Summary Financial Statement 2014

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The directors are pleased to present the Summary Financial Statement for the year ended 31 December 2014.

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 9 April 2015. The auditors' report in relation to the full financial statements was not qualified in any respect.

Approved by the Board of directors on 26 February 2015.

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

Summary Directors' Report

Coventry Building Society is a strong organisation, with a clear and consistent record of success.

Throughout the financial crisis, when other financial services organisations faltered or failed entirely, the Society continued to grow its mortgage lending with a reputation for prudence and responsibility. It funded this growth by attracting and retaining increasing numbers of savers, offering them attractive interest rates and the security of a strong financial position.

Its financial strength is demonstrated by a healthy capital position and a consistent 'A' credit rating, underpinned by cost control and high quality mortgage lending.

Central to this is the importance the Board places on its mutual ownership and the responsibility it has to protect the interests of its members.

Although mutual ownership is not a guarantee of success, the Society has proved that a business model based on doing the right things for members can flourish. In this regard its continuing strong financial performance, with an increase in profit before tax of 53% to £201.8 million, has been achieved whilst still providing long-term value to our saving and borrowing members.

Indeed, of the Society's variable rate savings balances, 89% pay equal to or above best buy rates offered by any major UK bank or building society[1].

This business model will not change. During 2014 the Board reviewed and confirmed the strategic principles which underpin the Society's success and rearticulated the belief that our members' interests are best served by remaining an independent mutual building society. The strength of this form of ownership is the clarity of purpose it provides.

Members want their money to be safe and secure. They want long-term value for money. They want products and services that are simple to understand and easy to use. They want to be kept informed. They want their Society to be cost-efficient, to invest sensibly and lend responsibly. By delivering to these principles we will continue to attract more members, and maintain our growth.

It is a business model that works for our members, both on an individual basis and as part of a strong and secure financial institution, and in 2014 we continued to demonstrate this success in all aspects of our business.

[1] As at 31 December 2014. Average deposit assumed as follows: Variable - £10,000 and ISAs £15,000. Excludes competitor products with restricted availability (e.g. existing customers only or reliant on maintaining or opening another product with the same provider) and Offset accounts. Source: Moneyfacts data.

Competitive mortgages

In 2014, we continued to grow our mortgage lending with a record £7.4 billion of advances, a 25% increase on 2013.

We expect this performance to maintain our position as one of the UK's top 10 lenders in terms of both mortgage advances and outstanding balances[2]. The overall growth in mortgages held was £2.8 billion, a 35% increase on 2013 growth and equivalent to 13% of UK net mortgage lending[3]. With total mortgage balances up 12%, the Society now accounts for 2.1% of all UK mortgage balances[3], more than double our market share seven years ago when the financial crisis began.

The competitiveness of the Society's mortgage portfolio is not only shown by this growth in the face of increased competition, but also by the presence of its mortgages in the national press best buy tables throughout the year. In fact, our mortgages have been in the national press best buy tables for over 60 consecutive weeks.

This was achieved in a market which has seen significant change over the last 12 months. The regulatory change resulting from the Mortgage Market Review was implemented in April, representing one of the most important developments to the provision of mortgage finance in over 10 years. These new regulations have not impeded our ability to grow our mortgage lending or to meet the service expectations of new and existing members.

This is undoubtedly helped by our long-standing responsible approach to lending. Our growth in lending continues to prioritise low risk sectors of the market as a means of protecting the interests of individual members and the financial strength of the Society as a whole.

At the start of 2014 many commentators predicted the likelihood of an interest rate rise within the year. Although this did not materialise, future affordability must still be judged with interest rate rises in mind. The Society will continue to follow a prudent approach to lending in the future.

Supporting savers

Savings members are the lifeblood of the Society – very simply, no savings would mean no lending. Whilst the general UK interest rate environment continues to favour borrowers, the Society has again delivered in supporting its savers.

