



# Annual General Meeting 2019

## How to vote



Online



In branch



By post



In person

[www.ersvotes.com/coventry19](http://www.ersvotes.com/coventry19)  
by midnight on  
Wednesday  
17 April 2019

Drop your proxy voting  
form into the ballot  
box in branch by  
4.45pm on Wednesday  
17 April 2019

Use the enclosed  
proxy form and  
envelope, to arrive  
by Wednesday 17 April  
2019

The AGM is at  
12 noon on Wednesday  
24 April 2019 at the  
Ricoh Arena, Coventry



# Hello

This leaflet is all about our Annual General Meeting – what it is, why it matters and how you can take part.

Coventry Building Society is a mutual organisation. This means we are owned by you, our members, and that our Annual General Meeting is really your Annual General Meeting. We'd like to explain the decisions we made last year, the goals we're striving for and the progress we're making. We'll do this at the AGM itself on Wednesday April 24<sup>th</sup> and we'd love to see you there, but if you can't make it, we try and give you the information you need in this booklet and the accompanying members' newsletter.

We then ask you to vote. Your vote shows you support what we're doing, or perhaps that you don't. Either way it's an important part of our governance as a mutual Society and we want you to vote.

We try to make voting as easy as possible and this booklet explains the different ways you can do this – whether online, by post, by visiting a branch or attending the AGM in person.

We've tried to tell the story of our year in a simple, honest and straightforward way. I believe it paints a picture of a Society that's doing the right things for its members and will continue to do so.

Best wishes



**Mark Parsons**  
Chief Executive

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### Where can I find out more?

You can find a summary of our financial performance in this booklet or online at [www.coventrybuildingsociety.co.uk/AGM](http://www.coventrybuildingsociety.co.uk/AGM)

You can also see more about what we did in 2018 in the members' newsletter enclosed in this pack.

The full Annual Report & Accounts will be available on our website or can be requested from your branch or by calling us, from 29 March 2019.

**Don't forget, you can join us at our Annual General Meeting:**



**on Wednesday 24 April 2019, at 12 noon**



**at the Ricoh Arena, Coventry**

See page 23 for more information.





## The Board of Directors

### 2019 election

#### Changes to the Board

I joined the Board as Chair immediately following the 2018 Annual General Meeting, with Peter Ayliffe resuming the role of Deputy Chair. During the year, further appointments were made to the Board with Iraj Amiri joining as Non-executive Director in June and Martin Stewart, also a Non-executive Director, in September. The three of us are going forward for election for the first time at the 2019 AGM. Ian Geden retired from the Board in June.

**Gary Hoffman**

Chair of the Board



Appointed to the Board



**Gary Hoffman**  
Chair of the Board

**Committee membership**

Nominations & Governance Committee (Chair)  
Remuneration Committee  
Non-executive Director Remuneration Committee

**Experience**

Gary joined Coventry Building Society in April 2018 as Chair of the Board. Prior to joining the Society, he was Chief Executive of Hastings Insurance Group, which he established as a key player in the UK insurance market and led through flotation on the London Stock Exchange. He was also Chair of Visa Europe having served on the boards of Visa for 17 years until 2018. Gary has extensive experience in

'I am very proud to have become the Coventry's Chair last year. Coventry is my home town and the Society is one of Coventry's biggest employers. Lots of people don't realise that we are the second biggest building society and a national brand. In my first year I have been very impressed with how my new colleagues in many locations serve our savings and mortgage customers.'

the field of retail financial services, including lending, deposit taking, credit cards and insurance. He had a 26 year career with Barclays Bank, during which he undertook roles as varied as Group Vice Chairman, Chief Executive for UK retail banking, Chairman of UK Banking and Group CEO of Barclaycard. After leaving Barclays, he served as Chief Executive of Northern Rock following its nationalisation.

**External appointments**

Gary is Chairman for Hastings Group, the Football Foundation and Monzo Bank.



Appointed to the Board



**Mark Parsons**  
Chief Executive Officer and Executive Director

**Committee membership**

Non-executive Director Remuneration Committee (Chair)

**Experience**

Mark has been Chief Executive Officer since July 2014. He previously served as Chief Financial Officer for Retail and Business Banking at Barclays Bank. Mark worked at Barclays for eight years, having joined as Managing Director of the home finance division of the UK retail bank. He later served as deputy chief executive of the UK retail bank.

'I am a believer that if you seek to do the right thing by your fellow human beings then good things flow from it. This applies to our members, the people who work for the Coventry and the wider communities in which we operate. This belief underpins the way we seek to run Coventry Building Society, from the service we provide to the products we offer, and results in our consistently strong growth, member satisfaction and employee satisfaction.'

Mark is a Chartered Global Management Accountant. His career spans more than 30 years in retail financial services, having worked at Abbey National and PwC in leadership roles covering finance, products, branches and personnel. He has previously served as deputy chairman of the Council of Mortgage Lenders.

