

**23 March 2010**

## **Coventry Building Society announces merger with Stroud & Swindon Building Society**

Coventry Building Society, the UK's 3rd largest building society, has announced today that it has agreed merger terms with Stroud & Swindon Building Society, the UK's 11th largest building society.

The expanded society will be called Coventry Building Society and will be based in Coventry. Total membership will increase from over 1.2 million to around 1.5 million, and the overall asset size will increase from £18.4 billion to £21.1 billion.

Coventry Building Society, which recently announced excellent results for 2009, is one of the strongest building societies in the UK. Since the onset of the credit crunch, it has continued to report substantial profits and its strong funding and capital position has enabled it to grow throughout the economic downturn.

Coventry's financial strength will deliver an immediate benefit for many Stroud & Swindon members. It is expected that approximately two thirds of a total of 251,000 savings accounts will see interest rates improved on completion of the merger to match equivalent products offered by Coventry.

In addition, those borrowing members currently paying or linked to Stroud & Swindon's residential Standard Variable Rate (SVR) of 5.99% will benefit from a substantial reduction in their mortgage payments as they move onto Coventry's lower SVR of 4.74%. This is one of the lowest SVRs currently being offered by any UK building society. As this rate is variable there is no guarantee as to what it will be in the future.

There will be no changes to the terms of the subordinated debt securities of £52 million currently in issue by Stroud & Swindon Building Society.

David Stewart, Chief Executive of Coventry Building Society, said "Coventry's performance over the last 3 years has demonstrated the strength of our traditional building society model. I believe that the merger with Stroud & Swindon Building Society will help us build on recent successes and bring the benefits of our prudent and member-focussed approach to a wider membership."

John Sutherland, Chief Executive of Stroud & Swindon Building Society, said "Today's announcement is excellent news for Stroud & Swindon members who have the opportunity to join one of the UK's strongest and most profitable building societies. In considering a number of options, we believe that Coventry Building Society's commitment to long term member value, fairness, strategic prudence and

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local communities, provides Stroud & Swindon members with the best possible future. We strongly recommend Stroud & Swindon members to vote in favour of the merger.”

The merger is subject to the approval of eligible Stroud & Swindon Building Society members and confirmation by the Financial Services Authority (FSA). The FSA has given consent to Coventry Building Society approving the merger by board resolution.

### Ends

#### Notes to editors

- The expanded society will be called Coventry Building Society, managed by the Coventry board and executive team and headquartered in Coventry. Glyn Smith of the Stroud & Swindon Building Society board will join the Coventry board as a non-executive director subject to FSA approval. Members of Coventry Building Society will have the opportunity to vote on this appointment at the first AGM following merger as part of Coventry’s normal election procedures.
- The merger will be subject to approval by eligible members of Stroud & Swindon Building Society at a Special General Meeting and confirmation by the FSA.
- No bonus payment will be made to members of either Coventry or Stroud & Swindon in respect of the merger.
- Stroud & Swindon traditional residential mortgage customers who are currently paying, or linked to, Stroud & Swindon’s residential Standard Variable Rate (SVR) of 5.99% will move to Coventry’s SVR currently 4.74%. There will be no change to Stroud & Swindon’s Buy-To-Let Base Rate, Stroud & Swindon’s Commercial Base Rate or the variable rates of its subsidiary business, ITL Mortgages Limited as a direct consequence of the merger. As these rates are all variable there is no guarantee as to what they will be in the future.
- Stroud & Swindon members will benefit from having access to Coventry Building Society’s wider product range and attractive pricing, including the immediate improvement in rate on approximately two thirds of Stroud & Swindon’s 251,000 savings accounts to match better rates currently being offered on equivalent Coventry accounts.
- The enlarged society will have a combined network of 91 branches and agencies across the Midlands and South West
- No branches or agencies will be closed as a result of the merger and all Stroud & Swindon branch and agency staff will be retained.
- The responsibilities of Stroud & Swindon’s head office will be transferred to Coventry over an 18 month period.
- No directors or officers of either Stroud & Swindon Building Society or Coventry Building Society will receive a bonus as a result of the merger.
- Members will retain separate maximum £50,000 depositor protection (per individual) under the Financial Services Compensation Scheme until 30 December 2010.

#### Merger timetable

- Eligible members of Stroud & Swindon Building Society will be asked to vote on the proposed merger at a Special General Meeting expected to be held on 16 June 2010.
- The FSA has given consent to Coventry Building Society approving the merger by a board resolution.
- The merger is expected to be effective on 1 September 2010 and is subject to confirmation by the FSA.

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### **About Coventry Building Society**

Coventry is the third largest building society in the UK and at 31 December 2009 had assets of £18.4 billion. The Society operates nationally through a telephone contact centre, the internet and intermediary services and maintains a network of 48 branches located throughout the Midlands.

Coventry Building Society recently reported extremely strong results for the year ended 31 December 2009. Highlights include:

#### **Strong financials**

- Record operating profit before impairments and exceptional items of £75.0 million (2008 - £71.7 million).
- Profit before tax of £56.2 million (2008 - £26.4 million).

#### **Record market share**

- Gross mortgage lending of over £2.7 billion, representing 15% of all new lending by building societies (source – BSA).
- Net mortgage lending of £919 million, equivalent to 8% of all net lending undertaken across the market as a whole (source - CML).
- Retail savings balances grew by £833 million in 2009 and have increased by £5 billion (61%) in last three years.
- Completed oversubscribed £350 million 10 year unsecured loan note issuance to wholesale investors in October 2009.
- Over 270,000 new accounts opened during the year.

#### **Strong, stable and efficient**

- Cost to mean assets ratio of only 0.38%, the lowest level reported by a UK building society.
- Mortgage balances 2.5% or more in arrears around one third of industry average (source – FSA).
- Loan loss provisions amongst the lowest of any large UK lender.
- Core tier 1 ratio of 27.9%, the highest reported by any large building society.
- Retained strong credit ratings throughout 'credit crunch' - Fitch (A) and Moody's (A3).

#### **Focus on mutual values**

- Over 95% of variable rate retail savings balances have seen an increase in interest rate relative to the Bank of England base rate since 2008, delivering annualised interest benefits to members of £70 million.
- Coventry Building Society had too few complaints to feature in either of the Financial Ombudsman Service referral tables published in September 2009 and February 2010.

Coventry Building Society was advised by Gleacher Shacklock LLP (financial adviser) and Norton Rose LLP (legal adviser) in relation to the merger.

### **About Stroud & Swindon Building Society**

Stroud & Swindon Building Society has assets in excess of £2.7 billion. The Society operates through a branch network of 22 offices and 21 agencies in the South West, complemented by a customer contact centre based in Gloucestershire and its website.

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Stroud & Swindon has today separately announced its financial results for the year ended 31 December 2009. The Society recorded a pre-tax loss of £5.8 million reflecting the low interest rate environment and difficult economic conditions. The Society continues to be well-funded and has robust capital ratios and strong liquidity.

Stroud & Swindon Building Society was advised by Lexicon Partners (financial adviser) and Addleshaw Goddard LLP (legal adviser) in relation to the merger.

**Enquiries:**

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