In 2014, our overall growth in savings balances was £2.1 billion, a 10% increase on 2013, compared with a growth in the UK market[4] of 5%, resulting in a record of £23.4 billion total savings balances.

This growth was achieved in a market that continues to be influenced by a low Bank of England Base Rate and the Funding for Lending Scheme, the government initiative designed to stimulate lending activity. This scheme has provided UK lenders with cheaper funding to support business and personal lending, reducing interest rates to borrowers, but correspondingly reducing

[2] Source: The Data/Council of Mortgage Lenders.
[3] Source: Bank of England.
[4] Source: Bank of England.

the need to attract savers and therefore savings rates across the market.

The fact that we continued to attract additional deposits during this period demonstrates the competitiveness of our savings interest rates. But more than this, it shows our intent to offer long-term value to savers despite the availability of cheaper alternative funding.

This is clear in the strength of our ISA rates, which became even more important to members' long-term savings plans following the welcome increase in ISA limits during the year. At the end of 2014, over 99% of the Society's variable rate cash ISA balances paid equal to or more than 2%, with a weighted average ISA rate on all ISA balances of 2.55% compared with 1.05% in the market[5]. Our ISAs have been in the national press best buy tables every week for nearly three years.

This performance was independently recognised by the Moneywise Customer Service Awards, which rated the Society the 'Most Trusted Cash ISA Provider' in 2014 and also 'Best Junior ISA 2014' for an account which has been a national press best buy since it was launched.

We also offer long-term value for money on non-ISA savings, with the average rate paid across all savings balances being the highest of any top 10 building society over the three years from 2011 to 2013[6]. Nearly 80% of non-ISA variable rate savings balances[7] paid an interest rate of 1.50% or more – three times the Bank of England Base Rate – and our non-ISA saving accounts have been in the national press best buy tables every week for over two years.

Most importantly, this strong savings performance is not skewed in favour of new members. All existing members are able to access any of our new products on the same terms as new members of the Society. In recognition of this consistently fair approach we received a gold rating from Fairer Finance, including a 97% rating for customer happiness, one of the highest scores of any bank or building society included in their research.

This fair approach to the Society's savers is also demonstrated by our simplification of the savings portfolio, which aims to reduce the number of our variable rate savings products by almost two thirds, making it easier for our members to compare different products. Unlike some other providers, we have not used this exercise to unilaterally reduce rates. Instead, over 100,000 members will benefit from a rate increase and 240,000 will have improved access to savings.

We would also like to mention a milestone about which everyone at the Society feels particularly proud. The first Poppy Bond was launched in October 2008 in aid of The Royal British Legion's Poppy Appeal. Six years and a quarter of a million Poppy accounts later, we have donated nearly £11 million to the Poppy Appeal. We have seen at first hand the difference The Royal British Legion makes and the partnership has become very important to members and staff alike.

[5] Source: Bank of England. Average quoted interest rate on all variable rate Cash ISAs including bonus as at 31 December 2014.

[6] Average rate estimate based upon interest payable on shares divided by average of opening and closing share balances, as disclosed in Annual Report & Accounts (2011 to 2013).

[7] As at 31 December 2014.

There is no doubt that the low interest rate environment is a challenging one for savers. However, we continue to prioritise the needs of savers in terms of offering very competitive interest rates and making it easier to save with the Society. It is this combination of long-term value, simple products and fair treatment which resulted in the Society winning 'Most Trusted Savings Account Provider' in the 2014 Moneywise Customer Service Awards.

Strong and secure

The financial crisis continues to cast a long shadow as regulations that aim to increase the resilience of the financial services industry are designed and implemented. The Board has long understood that its responsibility to protect the interests of members requires strong financial foundations. In recent years the Society's risk weighted capital ratio has been the strongest in our peer group, reflecting the responsible and prudent approach to lending and the resulting high quality mortgage assets. This continues to be the case with a Common Equity Tier 1 (CET 1) ratio of 25.4% expected to be the highest reported by any top 10 UK building society.