**External appointments**

Mark is a Board member of the trade association, UK Finance Limited.



Appointed to the Board



## Iraj Amiri

Independent Non-executive Director

### Committee membership

Board Audit Committee (Chair)  
Board Risk Committee

### Experience

Iraj was a partner with Deloitte for over 20 years, leading its national internal audit group and serving clients in the financial, retail and public sectors. Iraj was also Global Head of Internal Audit for Schroders Plc for more than 10 years.

As a specialist in the financial sector he carried out numerous reviews of major financial institutions including banks, building societies and insurance companies. Iraj is a Fellow of

'I was delighted to join Coventry's Board as I share its belief that members' interests should always guide behaviours and decisions. In my role as Chair of the Board Audit Committee I ensure the standards of probity, accountability, reporting and corporate governance we need to achieve strategic objectives and deliver long-term value, safely and sustainably.'

the Institute of Chartered Accountants in England and Wales, a past Fellow of the Royal Statistical Society, and was a member of the Internal Audit Task Force of the Institute of Chartered Accountants in England and Wales for a number of years.

### External appointments

Iraj is a Trustee and Chair of the Audit Committee at National Employment Savings Trust, where he also serves as a member of the Risk Committee. He is Chair of the Audit Committee at Development Bank of Wales Plc. He is also a member of the Regulatory Decisions Committee at the Financial Conduct Authority.



Appointed to the Board



## Peter Ayliffe

Deputy Chair of the Board

### Committee membership

Board Risk Committee  
Nominations & Governance Committee  
Remuneration Committee

Joined the Board in May 2013 as a Non-executive Director and served as Interim Chair of the Board from October 2017 to April 2018, after the unexpected death of Ian Pickering.

### Experience

Peter has over 40 years' experience of working in retail banking and payments. Peter served as President and Chief Executive Officer at Visa Europe Limited from March 2006 to September

'As one of the longest serving members of the Board, I remain committed to and proud of the Society's consistent record of growing the business safely and securely by focusing on the needs of our members, investing in the development of our employees and supporting our local communities.'

2013. He was responsible for Visa's European business in 36 countries. Prior to joining Visa Europe in 2006, he worked for more than 20 years with Lloyds TSB, where he held a number of executive posts in the bank's retail business. This included serving as Group Executive Director of UK Retail Banking on the Lloyds Group plc Board from 2003 to 2005. In relation to other roles, Peter has served as Director of Investors in People UK and President of The Chartered Management Institute.

### External appointments

Peter is a trustee of Pennies Foundation Charity and Chairman of TruRating Limited.



Appointed to the Board



'I am passionate about the Society's simple and transparent approach to serving members, and I'm proud of the independent endorsements we received as a result from organisations such as Which? and Fairer Finance.'

**Andy Deeks**  
Executive Director

**Committee membership**  
None

**Experience**  
Andy is the Society's Product, Marketing & Strategy Director. He has over 10 years of experience with Coventry Building Society and plays a key role in both the commercial delivery and strategic development of the Society for its members. He graduated with a first class degree from the University of Nottingham and

holds an MBA from Warwick Business School, University of Warwick. Before joining the Society, Andy was a management consultant, advising UK retail banks, building societies and insurers.

**External appointments**  
None



Appointed to the Board



'The world of financial services is changing fast. I see my role as using the experience I've gained in leading change and technology programmes to help the Society enhance its services whilst protecting members' interests.'

**Catherine Doran**  
Independent Non-executive Director

**Committee membership**  
Board Risk Committee  
Remuneration Committee

**Experience**  
Prior to joining Coventry Building Society as Non-executive Director in August 2016, Catherine served as the Chief Information Officer of Royal Mail plc until May 2016. She was responsible for devising and delivering the IT strategy to support the business transformation agenda. Prior to Royal Mail plc, Catherine was Director, Corporate Development at Network Rail Limited

where she led a company-wide transformation programme. Throughout her career, she has held progressively responsible IT leadership roles in a number of blue chip companies – BT, NatWest, Capital One, Logica and Altergo.

**External appointments**  
None



Appointed to the Board



**Michele Faulk**  
Executive Director

**Committee membership**

Non-executive Director Remuneration Committee

**Experience**

Michele is the Society’s Chief Financial Officer, a position she has held since April 2017. Before joining the Society, Michele had over 10 years’ experience in senior finance and risk roles in the financial services sector both in the UK and Europe, including positions at Nationwide Building Society and Aviva. Michele is a fellow of the Association of Chartered Certified Accountants and was previously a Tax Partner at PwC.

‘Working for Coventry Building Society is a privilege. I believe that mutually owned societies like the Coventry improve the UK financial services landscape because they expand choice. It is important to me to work for an organisation that makes a positive difference to its members over the long term and one where simplicity and transparency are valued as a way of operating.’

**External appointments**

Michele is a trustee and treasurer of Bow Arts Trust where she is Chair of the Core Services Committee. She also is a member of Coventry Cathedral’s Finance Committee.



