lead in supporting savers in this difficult environment.

This support for savers helped achieve a new record in savings balances of £20.1 billion, an increase of £1.1 billion.

The ability of the Society to attract and retain retail savings was matched by a strong performance in accessing wholesale funds. In 2012, the Society once again attracted long-term and competitively priced funding from institutional investors, including £0.8 billion through its first residential-backed securitisation, passing the benefits of this cheap funding to savers and borrowers in the form of competitive products.

The Society is required to support the Financial Services Compensation Scheme and in 2012 a provision for £10.2 million was raised to meet the cost of failed institutions.

Strong and secure

The Society is one of the most highly rated building societies in the UK, being 'A' rated by Fitch (A) and Moody's (A3). In fact, Coventry is the only major high street bank or building society not to have been downgraded by any rating agency in the last three years.

This is supported by leading positions in capital strength and cost-efficiency.

[4] Impairment losses on loans and advances to customers divided by average loans and advances to customers.

[5] Source: Moneyfacts.

At 23.2%, Coventry's core tier 1 ratio remains the highest reported by any top 10 UK building society or mutual lender and it continues to generate additional capital through its strong and sustainable profitability. The Society also reported the lowest cost to mean assets ratio (0.38%) of any UK building society.

This strong focus on cost and efficiency helps us to keep the Society's net interest margin low at 0.73%, so benefiting both mortgage and saving members.

This strong, all round performance meant that, after providing for the Society's contribution to the Financial Services Compensation Scheme, its donation of £1.9 million to the Poppy Appeal, recognising the one-off accounting benefit from the closure of the final salary pension scheme to future service accrual and taxation, £67.5 million was transferred to the Society's reserves.

Doing the right thing for members

The Society's performance and financial strength is important but it is not being achieved at the expense of members. In fact the reverse is true.

In addition to its leading position in the savings market, it maintained the lowest Standard Variable Rate (SVR) of its peer group[6] of larger building societies, in each of the years 2010 to 2012.

It is also noticeable that the Society has largely been unaffected by the mis-selling issues that made headlines in 2012. Decisions regarding the design of the Payment Protection Insurance sold by the Society and the sales process used, have protected individual members and the Society itself. In 2010, the Society took the decision to end the use of all individual sales incentives whilst from 2013 staff are not targeted on sales at all, but assessed solely on their ability to do the right things for members.

The Society needs properly trained and committed staff to deliver this service to members. In 2012, this was independently recognised when Investors in People awarded the Society 'Gold' status. The commendation highlighted the depth of understanding and commitment on the part of all staff to the Society's objective of 'Putting Members First'.

This commitment extends to all aspects of the Society's activities and not only explains why it continues to win numerous awards, including in 2012, 'Best Building Society' (Your Mortgage) for the second year in a row, but also the continuing support to local communities which is enabled by the commitment and enthusiasm of members of staff.

Outlook

It seems clear that the economic environment will not improve significantly in 2013 as reflected in the recent downgrade by Moody's of the UK's credit rating from AAA to AA1. The Bank of England Base Rate is anticipated to remain at its historic low of 0.50% into 2014, and there remains a significant risk of a return to recession.

However, this has been the context for the last six years, during which time the Society has sustained its financial strength and worked hard to deliver fair value and excellent service to its members. This consistently strong performance is evidence that the traditional building society remains a viable and positive business model.

The Board is unanimous in its strong view that Coventry should remain an independent, mutual building society, run in the interests of its members.

Ian Pickering Chairman **David Stewart** Chief Executive

[6] Peer group of larger building societies defined as building societies with reported assets of between £5 billion and £50 billion.