However, we have also taken steps to increase our leverage ratio by issuing £400 million of Additional Tier 1 capital in June. This capital protects the interests of savings members in the unlikely event of the Society's capital falling below certain thresholds. At the end of 2014, the Society's leverage ratio was 3.9%,[8] (2013:2.9%) well above the proposed minimum level of 3%.

However, the primary source of capital to support future growth will continue to be retained profits. It is important that we balance the requirements to generate the profits needed to meet tougher capital requirements with continuing to provide attractive savings and mortgage products. We believe the Society's performance in providing long-term value to its members proves this to be the case, and in this context the focus on low cost of operations and control of risks remains vital.

In 2014, we expect to maintain our position as the most cost-efficient in the sector with a cost to mean asset ratio of 0.42% that remains significantly better than our peers, albeit investment to improve member experience and meet changing regulations has resulted in an increase from 0.39% in 2013. This cost-efficiency underpins both competitive pricing and profitability.

In addition, the Society's responsible lending approach has resulted in a low level of mortgage arrears and impairment charges of just £5.4 million from a loan book of £27.0 billion, representing just 0.02% of average loan balances. Our focus on efficient operations and prudent lending has enabled the Society to increase profit before tax by 53% to £201.8 million. Notably this has been achieved with significantly more savings members receiving rate increases than rate decreases throughout 2014 – a very

[8] The leverage ratio calculations shown are in accordance with the definitions of CRD IV, on an end-point basis, as amended by the European Commission delegated regulation. The calculation reflects constraints on the inclusion of AT 1 capital as proposed by the Financial Policy Committee's review of the leverage ratio. The ratio for 2013 has been updated to reflect this definition.

tangible indicator of our aim of Putting Members First.

The Society remains 'A' credit rated by both Fitch and Moody's, and is the only major high street bank or building society not to be downgraded by either agency in the last five years. The strength of these ratings is underpinned by the high credit quality of our borrowing members and the profits we have reported throughout the financial crisis, which have added to our reserves.

Serving our members

The Society's performance in 2014 once again underlines its financial strength. However, our real strength is the ability to deliver this performance whilst also delivering the right outcomes to our members.

This can be seen in the positive response of our members when asked about the service they receive, whether in branch, online or via our award-winning contact centre in Coventry. The Society has consistently achieved strong customer advocacy scores, with 9 out of 10 members who visit our branches or call our contact centre saying they would recommend us to friends and family[9]. The high level of trust and satisfaction that these figures indicate were supported by research undertaken in October 2014 by consumer champion Which? who ranked the Society as the highest scoring building society for customer satisfaction.

Our commitment to meeting the expectations of our members is also illustrated by the low levels of complaints received and, as importantly, by the actions taken to resolve these complaints when they do occur.

In common with other financial services organisations, we are required by the Financial Conduct Authority to publish the number of recordable complaints received. In the latest figures[10], the Society recorded 1.4 complaints per thousand members, one of the lowest rates of any top 10 building society.

Not only do we work hard to limit any cause of complaints, but when things do go wrong we try equally hard to put them right. The result is that, in the first half of 2014, only 3% of complaints referred to the Financial Ombudsman Service were changed in favour of the complainant, compared with an industry average of 57%[10].

To achieve the right outcomes for members consistently, the Society must have the right culture and standards of behaviour. Here too, we have firm foundations.

At a time when there is an increasing and justifiable interest in the way an organisation conducts itself, a shared understanding of the Society's purpose, and the importance each person has in achieving it, is fundamental to our recent and future success. The 2014 employee opinion survey undertaken by a third party underlined the strength of our staff engagement with a score of 84% being 10 percentage points higher than the benchmark group used.

[9] Source: Surveys of 142,772 branch visitors scoring 9 or 10/10 and 17,426 contact centre callers scoring 4 or 5/5 during 2014.
[10] Source: Financial Ombudsman Service data, from 1 January 2014 to 30 June 2014.