Appointed to the Board



**Peter Frost**  
Executive Director

**Committee membership**

None

**Experience**

Peter is the Society’s Chief Operating Officer and has responsibility for all aspects of the Society’s operations, including IT and Change. Peter has over 25 years’ experience in financial services. Prior to joining the Society, Peter worked at Barclays Bank where he served as Operations Director of UK Retail Operations. He was responsible for managing a number of different operational and change functions including secured and unsecured collections, fraud operations, debit card services and

‘I believe very strongly that at Coventry Building Society we always try to do the right thing for our members. This includes providing the very highest levels of customer service delivered by people who always put members first.’

unsecured underwriting. Before this, Peter also held a number of roles across retail banking, including Woolwich Building Society and Woolwich PLC. Peter has also held a number of non-executive directorships including roles at Vaultex and Intelligent Processing Solutions Limited.

**External appointments**

Peter serves the local community by acting as Governor and Chair of the Resources Committee of Little Heath Primary, Coventry.



Appointed to the Board



### Jo Kenrick

Independent Non-executive Director

#### Committee membership

Remuneration Committee (Chair)  
Nominations & Governance Committee  
Board Audit Committee

#### Experience

Jo joined the Society in November 2017 as Non-executive Director. She is an experienced director with a commercial and marketing background. She has held a number of directorships including Marketing Director at Homebase Limited, B&Q plc and Wilson Connolly Holdings plc.

She has also served as Chief Executive Officer of Start, a Prince of Wales charitable initiative.

'I have a strongly held personal belief that there is a right way and a wrong way to succeed in business. Coventry Building Society is one of the best examples I have ever seen of a thriving business demonstrating excellent commercial success, and doing it the right way. The human beings really matter here, both members and employees, and I'm proud to be making my contribution to that culture and those results.'

Jo brings building society and payments experience through her previous non-executive role at Principality Building Society and her role as Chair of the Current Account Switch Service as non-executive director for Pay.uk.

#### External appointments

Jo is a non-executive director of both Dŵr Cymru Welsh Water and Safestore Holdings plc and is Chair of the Current Account Switch Service as non-executive director for Pay.uk.



Appointed to the Board



### Martin Stewart

Independent Non-executive Director

#### Committee membership

Board Risk Committee (Chair)  
Board Audit Committee

#### Experience

Prior to joining the Society in September 2018, Martin served as Director of Banks, Building Societies and Credit Unions at the Bank of England from April 2013. From 2010, he was Head of UK Banks and Mutuals at the Financial Services Authority (now Financial Conduct Authority). He has wide-ranging experience within financial services from a career that includes over 20 years at board level as an

'I see in Coventry Building Society an organisation that aims to deliver great service and great value for its savers and borrowers - without being distracted by fashion and fads. In my role as Chair of Board Risk Committee, my aim is to protect today's members whilst ensuring a strong Society for tomorrow's.'

executive and non-executive director, as well as senior roles in the building society and consultancy sectors.

#### External appointments

Martin is an Advisory Board Member of OakNorth Bank plc and a visiting professor at the London Institute of Banking & Finance.

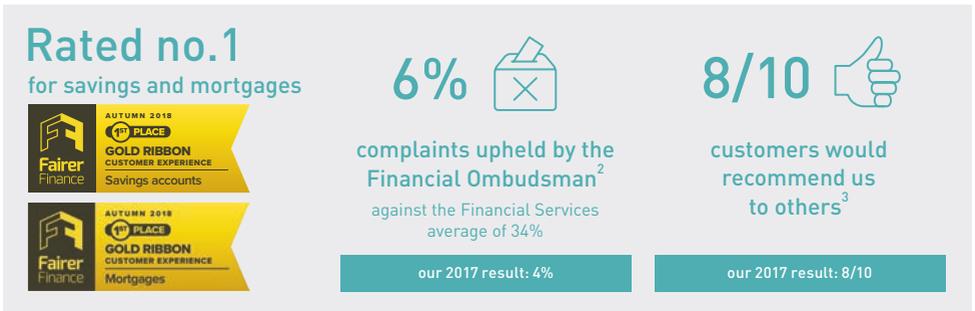
# Performance highlights

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

In 2018 we provided superior value to members.



We offered simple, easy to use products and provided good member outcomes.



We delivered sustainable growth, balancing the needs of current and future members.



1. Based on the Society's average month end savings rate compared to the Bank of England average rate for household interest-bearing deposits on the Society's mix of products.
2. Source: Financial Ombudsman Service latest available information - 1 January 2018 to 30 June 2018.
3. Source: Average number of members scoring 9 or 10/10 across 6 surveys totalling 48,922 responses.
4. Source: Bank of England.