Financial Statement

For the year ended 31 December 2012

Results for the year	Group 2012 £m	Society 2012 £m	Group 2011 £m	Society 2011 £m
Net interest income	**186.9**	**132.2**	167.5	131.3
Other income and charges	**12.5**	**20.6**	12.8	11.7
Net gains from derivative financial instruments	**0.1**	**2.8**	0.5	0.5
Total income	**199.5**	**155.6**	180.8	143.5
Administrative expenses	**(98.6)**	**(93.8)**	(86.3)	(83.3)
Operating profit before impairments and exceptional items	**100.9**	**61.8**	94.5	60.2
Impairment losses on loans and advances to customers	**(9.6)**	**(6.1)**	(9.9)	(6.3)
Operating profit after impairments and before exceptional items	**91.3**	**55.7**	84.6	53.9
Provision for FSCS levies	**(10.2)**	**(10.2)**	(13.4)	(13.4)
Gain on pension curtailment	**9.3**	**9.3**	-	-
Integration and merger related costs	**-**	**-**	(10.7)	(10.7)
Operating profit after impairments and exceptional items	**90.4**	**54.8**	60.5	29.8
Charitable donation to Poppy Appeal	**(1.9)**	**(1.9)**	(1.0)	(1.0)
Profit before tax	**88.5**	**52.9**	59.5	28.8
Taxation	**(21.0)**	**(8.8)**	(12.9)	(5.0)
Profit for the financial year	**67.5**	**44.1**	46.6	23.8

Statements of comprehensive income	Group 2012 £m	Society 2012 £m	Group 2011 £m	Society 2011 £m
Profit for the financial year	**67.5**	**44.1**	46.6	23.8
Other comprehensive income				
Actuarial loss on defined benefit pension plan	**(5.0)**	**(5.0)**	(4.3)	(4.3)
Tax on actuarial loss on defined benefit pension plan	**1.0**	**1.0**	1.1	1.1
Fair value movements on Available-for-sale assets	**(6.7)**	**(6.7)**	19.6	19.6
Tax credit/(charge) on fair value movements taken to reserves	**0.8**	**0.8**	(5.2)	(5.2)
Other comprehensive income for the year, net of tax	**(9.9)**	**(9.9)**	11.2	11.2
Total comprehensive income for the year, net of tax	**57.6**	**34.2**	57.8	35.0

Financial position at end of year	**Group 2012 £m**	**Society 2012 £m**	Group 2011 £m	Society 2011 £m
Assets				
Liquid assets	**4,476.1**	**4,263.8**	4,842.1	4,766.2
Loans and advances to customers	**22,018.9**	**14,937.1**	19,240.0	14,023.0
Hedge accounting adjustment	**86.8**	**86.8**	68.7	68.7
Derivative financial instruments	**279.6**	**177.8**	259.7	169.4
Fixed and other assets	**72.4**	**11,241.8**	76.1	9,820.8
Total assets	**26,933.8**	**30,707.3**	24,486.6	28,848.1
Liabilities				
Shares	**20,110.5**	**20,110.5**	18,964.1	18,964.1
Borrowings	**5,050.1**	**4,314.9**	3,947.0	3,947.0
Hedge accounting adjustment	**240.4**	**160.6**	201.5	148.4
Derivative financial instruments	**411.2**	**374.4**	336.0	299.8
Other liabilities	**100.3**	**4,766.5**	64.3	4,532.6
Subordinated liabilities	**58.1**	**58.1**	68.2	68.2
Subscribed capital	**161.4**	**161.4**	161.3	161.3
Total liabilities	**26,132.0**	**29,946.4**	23,742.4	28,121.4
Equity				
Reserves	**801.8**	**760.9**	744.2	726.7
Total liabilities and equity	**26,933.8**	**30,707.3**	24,486.6	28,848.1

Key financial ratios	**Group 2012 %**		Group 2011 %	
Core tier 1 capital ratio	**23.2**		22.8	
Liquid assets as a percentage of shares and borrowings	**17.8**		21.1	
Gross capital as a percentage of shares and borrowings	**4.06**		4.25	
Profit for the year as a percentage of average assets	**0.26**		0.20	
Management expenses as a percentage of average assets	**0.38**		0.37	

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 2012 and 2011 total assets.