This engagement is also shown by the contribution made by staff on behalf of their local communities. This contribution takes many forms, from enthusiastic fundraising on behalf of BBC Children in Need or Comic Relief to the more direct support given to many small and local charities by teams across the branch network and head office. In 2014 the overall community investment supported by the Society was once again over £2.2 million, with more than 250 organisations benefiting from volunteering, fundraising or other direct involvement by staff.

Looking to the future

Underpinning all that the Society does is the clarity of its mission – 'Putting Members First'. It is what unites all employees. The environment will change as technology, regulation, competition and customer expectations change. The Society's mission will not.

The role of the Board, the executive team and every member of staff, is to ensure that the Society continues to meet our members' expectations. To this end we will continue to invest in the products and services we offer, to provide the long-term value and ease of interaction our members want, whilst retaining our focus on managing risk, costs and capital to ensure the safe and secure institution our members need.

Coventry Building Society is a 130 year old mutual and proud of it. We are a growth business, and the 2014 results continue a trend of growth which was maintained throughout the financial crisis. Our ability to grow rests, as it always has done, on retaining the loyalty of existing members and attracting new members to the Society. We believe that staying true to our principles, which protect the interests of all of our members, means we are well placed to continue this growth.

Ian Pickering
Chairman

Mark Parsons
Chief Executive

Summary Financial Statement

For the year ended 31 December 2014

Results for the year

	Group 2014 £m	Group 2013 £m
Net interest income	341.3	253.1
Other income and charges	8.2	9.3
Net (losses)/gains from derivative financial instruments	(0.7)	2.8
Total income	348.8	265.2
Administrative expenses	(124.6)	(108.9)
Impairment losses on loans and advances to customers	(5.4)	(6.3)
Provisions for liabilities and charges	(15.3)	(16.3)
Charitable donation to Poppy Appeal	(1.7)	(1.6)
Profit before tax	201.8	132.1
Taxation	(43.3)	(30.8)
Profit for the financial year	158.5	101.3

Financial position at end of year

	Group 2014 £m	Group 2013 £m
Assets		
Liquid assets	3,950.2	3,887.4
Loans and advances to customers	26,959.6	24,117.1
Hedge accounting adjustment	98.1	(8.4)
Derivative financial instruments	208.3	191.2
Fixed and other assets	62.1	66.0
Total assets	31,278.3	28,253.3
Liabilities		
Shares	23,395.6	21,311.7
Borrowings	5,604.3	5,438.5
Hedge accounting adjustment	162.0	89.5
Derivative financial instruments	323.3	213.6
Other liabilities	82.4	85.3
Subordinated liabilities	58.2	58.2
Subscribed capital	161.6	161.5
Total liabilities	29,787.4	27,358.3
Equity		
Reserves and other equity instruments	1,490.9	895.0
Total liabilities and equity	31,278.3	28,253.3

Key financial ratios

	Group 2014 %	Group 2013 %
Common Equity Tier 1 capital ratio[1]	25.4	24.3
Leverage ratio[2]	3.9	2.9
Liquid assets as a percentage of shares and borrowings[3]	13.6	14.5
Gross capital as a percentage of shares and borrowings[4]	5.90	4.17
Profit for the year as a percentage of average assets[5]	0.53	0.37
Management expenses as a percentage of average assets[6]	0.42	0.39

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 2014 and 2013 total assets (2013: average of the Group's 2013 and 2012 total assets).