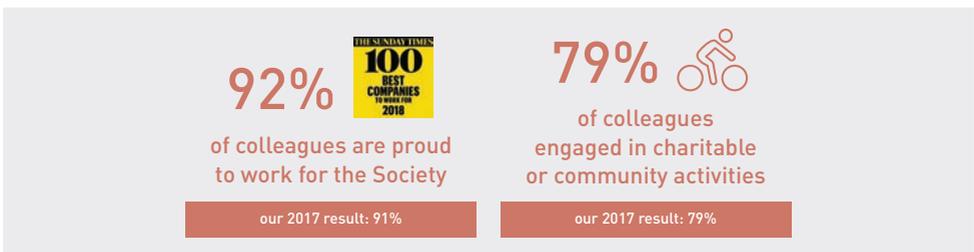
We remained safe and secure, taking risks that we understand and can manage.



We spent members' money wisely, being cost efficient whilst investing for the long term.



We valued the engagement of our people, and made a difference to our communities.



5. Source: Prudential Regulation Authority latest available information at 30 September 2018.

6. Increase in strategic investment costs charged to the Income Statement compared to 2017.

# Summary Financial Statement

The directors are pleased to present the Summary Financial Statement for the year ended 31 December 2018.

## 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 29 March 2019. The auditor's report in relation to the full financial statements was not qualified in any respect.

Approved by the Board of Directors on 28 February 2019.

**Gary Hoffman**  
Chair of the Board

**Mark Parsons**  
Chief Executive

**Michele Faulk**  
Chief Financial Officer

## Summary Directors' Report

Coventry Building Society has a simple purpose. We exist to meet the needs of our saving and borrowing members. Our performance is equally simple to articulate. In 2018, we delivered strong growth in both savings and mortgages, continuing a long record of outperforming the market.

We delivered profit that maintains our capital position whilst providing superior returns to our members and investing in our future. In doing this, we provided an exemplary level of service to members and intermediary partners. This only happens because we have a highly engaged, enthusiastic workforce who deliver great results for members as well as making a positive and tangible difference in their local communities.

In the mortgage market we grew balances by 9%, over three times the growth in the market<sup>1</sup>. This, in a very price competitive environment which has seen sustained

pressure on mortgage pricing despite increases in the Bank of England Base Rate.

The price competitive mortgage environment has led to noticeable changes in consumer behaviour, with the re-mortgage sector being particularly active both for owner-occupier and buy to let mortgages. We are also seeing further movement away from Standard Variable Rate mortgages to fixed rate loans as borrowers seek to lock in to attractive rates.

Despite the pressure on mortgage pricing, we have maintained the low risk approach to lending that is right for our members and that has been our hallmark for many years. The Society's arrears fell again in 2018, and are only one seventh of the industry average<sup>2</sup>, meaning that members benefit from low credit losses. The weighted average loan to value of our mortgage book of 55%<sup>3</sup> (2017: 54%) reflects this low risk position and protects our business model from potential market or house price disruption.

1. Source: Bank of England.

2. Source: Percentage of mortgages in arrears by 2.5% or more - Prudential Regulation Authority latest available information at 30 September 2018.

3. Indexed loan to value weighted by balance.

Central to our mortgage growth is the strength of our intermediary partnerships. We believe borrowers should have the opportunity to receive independent advice when they take out a mortgage and we are an advocate of mortgage brokers who provide this. In turn, we work tirelessly to improve our service to brokers and their clients. In 2018, we received the Financial Adviser Five Stars award, the highest accolade for mortgage servicing, for the third year running, and we were ranked first for broker satisfaction in the wide-ranging Charterhouse annual research. We were also ranked first by Fairer Finance for mortgages, on the basis of trust, customer happiness, transparency and complaint handling.

Intrinsically we need to balance the needs of our savings and mortgage members. Interest rates in the savings market have been stubborn and moved little following two increases in the Bank of England Base Rate. We have continued to pay significantly higher savings rates to our members than the market average, which demonstrates both the strength of our business and our clear focus on Putting Members First.

In 2018, the average savings rate we paid was 1.50%, nearly double the market average of 0.78%<sup>4</sup>. In simple terms this means we paid an additional £227 million in interest than if we had simply matched the market average<sup>4</sup>. This is a further increase on the premium we have provided over many years. This consistently good value has helped us to grow savings balances by 7% in 2018, over two and a half times the market growth<sup>1</sup>.

In addition, we have delivered award-winning service to savers. In 2018, this combination of superior long-term value and great service resulted in the Society being awarded the status of Which? Recommended Provider for Savings Accounts once again, one of only five providers to receive this endorsement.

Fairer Finance also ranked us first amongst savings providers, for the third year running.

This independent recognition is matched by research which shows that more than 8 out of 10 members are happy to recommend us to others<sup>5</sup>, and our overall Net Promoter Score, already exceptionally high in the industry, increased further from +72 to +75<sup>6</sup>.