Core tier 1 capital ratio

The core tier 1 capital ratio measures the Group's core tier 1 capital, which comprises the general reserves adjusted for the defined benefit pension scheme surplus, intangible assets and 50% of the excess of expected losses on loans and advances to customers calculated on an Internal Ratings Based (IRB) approach, over accounting provisions, as a percentage of its risk-weighted assets. The Group calculates its capital requirement under Basel II using the IRB approach for prime residential and buy-to-let mortgage exposures (excluding mortgages transferred from the Stroud & Swindon merger, and mortgages acquired from Bank of Ireland), and the standardised approach in calculating the capital requirements for other risk areas.

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.

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, 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.

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 appropriate level of profit each year in order to maintain its capital ratios at an appropriate level to protect members and to satisfy regulatory requirements.

Management expenses as a percentage of average assets

The management expenses ratio measures the Group's administrative expenses (which includes 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.

SUMMARY

Directors' Remuneration Report

A full copy of the report is contained in the Annual Report & Accounts. It describes the Society's policy for the remuneration of executive and non-executive directors, who are equally responsible in law for directing the Society's affairs.

Responsibility for the approval and review of the Society's remuneration policy rests with the Board Remuneration Committee. The Committee ensures that the Society complies with the FSA's Remuneration Code, and the disclosure requirements of the Capital Requirements Directive (CRD III).

Remuneration Committee

The Remuneration Committee consists of non-executive directors and is chaired by Bridget Blow, Deputy Chairman and Senior Independent Director.

It has taken full account of industry best practice as advised by the Financial Services Authority and reviewed the remuneration policies of the Society's peer group of major building societies as well as other businesses of a similar size and complexity.

The Committee is able to access independent third party pay data from consultants Towers Watson. KPMG LLP and Deloitte LLP have also advised on matters relating to the remuneration of both executive and non-executive directors and other senior management. In 2012 the Remuneration Committee met four times.

Policy for executive directors

The policy of the Board is to recruit and retain high calibre executive directors and ensure that their remuneration reflects their responsibilities and performance.

The UK Corporate Governance Code (Code) states that 'a significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance'. It continues that performance related elements should be 'stretching and designed to promote the long-term success of the company'. This means that some bonus arrangements are necessary if the Society is to meet the requirements of the Code.

The Remuneration Committee recognises that the use of carefully controlled performance related bonuses, which enable a flexible approach to remuneration, are in the best interests of the Society and its members. It enables payments to be aligned accurately to results and ensures that the Society's costs are reduced if for any reason financial performance deteriorates. The Committee believes that a combination of short and long-term plans supports this objective.

However, it is equally clear that these payments must not be excessive. The Committee continues to set the potential for variable pay at levels below those typically available for similar performance amongst both our peer group of major building societies as well as other similar institutions. In total, these payments are currently limited to a maximum of 60% of fixed pay.

The Committee has considered the results of the Society's annual benchmarking exercise, which compares the total remuneration of the Society's executive directors and senior management with that paid at the eight largest building societies and mutual lenders.

As in previous years, this found that despite the Society being one of the larger institutions in the comparator group, and having consistently performed very strongly in comparison with its peers, the total remuneration paid to executive directors is below the median.

This has been independently assessed by Deloitte LLP. It confirmed that the potential total remuneration for Society executive directors, incorporating variable pay, is below market median in comparison with major building societies and considerably below that of FTSE 250 organisations of a similar nature and complexity. Most importantly, despite strong performance compared to the sector, the amount actually paid in 2011 was below median.

Variable remuneration plans agreed prior to June 2012 will be paid in cash. Subsequent plans, in accordance with the FSA's Remuneration Code, will include a deferred element.

The principal elements of the Society's remuneration packages are as follows:

a) Base salary

Base salary levels for all staff are reviewed annually, taking into account comparative data from other building societies for executive and non-executive directors, and the performance of the individual and the Society as a whole. The aim is to pay market median rates for experienced staff, who are performing to a good standard.

b) Annual performance related bonus

All eligible staff participate in a discretionary annual performance related bonus scheme. Eligibility is dependent upon satisfactory individual performance, although the amount paid is determined by the performance of the Society as a whole. It applies to all staff on the same terms, including executive directors and senior management, but not non-executive directors. No member of staff is incentivised on the basis of individual or team sales targets.

