

Coventry Building Society

**HALF YEAR FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE
2009**



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IFRS RESULTS

This condensed consolidated half-yearly financial report for the half year ended 30 June 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 Interim Financial Reporting as adopted by the EU. The half-yearly financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRS as adopted by the EU.

FORWARD LOOKING STATEMENTS

Certain statements in this half-yearly report are forward looking. Although the Society, defined in this half-yearly report as Coventry Building Society and its subsidiary undertakings, believes that the expectations reflected in these forward looking statements are reasonable, we can give no assurance that these expectations will prove to be an accurate reflection of actual results. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward looking statements. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

GOING CONCERN

The directors conclude there are no material uncertainties that lead to significant doubt about the Society's ability to continue as a going concern.

HIGHLIGHTS

Strong financials

- Operating profit before impairment and exceptional items was £40.1 million (2008 first half year: £38.3 million).
- Profit before tax of £36.2 million (2008 first half year: £35.5 million).
- Profit after tax was £31.1 million (2008 first half year: £25.1 million).

Stable platform

- Cost to mean asset ratio of only 0.39%, the lowest level reported by a UK building society.
- Credit quality remains high – accounts more than six months in arrears around one third of CML average – and loan loss provisions amongst the lowest of any larger UK lender.
- All growth is organic and lending is concentrated in low risk, residential sectors. The Society has never purchased a mortgage book and has no exposure to second charge or commercial lending.
- Strong capital position – tier 1 ratio of 39.2% without Basel II transitional floors and 12.1% with Basel II transitional floors.
- Retained strong credit ratings since onset of ‘credit crunch’ with both Fitch (A) and Moody’s (A3).

Increased market share

- Gross mortgage advances of £1.3 billion, almost double our natural market share.
- Net mortgage lending of £338 million, representing 12.7% of net lending undertaken across the market as a whole.
- 99% of loan book funded by retail savings, reserves and capital.

CHIEF EXECUTIVE'S REVIEW

I believe these are excellent results, in particular as we have been operating in some of the most difficult market conditions imaginable.

We continue to report substantial profits and with a high quality mortgage book backed by strong capital ratios, these results demonstrate that Coventry Building Society remains one of the UK's strongest building societies.

Continued mortgage lending

Throughout the credit crisis the Society has remained active in the mortgage market and last year Coventry was one of the ten largest lenders in the UK for the first time in its history. Although we have reduced the amount of new mortgage lending from that undertaken in the comparable period in 2008, our market share is still almost double what would be expected given our size.

In the first half of 2009, gross advances totalled £1.3 billion (2008: £1.9 billion). At £338 million, the Coventry's net lending was equivalent to 12.7% of that undertaken across the market as a whole as many of our competitors were compelled to shrink their balance sheets. The average loan to value (LTV) ratio on new advances made in 2009 was 53%.

Continuing low arrears

This performance was made possible by the strength of our funding position and by the very high quality of mortgage lending undertaken in previous years. Our consistently robust underwriting procedures mean that arrears levels remain low and as a result profitability has not been undermined by spiralling credit losses in the way that we have seen at some other institutions.

At 30 June 2009, only 1.06% of mortgages were more than three months in arrears, a figure that compares extremely favourably with the Council of Mortgage Lenders' (CML) average of 2.43%. This favourable position is also reflected in six months arrears levels, where our rate of 0.50% is around one third of the market average.

In common with others, we have undertaken buy-to-let business and at 30 June 2009 our buy-to-let portfolio totalled £2.9 billion, representing around 22% of our mortgage book. However, we have not experienced the problems reported elsewhere. We have negligible exposure to the higher risk city centre flat and loan portfolio markets and insisted from the start that all buy-to-let borrowers had substantial deposits in place.

As a result of these measures, the Coventry's buy-to-let mortgages continue to perform exceptionally well, and very substantially better than industry norms. At 30 June 2009, just 0.68% of buy-to-let cases were more than three months in arrears – only 27% of the CML average of 2.49%.

Our low levels of arrears, in both the owner occupied and buy-to-let sectors, are reflected in the modest provisions required for loan impairment. At £7.9 million, impairment losses for the half year represented only 0.05% of the closing stock of loans and advances to customers. Once again, these are certain to be amongst the lowest losses reported by any larger UK mortgage lender.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Capital

It is unsurprising given the events of the last two years, that increased attention is being paid to the capital position of financial institutions.