At the heart of our great service delivery is our people. They share our mission of Putting Members First. We believe it is our record of consistently putting this into practice that explains the trust and engagement of colleagues at the Society. In 2018, 92% of colleagues said they were proud to work for the Society and we were again rated one of the 100 Best Companies to Work For in the UK. Whilst we work extremely hard to recruit, retain, develop and support people who want to do the right things for our members, they repay this investment many times over to the benefit of our members.

Our employees are also the driving force behind our support for communities; it is no surprise that people who are motivated to do the right things for members and demonstrate the Coventry CARES values also want to use their enthusiasm and skills to benefit charities, schools and community groups. Last year, amongst many highlights, we were awarded the Business in the Community Responsible Business Award for Educational Partnership, for our programme helping Coventry school students prepare for the world of work.

Nearly 80% of Society employees actively supported our commitment to our communities during the year, helping over 250 local and national organisations.

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4. Based on the Society's average month end savings rate compared to the Bank of England average rate for household interest-bearing deposits on the Society's mix of products.

5. Source: Average number of members scoring 9 or 10/10 across 6 surveys totalling 48,922 responses.

6. A measure of customer advocacy that ranges between -100 and +100 which represents how likely a customer is to recommend our products and services.

To sustain our great service record in the future, we have stepped up investment in our distribution, technology and infrastructure to meet the changing expectations of our members.

Our members tell us that they are already seeing the benefit of our branch redesign programme, with seven branches completed during 2018. This is a major investment for us and one which confirms both our commitment to the branch network and our understanding that what members want from their branch above all is a reassuringly human place to talk to our people. We will continue the roll out of the redesign in 2019.

We recognise and anticipate an evolving savings marketplace with new service providers emerging. We have taken an important step in this area by partnering with Hargreaves Lansdown, which offers a new way for customers to open and service our products. In 2018, we offered fixed rate bonds on their Active Savings platform and in 2019, became the first provider to offer easy access savings accounts.

We are progressing projects enhancing our technology to improve resilience, service flexibility and functionality. The work to update our data centres is progressing well with the first migrations taking place during 2018 in line with our plans. During 2018, we also completed upgrades to our telephony and credit assessment systems. However, the detailed design work on upgrading our core technology platform has indicated that this programme will be more technically complex than originally envisaged. As a result, we are replanning this activity in order to reduce the

risk and future cost of the programme whilst still meeting our objectives. We are committed to doing the right thing for our members, taking stock at this early stage rather than ploughing ahead with the original plan.

We have a strong track record of being the most cost-efficient building society in the UK and aim to maintain this during this period of strategic investment. In 2018 our overall management expense ratio was 0.50% (2017: 0.42%)<sup>7</sup>. Excluding the significant increase in strategic investment, the ratio has remained consistent at 0.41%<sup>8</sup>, demonstrating our continued focus on running an efficient business which allows us to return superior value to members.

In 2018, profit before tax was £202 million (2017: £243 million) maintaining our risk based capital measure at 35.5% (2017: 34.9%), the highest reported of any top 20 lender<sup>9</sup>.

Looking forward we will need to continue to deliver despite market uncertainties, balancing the ongoing pressure on mortgage margins with continued rising member expectations and our own investment agenda. However, we are confident that the Society's financial strength, flexibility and low risk, low cost business model will continue to support our success in the short and long term.

Central to this is our clarity of purpose. We have mentioned the importance of Putting Members First on many occasions. It will continue to guide our progress going forward.

**Gary Hoffman**  
Chair of the Board

**Mark Parsons**  
Chief Executive

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

8. Administrative expenses, depreciation and amortisation less increase in strategic investment costs compared to 2017/Average total assets.

9. Common Equity Tier 1 ratio for the UK Finance 2017 top 20 mortgage lenders (balance outstanding) - latest published CET 1 data as at 28 February 2019.

## Financial Performance Overview

In 2018, we delivered in line with our commitment to retain only the profit we need to maintain capital ratios, whilst investing in our infrastructure to improve our service and providing favourable pricing for members. In 2018, we paid £227 million of value to members compared to £210 million in 2017<sup>1</sup>.

Statutory profit before tax decreased by £41 million to £202 million driven by a £41 million increase in the cost of strategic investment programmes compared to 2017.

Net interest income increased by £15 million to £426 million, reflecting the growth in the Balance Sheet. The mortgage market remains very competitive and in addition to delivering good value to borrowers, we continue to pay superior interest rates to savings members, this means our net interest margin<sup>2</sup> declined by 0.06% during the year to 0.96%.

Management expenses increased by £54 million to £222 million. £41 million of this was the increase in strategic investment spend and resulted in a 0.08% increase in our cost to mean assets ratio to 0.50%<sup>3</sup>. Without the additional strategic investment, the 'run cost' ratio would have been 0.41%<sup>4</sup> in line with 2017 reflecting our focus on maintaining our low cost base.

The remaining £13 million increase in costs related to employee wage inflation, a 7% increase in headcount to support business growth and the increased cost of running the Society's IT systems.