The Remuneration Committee takes account of the financial and non-financial performance of the Society before an annual performance related bonus (subject to a maximum of 20% for substantial over-performance) is calculated. These measures cover: competitiveness of rates paid to members, member satisfaction, market share, operational performance, member and staff engagement, risk and compliance. There is no guarantee that a payment will result.

The strong performance of the Society during 2012 gave rise to a calculated bonus for all 1,794 eligible members of staff equivalent to 12% of base salary.

c) Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) links the remuneration of executive directors and other senior managers to the long-term performance of the Society. The Remuneration Committee considers a number of factors covering: member satisfaction, member engagement, regulatory record, overall financial performance relative to that of other building societies and in the context of prevailing market conditions, market share, risk and compliance, individual performance and conduct, plus any other relevant factors.

A maximum of 40% (executive directors) or 20% (senior management) would be paid for substantial over-performance over a three year period. This is below the 50% of salary maximum currently permitted under the Society's LTIP Rules.

To protect the interests of members, the Committee may amend any payment if it considers it appropriate. Payments are not pensionable.

There are currently three executive directors and four senior managers that have been awarded grants under one or more of the Society's LTIP schemes.

In the period 2010-2012, the Society exceeded each of the targets in its plans.

The Remuneration Committee considers the Society's performance during a period of economic uncertainty and significant challenge for all financial institutions, compares well with that of all major banks and building societies.

Information in respect of this performance can be found in this Summary Financial Statement or, in greater detail, in the 2012 Annual Report & Accounts which can be obtained on the Society's website or by contacting the Society's Customer Service Centre or in branches from 11 April 2013.

On the basis of this strong performance, the Remuneration Committee has approved a payment for each participant equivalent to 38.9% of base salary at 1 January 2010, for the LTIP 2010 to 2012. No targets were adjusted from those originally set in 2009.

An LTIP grant has been made in 2012, whereby participants are eligible to receive a performance related payment based on the performance of the Society over the period from 2012-2014. An on-target performance would provide a 10% of salary payment for executive director and a 5% of salary payment for other senior management. These are accrued in the accounts over the vesting period.

d) Pension arrangements

From December 2001, Coventry Building Society has operated a defined contribution pension scheme for all new entrants. In 2012, the decision was taken to close the pre-existing final salary pension scheme to future service accrual. This will take place for most staff in this scheme from 1 April 2013.

A new Group Personal Pension (GPP) scheme (defined contribution scheme), which is compliant with new pensions enrolment requirements, is being offered to all staff in 2013. Executive directors, executives and senior management have been transferred to the GPP on the same terms as other members affected by the closure of the scheme.

Full details of executive directors' pension benefits can be found in the Annual Report & Accounts (note 11).

e) Other benefits

Each executive director is provided with a fully expensed car or a cash alternative, and personal membership of a private medical insurance scheme.

Non-executive directors

A committee consisting of the Chairman, Chief Executive, Finance Director and Head of Human Resources has been established to set and review the elements that comprise the remuneration of non-executive directors.

No director takes part in the discussion of his or her own remuneration. Fees of non-executive directors are reviewed annually in light of their responsibilities and comparative information from other building societies, and financial institutions. The Society has reviewed fees paid by its peer group of building societies and FTSE 250 companies of a similar size to Coventry and found that those paid at Coventry are typically at market median, with the exception of the Chairman which is lower than market.

Non-executive directors do not participate in any performance related pay or bonus scheme, pension arrangements or other benefits.

Directors' service contracts

The following directors' have service contracts with the Society:

- David Stewart, Chief Executive (contract commenced 2006);
- Colin Franklin, Sales & Marketing Director (contract commenced 2009);
- John Lowe, Finance Director (contract commenced 2010); and
- Peter Frost, Chief Operating Officer (contract commenced 2012).