At 12.1%, the Coventry's current tier 1 ratio is amongst the highest in our peer group. Perhaps of even greater significance, this capital is held against a particularly high quality loan book.

The FSA granted Coventry permission to use the Basel II Internal Ratings Based (IRB) approach to credit risk and capital management from 1 January 2008. This permission reflects our detailed understanding of our loan book and the control of our credit risk profile. The extent to which lenders approved for the IRB approach are able to set capital levels using Basel II is restricted due to the imposition of transitional floors on capital levels held. The Coventry would have a tier 1 ratio of 39.2% without this transitional floor, illustrating the low risk nature of our lending.

Solid credit ratings

Our strong trading performance and robust capital position is reflected by the independent assessment of credit rating agencies. Coventry retains 'A' grade ratings from both Fitch (A) and Moody's (A3).

Protecting Members

Many building society members rely on interest from savings accounts to supplement their income. The reduction in the Bank of England base rate to 0.5% has undoubtedly put pressure on many of our older savers in particular.

We have done all we could to mitigate the impact of base rate reductions for as many of our members as possible, consistent with maintaining the financial strength and security of Coventry Building Society. Over the most recent cycle of base rate cuts that began in October 2008, no variable rate savings account was reduced by more than the cut in base rate. In fact, over 95% of balances in our variable rate savings accounts have seen interest rates improved relative to base rate. We estimate that the annualised benefit provided to members from these improvements relative to base rate is in excess of £70 million.

Outlook

I expect market conditions to remain challenging throughout the remainder of 2009 and in 2010. The impact of very low interest rates and the ongoing seizure of the financial markets means that downward pressure on margins is likely to persist.

Nevertheless, Coventry Building Society remains well placed to meet the challenges. We are well funded, and our low cost base, solid capital position and strong asset quality will help mitigate the worst impact of the economic conditions. I am sure we have the right business model for these difficult times, and I continue to be confident for the future.

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2009

	Notes	Period to 30 June 2009 (Unaudited) £m	Period to 30 June 2008 (Unaudited) £m	Year ended 31 December 2008 (Audited) £m
Interest receivable and similar income	3	287.7	486.9	1,043.5
Interest payable and similar charges	4	(224.1)	(428.7)	(927.3)
		<hr/>	<hr/>	<hr/>
Net interest income		63.6	58.2	116.2
Fees and commissions receivable		9.0	9.8	19.0
Fees and commissions payable		(0.5)	(0.5)	(1.0)
Other operating income		0.2	0.2	0.4
Net gains from derivative financial instruments		1.2	4.0	1.8
		<hr/>	<hr/>	<hr/>
Total income		73.5	71.7	136.4
Administrative expenses	5	(30.1)	(30.4)	(58.7)
Amortisation of intangible fixed assets		(1.4)	(1.1)	(2.2)
Depreciation of property, plant and equipment		(1.9)	(1.9)	(3.8)
		<hr/>	<hr/>	<hr/>
Operating profit before impairments and exceptional items		40.1	38.3	71.7
Impairment losses on loans and advances to customers	6	(7.9)	(2.8)	(8.4)
		<hr/>	<hr/>	<hr/>
Operating profit before exceptional items		32.2	35.5	63.3
Release/(charge) of provision for FSCS levies	7	3.0	-	(11.4)
Release/(charge) of provision for impairment of debt securities		1.0	-	(23.9)
		<hr/>	<hr/>	<hr/>
Profit after impairments and exceptional items		36.2	35.5	28.0
Charitable donation to Poppy Appeal		-	-	(1.6)
		<hr/>	<hr/>	<hr/>
Profit on ordinary activities before tax		36.2	35.5	26.4
Tax on profit on ordinary activities		(5.1)	(10.4)	(7.6)
		<hr/>	<hr/>	<hr/>
Profit for the financial period		31.1	25.1	18.8
		<hr/>	<hr/>	<hr/>

Profit for the financial period arises from continuing operations and is attributable to the members of the Society.

The notes on pages 10 to 17 form part of this condensed consolidated half-yearly financial report.