Despite higher levels of uncertainty from Brexit and other macro economic factors and an increasingly price competitive environment, we are confident that our low cost, low risk approach to business means we can continue to invest in future service capability whilst delivering long-term value to members.

### Summary key financial ratios

	Group 2018 %	Group 2017 %
<b>Gross capital as a percentage of shares and borrowings</b>	<b>5.02</b>	<b>5.09</b>
This measures how much capital we have to protect our members and other creditors against unforeseen eventualities.		
<b>Liquid assets as a percentage of shares and borrowings</b>	<b>14.7</b>	<b>15.5</b>
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.		
<b>Profit for the year as a percentage of average assets</b>	<b>0.35</b>	<b>0.46</b>
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.		
<b>Management expenses as a percentage of average assets</b>	<b>0.50</b>	<b>0.42</b>
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 10 and 11 of this document.

1. Based on the Society's average month end savings rate compared to the Bank of England average rate for household interest-bearing deposits on the Society's mix of products.
2. Net interest income/Average total assets.
3. Administrative expenses, depreciation and amortisation/Average total assets.
4. Administrative expenses, depreciation and amortisation less increase in strategic investment costs compared to 2017/Average total assets.

# Summary Financial Statement

for the year ended 31 December 2018

<b>Results for the year</b>	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>
Net interest income	<b>425.8</b>	411.0
Other income and charges	<b>(1.2)</b>	5.1
Net losses from derivatives and hedge accounting	<b>(0.3)</b>	(0.3)
<b>Total income</b>	<b>424.3</b>	<b>415.8</b>
Administrative expenses	<b>(221.7)</b>	(167.9)
Impairment credit/(charge) on loans and advances to customers	<b>0.4</b>	(0.2)
Provisions for liabilities and charges	<b>-</b>	(3.5)
Charitable donation to Poppy Appeal	<b>(1.4)</b>	(1.5)
<b>Profit before tax</b>	<b>201.6</b>	<b>242.7</b>
Taxation	<b>(45.5)</b>	(57.9)
<b>Profit for the financial year</b>	<b>156.1</b>	<b>184.8</b>

<b>Financial position at the end of the year</b>	<b>Group 2018 £m</b>	<b>Group 2017 £m</b>
<b>Assets</b>		
Liquid assets	<b>6,401.9</b>	6,209.5
Loans and advances to customers	<b>39,264.6</b>	35,930.9
Hedge accounting adjustment	<b>6.5</b>	17.2
Derivative financial instruments	<b>268.9</b>	306.5
Fixed and other assets	<b>129.0</b>	108.4
<b>Total assets</b>	<b>46,070.9</b>	<b>42,572.5</b>
<b>Liabilities</b>		
Shares	<b>33,281.6</b>	31,035.7
Borrowings	<b>10,313.7</b>	9,127.3
Hedge accounting adjustment	<b>36.5</b>	76.5
Derivative financial instruments	<b>167.4</b>	214.0
Other liabilities	<b>84.2</b>	75.9
Subordinated liabilities	<b>25.5</b>	25.5
Subscribed capital	<b>41.6</b>	41.6
<b>Total liabilities</b>	<b>43,950.5</b>	<b>40,596.5</b>
<b>Equity</b>		
Reserves and other equity instruments	<b>2,120.4</b>	1,976.0
<b>Total liabilities and equity</b>	<b>46,070.9</b>	<b>42,572.5</b>

## 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 2018 which comprises the Summary Directors' Report, 'Results for the year', 'Financial position at the end of the year' and 'Key financial ratios', comprising pages 12 to 16 and the directors' emoluments disclosures on pages 18 to 21.

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 2018.

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 2018 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

Manchester

28 February 2019

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## Appointment of auditor in 2019

The Society is required to change its auditor no later than 2020. During 2018, an audit tender process has been completed which has resulted in the proposal to appoint PricewaterhouseCoopers LLP as external auditor for the year ending 31 December 2019. This appointment is subject to member

approval at the 2019 AGM. More information on the tender process is included in the Board Audit Committee report in the Annual Report & Accounts, which will be available on our website from 29 March 2019.

# Summary Directors' Remuneration Report

We are pleased to present a summary of our Directors' Remuneration Report for 2018 (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 Remuneration Policy (the Policy) was implemented in 2018. 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 Report is on pages 84 to 90 of the 2018 Annual Report & Accounts and will be available, along with the Policy, on our website ([www.coventrybuildingsociety.co.uk/accounts2018](http://www.coventrybuildingsociety.co.uk/accounts2018)) from 29 March 2019.