All service contracts are terminable by the individual on six months' notice and by the Society on one year's notice.

Directors' emoluments

The following information concerning directors' emoluments has been extracted from the Annual Report & Accounts.

	Salary £000	Annual bonus[1,2] £000	Long Term Incentive Plan[2,3] £000	Pension contributions[4] £000	Increase in accrued pension[4] £000	Taxable benefit £000	2012 Total £000	2011 Total £000
Executive directors:								
David Stewart	**377**	**47[5]**	**124**	**33**	**1**	**79**	**661**	525
John Lowe	**250**	**31**	**72**	**24**	**-**	**12**	**389**	274
Colin Franklin	**143**	**16**	**53**	**34**	**4**	**16**	**266**	228
Peter Frost (appointed 01.11.2012)	**37**	**4**	**-**	**4**	**-**	**4**	**49**	-
Phil Vaughan (resigned 28.04.2011)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	108
Total	**807**	**98**	**249**	**95**	**5**	**111**	**1,365**	1,135

1. The performance of the Society during 2012 gave rise to a payment for all 1,794 eligible members of Coventry staff (2011: 1,749), including executive directors, equivalent to 12% (2011: 13%) of basic salary.
2. As in previous years, all payments made under the annual bonus and LTIP will be paid in March.
3. Payments made under the Long Term Incentive Plan are in relation to the performance of the three financial years 2010, 2011 and 2012. The Remuneration Committee approved a payment of 38.9% (2011: 15%) of base salary at the date of the Deed of Grant to participants in the scheme at that date, reflecting the Group's performance over this period. John Lowe was not a participant in the 2009 to 2011 scheme.
4. David Stewart, John Lowe and Peter Frost are active members of the Group's funded defined contribution pension scheme.
5. David Stewart elected to waive his entitlement to the annual bonus. The Society has donated an amount equivalent to the remuneration waived to the Coventry Building Society Charitable Foundation.

	2012 £000	2011 £000
Non-executive directors:		
Ian Pickering (Appointed as Chairman on 01.01.2013)[1]	**62**	50
David Harding (Chairman, retired on 31.12.2012)	**100**	78
Bridget Blow (Deputy Chairman, Senior Independent Director and Chairman of the Remuneration Committee)[1]	**53**	50
Roger Burnell (Appointed as Chairman of the Board Risk Committee on 01.01.13)	**41**	40
Ian Geden	**41**	40
Fiona Smith	**41**	40
Glyn Smith (Appointed as Chairman of the Board Audit Committee on 01.12.2011)	**53**	41
Total	**391**	339

[1]On 23 May 2012 Ian Pickering was elected Deputy Chairman. On 19 December 2012, Ian Pickering and Bridget Blow were elected to be Chairman and Deputy Chairman respectively with effect from 1 January 2013.

During the year the Chairman's salary was rebased using external benchmarking data. As noted in the Directors' Remuneration Report, no director is involved in the setting of his or her own remuneration. No pension contributions were made for non-executive directors.

On behalf of the Board

Bridget Blow
Chairman of the Remuneration Committee

Statement of the auditors to the members and depositors of Coventry Building Society

Pursuant to Section 76 of the Building Societies Act 1986, we have examined the Summary Financial Statement of Coventry Building Society for the year ended 31 December 2012 which comprises the 'Results for the year', 'Statement of comprehensive income', 'Financial position at end of year' and 'Key financial ratios', comprising pages 6 to 7, and the directors' emoluments disclosures on page 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 auditors

The directors are responsible for preparing the Summary Financial Statement in accordance with applicable United Kingdom law.

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.

We also read the Summary Directors' Report contained in the Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Coventry Building Society's full annual financial statements describes the basis of our opinion on those financial statements, the Directors' Remuneration Report, and the Summary Directors' 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 2012 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made thereunder.

Ernst & Young LLP

Registered Auditors
London
28 February 2013

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