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2009

		30 June 2009	30 June 2008	31 December 2008
	Notes	(Unaudited) £m	(Unaudited) £m	(Audited) £m
Assets				
Cash in hand and balances with the Bank of England		230.7	144.2	247.0
Loans and advances to credit institutions		412.8	658.5	470.4
Debt securities	8	3,208.5	2,761.1	3,155.8
		<hr/>	<hr/>	<hr/>
		3,852.0	3,563.8	3,873.2
Derivative financial instruments		65.2	54.4	160.6
Loans and advances to customers	9	13,500.0	12,650.5	13,172.8
Hedge accounting adjustment		68.6	(36.2)	96.4
Pension asset		9.6	12.3	8.9
Prepayments and accrued income		6.7	5.0	5.9
Intangible fixed assets		8.8	7.2	8.5
Property, plant and equipment		24.9	23.0	26.2
Current tax asset		11.8	-	8.1
Deferred tax assets		3.4	4.3	3.8
		<hr/>	<hr/>	<hr/>
Total assets		17,551.0	16,284.3	17,364.4
		<hr/>	<hr/>	<hr/>
Liabilities				
Shares	10	12,539.9	11,221.0	12,386.1
Deposits from banks		1,856.5	314.2	1,679.3
Other deposits		15.0	49.4	47.0
Amounts owed to other customers		957.7	1,403.0	887.4
Derivative financial instruments		106.2	21.3	93.9
Debt securities in issue		1,253.0	2,432.7	1,438.8
Other liabilities		10.9	13.4	12.1
Current tax liability		-	8.3	-
Deferred tax liabilities		4.2	6.8	5.2
Provisions for liabilities and charges	7	12.7	4.4	15.7
Accruals and deferred income		12.4	6.6	16.0
Subordinated liabilities	11	71.0	71.0	70.7
Subscribed capital	12	161.1	160.9	161.1
		<hr/>	<hr/>	<hr/>
Total liabilities		17,000.6	15,713.0	16,813.3
		<hr/>	<hr/>	<hr/>
Equity				
General reserve	13	606.0	584.3	574.9
Available-for-sale reserve	14	(55.6)	(13.0)	(23.8)
		<hr/>	<hr/>	<hr/>
Total liabilities and equity		17,551.0	16,284.3	17,364.4
		<hr/>	<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
 FOR THE PERIOD ENDED 30 JUNE 2009**

	Period to 30 June 2009 (Unaudited) £m	Period to 30 June 2008 (Unaudited) £m	Year ended 31 December 2008 (Audited) £m
Profit for the financial period	31.1	25.1	18.8
Actuarial loss on defined benefit pension plan	-	-	(4.3)
Tax on actuarial loss on defined benefit pension plan	-	-	1.2
Fair value movements on available-for-sale assets taken to reserves	(44.2)	(12.8)	(27.8)
Tax on fair value movements taken to reserves	12.4	3.7	7.9
	<hr/>	<hr/>	<hr/>
Net expense recognised directly in reserves	(31.8)	(9.1)	(23.0)
	<hr/>	<hr/>	<hr/>
Total recognised (expense) and income	(0.7)	16.0	(4.2)
	<hr/>	<hr/>	<hr/>

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2009

	Notes	Period to 30 June 2009 (Unaudited) £m	Period to 30 June 2008 (Unaudited) £m	Year ended 31 December 2008 (Audited) £m
Cash flows from operating activities				
Profit before tax		36.2	35.5	26.4
Adjustments for:				
• Non-cash items included in profit before tax	15	140.5	50.4	(37.3)
• Changes in operating assets	15	(178.5)	(910.3)	317.6
• Changes in operating liabilities	15	5.5	1,387.0	762.4
• Interest paid on subordinated liabilities		(1.7)	(1.6)	(4.0)
• Interest paid on subscribed capital		(6.1)	(6.0)	(12.2)
• Taxation		3.0	(4.7)	(14.7)
		(1.1)	550.3	1,038.2
Net cash flows from operating activities				
Cash flows from investing activities				
Purchase of investment securities		(6,958.3)	(4,688.0)	(10,504.4)
Sale and maturity of investment securities		6,851.8	4,176.6	9,556.8
Purchase of property, plant and equipment		(0.6)	(0.4)	(5.7)
Purchase of intangible fixed assets		(1.6)	(0.3)	(2.8)
		(108.7)	(512.1)	(956.1)
Net cash flows from investing activities				
Net (decrease)/increase in cash		(109.8)	38.2	82.1
Cash and cash equivalents at start of period		360.5	278.4	278.4
		360.5	278.4	278.4
Cash and cash equivalents at end of period	15	250.7	316.6	360.5

NOTES TO THE HALF YEAR REPORT

1 REPORTING PERIOD

These results have been prepared as at 30 June 2009 and show the financial performance for the period from, and including, 1 January 2009 to this date.