## Remuneration policy – executive directors

The Society's Remuneration Policy is designed to ensure remuneration rewards executive directors for their responsibilities, performance and experience, whilst recognising that cost efficiency is a key part of the Society's strategy. The Policy 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 mission, purpose, strategy, objectives, values and long-term interests 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 key components of remuneration for executive directors are set out below:

Element	Operation
Base salary	Executive director salary increases are reviewed 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 assurance. 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% for pensions contributions.
Annual Success Share bonus	This rewards performance over a single financial year across a balanced scorecard of measures (see below) and is provided to all eligible Society employees, including executive directors. An award of 10% of base salary is made for on target performance, up to a maximum of 20% of base salary which can only be achieved by exceeding stretching upper targets for all measures.
Annual Executive Variable Pay Plan (ExVPP)	This Plan is based on a balanced business scorecard (see below). An award of 30% of base salary is made for on target performance, up to a maximum of 60% of base salary which can only be achieved by exceeding stretching upper targets for all measures.

Success Share and ExVPP payments to executive directors are subject to deferral (as detailed below). 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 have an equal weighting. This 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 where the deferred amount is released in equal instalments over seven years, starting from the third anniversary of the assessment date after the end of the performance period.

This means the total deferred variable pay earned in relation to 2018 will be paid between March 2022 and March 2027. 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.

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 2021. 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.

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## Remuneration summary for executive directors

### Base salary

The annual review of salaries conducted in April 2018 saw a 2% basic increase for all employees and an additional 1.5% of salaries primarily used to progress towards market levels where appropriate. The executive directors received increases in line with this approach.

### Variable pay

The Society delivered a robust performance in 2018, outperforming three of the twelve strategic measures and performing in line for seven measures set for the period. Performance against investment delivery programmes and cost to mean asset ratio were below target.

Further information on performance against the balanced scorecard measures can be found on page 86 of the 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 2,566 eligible employees, including executive directors, of 11% of base salary from a potential maximum of 20%. Consistent with this and having exercised some downward discretion, the Committee resolved to award ExVPP to executive directors at 30% of base salary from a potential maximum of 60%.

## Total remuneration earned by each executive director

Audited information	Fixed remuneration			Variable remuneration			Total £000
	Base salary £000	Taxable benefit £000	Pension allowance <sup>1</sup> £000	Annual Success Share bonus £000	ExVPP £000	Legacy LTIP <sup>2</sup> £000	
<b>2018</b>							
Mark Parsons	524	18	105	58	158	n/a	863
Andy Deeks	221	10	33	25	68	n/a	357
Michele Faull	350	10	53	39	106	n/a	558
Peter Frost	285	28	43	32	86	n/a	474
<b>Total</b>	<b>1,380</b>	<b>66</b>	<b>234</b>	<b>154</b>	<b>418</b>	<b>n/a</b>	<b>2,252</b>
<b>2017</b>							
Mark Parsons	509	19	102	62	185	116	993
Andy Deeks <sup>3</sup>	140	7	21	25	76	18	287
Michele Faull <sup>4</sup>	230	7	34	31	93	n/a	395
Peter Frost	276	26	41	33	100	60	536
John Lowe <sup>5</sup>	108	13	16	n/a	n/a	n/a	137
<b>Total</b>	<b>1,263</b>	<b>72</b>	<b>214</b>	<b>151</b>	<b>454</b>	<b>194</b>	<b>2,348</b>

1. Pension allowance includes both contributions to the Group's defined contributory pension scheme and cash payments in lieu of contributions.
2. The LTIP is a legacy arrangement which concluded in 2017. 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 legacy LTIP does not contribute towards the regulatory deferral threshold of £500,000.
3. Andy Deeks' 2017 remuneration comprises base salary and benefits from his appointment to the Board on 27 April 2017. The variable remuneration shown for 2017 is for a full performance year and therefore includes some pre-Board service. The Remuneration Committee determined that salary would move to market rate over time, rather than award a significant increase on appointment.
4. Michele Faull's 2017 remuneration comprises base salary and benefits from her appointment to the Board on 27 April 2017. The variable remuneration shown for 2017 is from the date of joining the Society (1 April 2017).
5. John Lowe's remuneration comprises all payments made to him in respect of service until 27 April 2017.

In 2018, Peter Frost and Andy Deeks are below the regulatory deferral threshold and therefore will be paid 100% of the annual Success Share bonus in 2019 and 60% of the ExVPP amount. The remaining 40% of ExVPP will be paid in 2021.

Mark Parsons and Michele Faull are above the regulatory deferral threshold and therefore their variable remuneration will be paid in instalments as set out below. The table shows the percentage of variable remuneration which will be paid in each year, alongside the amount paid with reference to Mark Parsons' variable remuneration.