1. Common Equity Tier 1 capital ratio: The Common Equity Tier 1 capital ratio measures the Group's Common Equity Tier 1 capital, which comprises the general reserves and the Available-for-sale reserve with regulatory adjustments, as a percentage of its risk weighted assets. The Group calculates its capital requirement under Basel III using the IRB approach for prime residential and buy to let mortgage exposures (excluding £0.5 billion of mortgages acquired from Bank of Ireland), and the standardised approach in calculating the capital requirements for other risk areas.
2. Leverage ratio: The leverage ratio measures the Group's Tier 1 capital, which comprises Group's Common Equity Tier 1 capital (see above) and Additional Tier 1 capital, as a percentage of total on and off balance sheet exposures. The leverage ratio calculations shown are in accordance with the definitions of CRD IV on an end-point basis, as amended by the European Commission delegated regulation. The calculation reflects constraints on the inclusion of Additional Tier 1 capital as proposed by the Financial Policy Committee's review of the leverage ratio. The ratio for 2013 has been updated to reflect this definition.
3. Liquid assets as a percentage of shares and borrowings: The liquid assets ratio measures the Group's assets held in the form of cash, short-term deposits and debt securities as a percentage of the Group's shares and borrowings. Most of the Group's assets are long-term mortgages, while many of its liabilities to investors are repayable on demand. Liquid assets are required to ensure that the Group can effectively manage this situation. They are generally readily realisable, enabling the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund general business activities.
4. Gross capital as a percentage of shares and borrowings: The gross capital ratio measures the Group's capital as a percentage of shares and borrowings. The Group's capital consists of profits accumulated since its establishment in the form of reserves, Perpetual Capital Securities, subordinated liabilities and subscribed capital which cannot be repaid in priority to ordinary members. Capital provides a financial cushion against unforeseen eventualities that might arise in the Group's business and ensures that members and other creditors are properly protected.
5. Profit for the year as a percentage of average assets: The profit to average assets ratio measures the Group's profit after taxation for the year as a percentage of the average assets. The Group needs to make an adequate level of profit each year in order to maintain its capital ratios at an appropriate level to protect members and to satisfy regulatory requirements.
6. Management expenses as a percentage of average assets: The management expenses ratio measures the Group's administrative expenses (which include amortisation and depreciation), as a percentage of the average assets. Administrative expenses consist mainly of the costs of employing staff, operating systems and other office expenses. They need to be controlled so that the Group operates as efficiently as possible, whilst providing the service that members require.

Statement of the Auditors 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 2014 which comprises the 'Results for the year', 'Financial position at end of year' and 'Key financial ratios', comprising pages 8 to 9, and the directors' emoluments disclosures on pages 14 and 15.

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 the Building Societies Act 1986, which includes information extracted from the Annual Report & Accounts and the auditable part of the Directors' Remuneration Report of Coventry Building Society for the year ended 31 December 2014.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Summary Financial Statement with the full annual financial statements, the Directors' Remuneration Report and the Directors' Report, and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made thereunder.

Basis of opinion

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

Opinion

In our opinion the Summary Financial Statement is consistent with the full annual financial statements, the Summary Directors' Report and the Directors' Remuneration Report of Coventry Building Society for the year ended 31 December 2014 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
Leeds
26 February 2015

Summary Directors' Remuneration Report

This report summarises the pay, benefits, bonuses and incentive plans for the directors for 2014 and details of the 2015 policy.

There are two sections to the report – a Remuneration Policy Report, which explains the Society's approach to pay and reward and the Annual Remuneration Report, which outlines how the policy was implemented during 2014.

A full version of each section is contained in the 2014 Annual Report & Accounts.

Summary Remuneration Policy Report

The Society's remuneration policy aims to recruit and retain high calibre executives and non-executive directors and is based on the following principles:

- Remuneration of directors and other Code Staff (staff who have a material impact on the Society's risk profile), including material risk takers and key staff in control functions, is in line with the PRA's Remuneration Code; the Remuneration Committee believes the remuneration arrangements for staff in control functions do not affect their independence; and no director, senior manager or member of staff is involved in the setting of his or her own remuneration.
- Remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Society and does not result in conflicts of interests.
- Remuneration is consistent with the overall financial stability of the Society and does not present material risk to this stability; remuneration promotes sound and effective risk management and does not encourage excessive risk taking.
- Remuneration policy focuses on rewarding directors and other staff within a market competitive range, subject to satisfactory performance; remuneration packages aim to aid the recruitment and retention of quality staff at all levels and to reflect their responsibilities, performance and experience.
- Incentive plans, performance measures and targets are stretching and aligned with members' interests; no member of staff is incentivised on the basis of an individual or team sales target. Bonus awards will be limited or withdrawn where individual or business performance does not merit award of a bonus.
- The performance of staff is reviewed each year against agreed individual and business objectives and the outcome of this review is taken into account when considering pay decisions.

The main elements of remuneration for executive directors are:

Base salary – reviewed annually with regard to a number of factors, including role, experience and individual performance; the economic environment and the Society's financial performance; and within market competitive ranges. Salary increases are assessed in line with other staff, but higher increases may be awarded, for example following an increase in responsibilities.

Benefits and pension – in line with market practice and including a company car or car allowance, including private fuel, private medical insurance and life insurance. Executive directors are eligible to participate in the defined contribution pension plan. The Chief Executive receives a pension contribution of 20% of base salary, and the remaining executive directors receive 10% of base salary. Pension contributions may be offered as a cash alternative should contributions exceed the annual or lifetime allowance.

Variable pay

- Annual bonus scheme, which rewards performance over a single financial year. This is provided to all Society staff including executive directors, and is subject to a maximum of 20% of base salary.
- Long Term Incentive Plan (LTIP), which is the deferred element of variable pay and rewards performance over the longer term. The maximum award is 40% of salary at the outset of the performance period and rewards performance over a three year period. The scheme meets the deferral requirements of the Remuneration Code.

Half the award under both schemes is paid in the March following the performance period under review, after the approval of the accounts, and half retained for a further six months. Performance for both schemes is measured against challenging financial targets. The Committee also takes into account economic conditions and individual and Society non-financial performance when determining payments.

The Committee's objective is to ensure that variable remuneration awards are not excessive. Current arrangements limit variable pay to a maximum of 60% of fixed pay, which is under the fixed to variable pay cap of 100% defined in the Capital Requirements Regulations. The minimum variable remuneration is nil.

To protect the interests of members, the Committee may amend any award if it considers it appropriate in light of the Society's overall performance, economic conditions or any other factors the Committee feels are relevant.

Service contracts - executive directors' terms and conditions of employment are detailed in their individual service contracts. Contracts are terminable by the director on six months' notice and by the Society on one year's notice.

Payment on leaving office - termination payments will include any base salary or other contractual benefits due for the notice period. Awards from the annual bonus and LTIP are dependent on whether the executive director is deemed a good leaver - one who ceases to be a director either due to death, ill-health, injury or disability, or any other reason as determined by the Remuneration Committee.

As a good leaver any annual bonus or LTIP award will be pro rata to the time served during the performance period. Deferral and retention requirements will be applied and the amount paid at the same time as it would be for executive directors remaining in employment. If an individual is deemed not to have left under good leaver circumstances, no annual bonus payments will be made and unvested LTIP awards will lapse.

The primary element of remuneration for non-executive directors is:

Fees - non-executive directors receive a base fee and an additional fee for chairmanship of a Committee, and/or for holding the position of Senior Independent Director or Deputy Chairman. They are reimbursed for reasonable expenses, paid in accordance with the Society's Rules. They do not participate in any pension or bonus arrangement.

Non-executive director fees, other than the Chairman's, are reviewed annually by the Non-Executive Directors' Remuneration

Committee, comprising the Chairman, Chief Executive and Finance Director, having regard to the Society's financial performance; annual pay increases awarded to executive directors and other staff; and within market competitive ranges. Recommendations for the remuneration of the Chairman are made by the Remuneration Committee and approved by the full Board without the participation of the Chairman. No director takes part in the discussion of his or her own remuneration.