Variable pay received		2019	2020	2021	2022	2023	2024	2025	2026	2027
2018 Performance period	%	20	20	-	6	12	12	12	12	6
	£000	43	43	-	13	26	26	26	26	13
2017 Performance period	%	20	-	6	12	12	12	12	6	-
	£000	49	-	15	30	30	30	30	15	-

## Remuneration policy – non-executive directors

Non-executive directors receive a base fee with an additional fee for the role of Chair of a committee and/or holding the position of Senior Independent Director or Deputy Chair. 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 all 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		Expense payments		Total fees and taxable benefits	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
<b>Non-executive directors</b>								
<b>Gary Hoffman</b> Chair of the Board - from 26.04.18	119	-	-	-	-	-	119	-
<b>Ian Pickering</b> Chair of the Board - until 28.09.17	-	109	-	-	-	6	-	115
<b>Peter Ayliffe</b> Chair of the Board – from 01.10.17 until 26.04.18	83	73	4	5	3	5	90	83
<b>Janet Ashdown</b> until 27.04.17	-	16	-	-	-	2	-	18
<b>Iraj Amiri</b> from 28.06.18	26	-	5	-	5	-	36	-
<b>Roger Burnell</b> Senior Independent Director	50	49	25	28	-	-	75	77
<b>Catherine Doran</b>	50	49	-	-	4	6	54	55
<b>Ian Geden</b> until 27.06.18	24	49	6	12	-	2	30	63
<b>Jo Kenrick</b> from 06.11.17	50	8	8	-	3	1	61	9
<b>Alasdair Lenman</b> until 28.09.17	-	45	-	8	-	-	-	53
<b>Martin Stewart</b> from 01.09.18	17	-	5	-	6	-	28	-
<b>Total</b>	<b>419</b>	<b>398</b>	<b>53</b>	<b>53</b>	<b>21</b>	<b>22</b>	<b>493</b>	<b>473</b>

More information on changes in Board members during 2018 can be found on page 71 of the Annual Report & Accounts.

On behalf of the Board

Jo Kenrick

**Chair of the Remuneration Committee**

28 February 2019

# Notice of the Society's 2019 Annual General Meeting

The Annual General Meeting of Coventry Building Society will be held at the Ricoh Arena in Coventry on Wednesday 24 April 2019 at 12 noon for the following purposes:

## Ordinary resolutions

1. To receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 December 2018.
2. To approve the Directors' Remuneration Report (excluding the Remuneration Policy) for the year ended 31 December 2018.

The vote is advisory and the Directors' entitlement to remuneration is not conditional on it.

3. To appoint PricewaterhouseCoopers LLP as Auditor of the Society to hold office until the end of the next Annual General Meeting.

**By order of the Board**

**Thomas Crane**

**Secretary**

28 February 2019

## Election and re-election of directors

4. To elect Iraj Amiri as a director.
5. To elect Gary Andrew Hoffman as a director.
6. To elect Martin Alastair Stewart as a director.
7. To re-elect Peter George Edwin Ayliffe as a director.
8. To re-elect Andrew William Deeks as a director.
9. To re-elect Catherine Martina Mary Doran as a director.
10. To re-elect Michele Jean Faull as a director.
11. To re-elect Peter Nicholas Frost as a director.
12. To re-elect Joanne Louise Kenrick as a director.
13. To re-elect Mark Alistair Parsons as a director.

## The following notes form part of the Notice of Annual General Meeting.

You may vote in person at the Society's Annual General Meeting. Alternatively, you may use the proxy voting form or go online to appoint a proxy to attend and vote at the Meeting on your behalf. You may appoint the Chairman of the Meeting or anyone else as your proxy, and your proxy does not have to be a member of the Society. Your proxy may vote for you at the Meeting, but only on a poll. You may direct your proxy how to vote at the Meeting. Your proxy may not speak at the Meeting except to demand or join in demanding a poll.

The full Annual Report & Accounts will be available at [thecoventry.co.uk](http://thecoventry.co.uk) from 29 March 2019.



# How to get to our Annual General Meeting

## Wednesday 24 April 2019

Registration will be open from 11am, with tea and coffee on arrival. The meeting will start at 12 noon and be followed by light refreshments.

Please bring either the front page of your voting form or some evidence of membership, such as a passbook or annual statement.



### By car

It's easy to get here by car, and there is plenty of free parking on site. The address for your satnav is: **Phoenix Way, Foleshill, Coventry CV6 6GE.**



### By courtesy coach

As usual, we're providing courtesy coaches from Coventry city centre to the Ricoh Arena. These will leave from Coventry railway station forecourt and Fairfax Street (next to Gala Bingo), at both 11am and 11.15am. When the AGM is over, the coaches will leave the Ricoh Arena and return to both departure points.



### By public transport

You can catch the number 11 or 12X bus from the railway station to Grove Street. From there you can catch the number 4 bus to the Ricoh Arena subway. The Ricoh Arena is a short walk from there.

Taxis are also available from both the railway and bus stations. The cost will be approximately £14.

Coventry Arena train station is located next to the Ricoh Arena and operates a limited service in either direction. Please check times on the National Rail Enquiries website.

# Contact us



## At a branch

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



## Online

[thecoventry.co.uk](http://thecoventry.co.uk)



## By phone

0800 121 8899



## By post

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

10p will be donated to The Royal British Legion for every vote cast. You can opt out of this on the voting form.



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's 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 2019).

Coventry Building Society.

Principal Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN.



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