Letters of appointment - non-executive directors are appointed by a letter of appointment for an initial term of three years, which is terminable at the discretion of the Board or of the director concerned.

All directors are subject to election by members, generally at the AGM following their appointment by the Board, and with effect from the 2015 AGM will stand voluntarily for re-election each year.

Summary Annual Remuneration Report

2014 was a year of change for the Society with the departure of Chief Executive, David Stewart, and the appointment of Mark Parsons to this role. In addition, the Deputy Chief Executive Colin Franklin resigned from the Board and since the end of the year Feike Brouwers, the Chief Risk Officer, has also announced his decision to resign as an executive director on 31 March 2015.

The Society performed strongly in 2014, meeting key corporate strategic objectives for the period and exceeding its objectives for growth, financial performance, customer experience, risk, compliance, community activity and staff engagement. The Remuneration Committee considered these factors, as well as members' savings rates, in determining an annual bonus award of 12% of salary for all eligible staff including executive directors. An award was also made to eligible executive directors of 40% of salary for exceeding the terms of the LTIP. This comprised awards to the Chief Risk Officer and Chief Operating Officer on a pro rata basis; to the former Deputy Chief Executive and outgoing Chief Executive as good leavers of the scheme; and to the Finance Director.

Remuneration in 2015

In 2015, the Society will continue to ensure that executive remuneration focuses on the delivery of long-term strategic objectives, whilst taking account of the PRA Remuneration Code and best market practice.

For 2015, the base salaries for executive directors will be revised from April 2015 and are anticipated to be set in line with the approach outlined in the remuneration policy report, with the exception of the incoming Chief Executive whose salary from April 2015 was agreed in his service contract, which amounts to an increase of 4.35%.

The 2015 annual bonus scheme has been reviewed in line with business strategy and changes to relevant regulation. There are no changes to the maximum award achievable. A new LTIP was granted to executive directors (on a pro rata basis for the incoming Chief Executive) in 2014 for the performance period 2014-2016. The maximum award for participants is 40% of base salary for executive directors. If the threshold is achieved, the scheme allows for an award of 10% to be made; no award will be made if the threshold is not met.

For 2015, the fees for non-executive directors will be reviewed in April 2015 and any increase backdated to 1 January 2015.

Directors' emoluments

The remuneration of executive directors for the year ended 31 December 2014 and the previous year are as follows:

Executive directors:

	Salary £000	Taxable Benefit[1] £000	Annual Bonus[2] £000	Long Term Incentive Plan[3] £000	Pension Contr-ibutions[4] £000	Increase in accrued pension £000	Loss of Office £000	Total £000
2014								
Mark Parsons	230	10	28	-	46	-	-	314
(Chief Executive - appointed 01.07.2014)								
David Stewart	107	5	13	102	27	1	278[5]	533
(Former Chief Executive - resigned 31.03.2014)								
John Lowe	296	14	36	88	30	-	-	464
(Finance Director)								
Colin Franklin[6]	229	17	31	56	34	-	148	515
(Former Deputy Chief Executive)								
Remuneration as a director	181	12	23	56	27	-	-	299
(resigned as a director on 30.09.2014)								
Remuneration as an employee	48	5	8	-	7	-	148	216
(including gardening leave period to 15.06.2015)								
Peter Frost	236	25	29	64[7]	24	-	-	378
(Chief Operating Officer)								
Feike Brouwers[8]	255	9	15	67	25	-	-	371
(Chief Risk Officer)								
Total	1,353	80	152	377	186	1	426	2,575
2013								
David Stewart	420	19	60	128	105	1	-	733
John Lowe	279	13	40	74	28	-	-	434
Colin Franklin	156	16	22	55	51	12	-	312
Peter Frost	224	24	32	-	22	-	-	302
Feike Brouwers	171	36	26	33[8]	17	-	-	283
(appointed 24.04.2013)								
Total	1,250	108	180	290	223	13	-	2,064

1. Taxable benefits include a fully expensed car, including private fuel, or cash alternative, private medical insurance and life insurance.
2. The performance of the Society during 2014 gave rise to a payment for all 2,113 eligible members of Coventry staff (2013: 1,956), including executive directors, equivalent to 12% (2013: 14%) of basic salary. For payments awarded to executive directors 50% will be paid in March 2015 and the balance in the form of an equivalent share-like instrument retained for a further six months and subject to performance adjustment during this retention period.
3. The Remuneration Committee approved a payment of 40% (2013: 40%) of base salary in respect of the Long Term Incentive Plan 2012 - 2014. 50% of the LTIP will be paid in March 2015 with the balance in the form of an equivalent share-like instrument retained for a further six months and subject to performance adjustment during this retention period.
4. Executive directors are eligible to participate in the Society's defined contribution pension plan, which is offered to all staff, or may elect to take a cash equivalent should contributions exceed the annual or lifetime allowance. Amounts in 2013 relating to payments to David Stewart have been reclassified from taxable benefits to pension contributions.
5. Payment reflects the fixed remuneration the outgoing Chief Executive would otherwise have been entitled to during his notice period. Payments would have been subject to reduction in the event of the outgoing Chief Executive obtaining full time employment elsewhere, among other factors. He retains elegibility to the 2013-2015 and 2014-2016 LTIPs on a pro rata basis.

6. Colin Franklin stood down from the Board on 30 September 2014 and the table reflects his remuneration as an executive director, including an additional allowance while he undertook the role of Interim Chief Executive, as well as his ongoing advisory role as an employee. Loss of office includes remuneration due to the end of his garden leave (15 June 2015). He is not entitled to take part in the 2015 annual bonus scheme but retains eligibility to the 2013-2015 and 2014-2016 LTIPs on a pro rata basis.
7. Peter Frost was granted a late award in relation to the 2012-2014 LTIP on a pro rata basis to bring his participation in variable remuneration schemes in line with market levels.
8. On 9 February 2015 Feike Brouwers announced his decision to resign as an executive director on 31 March 2015. Upon joining the Society he was granted an award in relation to the 2012-2014 LTIP (2013: 2011-2013 LTIP) on a pro rata basis to meet the value of existing incentives foregone when he left his previous employment. He was awarded the 2014 annual bonus; however he will not receive the deferred element due in September 2015. He will receive the full amount due to him under the 2012-2014 LTIP. All amounts relating to future LTIPs were forfeited. Feike Brouwers will continue to accrue normal contractual pay and benefits up to the end of his notice period (9 August 2015).

Non-executive directors:

	Basic fees		Committee Chair fees		Taxable benefits		Total fees and taxable benefits	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Ian Pickering	133	130	–	–	4	4	137	134
(Chairman)								
Janet Ashdown	45	13	–	–	2	–	47	13
(appointed 18.09.2013)								
Peter Ayliffe	45	29	–	–	1	–	46	29
(appointed 01.05.2013)								
Bridget Blow	45	44	16	16	–	–	61	60
(Deputy Chairman, Senior Independent Director and Chairman of the Remuneration Committee)								
Roger Burnell	45	44	12	12	–	–	57	56
(Chairman of the Board Risk Committee)								
Ian Geden	45	44	–	–	1	1	46	45
Fiona Smith	–	14	–	–	–	–	–	14
(retired 25.04.2013)								
Glyn Smith	45	44	23	18	3	4	71	66
(Chairman of the Board Audit Committee and Models and Ratings Committee)								
Total	403	362	51	46	11	9	465	417

Taxable benefits

Taxable benefits are amounts relating to the reimbursement of travel and accommodation expenses in relation to attendance at meetings held in the Coventry head office.

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

On behalf of the Board

Bridget Blow
Chairman of the Remuneration Committee
26 February 2015

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