2 BASIS OF PREPARATION

This condensed consolidated financial report for the half year ended 30 June 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 Interim Financial Reporting as adopted by the EU. This half-yearly financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRS as adopted by the EU.

The accounting policies adopted by the Society in the preparation of its 2009 half-yearly financial report and those which the Society currently expects to adopt in its annual accounts for the year ended 31 December 2009 are consistent with those disclosed in the annual accounts for the year ended 31 December 2008, copies of which are available at http://www.coventrybuildingsociety.co.uk/pdfs/RepAcc_08.pdf. The accounting policies and disclosures adopted reflect the Society's current view of best practice.

IFRS is subject to ongoing review and endorsement by the EU or possible amendment by interpretive guidance from the International Accounting Standards Board and is therefore subject to change. In addition, practice may develop with regard to interpretation and application of the standards or further standards may be introduced with the option for early adoption. We will update our results for any such changes should they occur. The Society's full year Annual Report and Accounts may be prepared in accordance with different accounting policies to those used in this document.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates. Details of the critical accounting estimates will be provided in the 2009 Annual Report and Accounts.

NOTES TO THE HALF YEAR REPORT (CONTINUED)

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	Period to 30 June 2009	Period to 30 June 2008	Year ended 31 December 2008
	(Unaudited) £m	(Unaudited) £m	(Audited) £m
On loans fully secured on residential property	269.2	356.6	732.3
On other loans	3.3	3.8	7.5
	<hr/>	<hr/>	<hr/>
	272.5	360.4	739.8
Interest and other income on debt securities	55.0	91.4	239.5
Interest and other income on other liquid assets	4.5	27.0	49.1
Net (expense)/income from hedging instruments	(44.3)	8.1	15.1
	<hr/>	<hr/>	<hr/>
	287.7	486.9	1,043.5
	<hr/>	<hr/>	<hr/>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	Period to 30 June 2009	Period to 30 June 2008	Year ended 31 December 2008
	(Unaudited) £m	(Unaudited) £m	(Audited) £m
Bank and customer			
• Subordinated liabilities	2.0	2.0	4.0
• Other	7.1	83.5	129.3
Debt securities in issue	29.7	56.9	205.9
Other borrowed funds			
• On shares held by individuals	218.7	274.5	566.5
• On other shares	0.1	0.1	0.3
• On subscribed capital	6.0	6.0	12.2
Net (income)/expense on hedging instruments	(39.5)	5.7	9.1
	<hr/>	<hr/>	<hr/>
	224.1	428.7	927.3
	<hr/>	<hr/>	<hr/>

NOTES TO THE HALF YEAR REPORT (CONTINUED)

5 ADMINISTRATIVE EXPENSES

	Period to 30 June 2009	Period to 30 June 2008	Year ended 31 December 2008
	(Unaudited) £m	(Unaudited) £m	(Audited) £m
Employee costs			
• Wages and salaries	14.5	15.2	30.5
• Social security costs	1.4	1.5	3.0
• Pension costs			
Defined benefit plan	0.4	0.5	0.6
Defined contribution plan	0.3	0.3	0.6
	<hr/>	<hr/>	<hr/>
	16.6	17.5	34.7
Other expenses			
• Finance lease charges	0.2	0.1	0.9
• Other	13.3	12.8	23.1
	<hr/>	<hr/>	<hr/>
	30.1	30.4	58.7
	<hr/>	<hr/>	<hr/>

6 IMPAIRMENT PROVISIONS ON LOANS AND ADVANCES TO CUSTOMERS

	Period to 30 June 2009	Period to 30 June 2008	Year ended 31 December 2008
	(Unaudited) £m	(Unaudited) £m	(Audited) £m
Impairment charge for the period	7.9	2.8	8.4
	<hr/>	<hr/>	<hr/>
Impairment provision at the end of the period			
Loans fully secured on residential property	16.5	15.6	16.2
Other loans	3.2	3.2	4.7
	<hr/>	<hr/>	<hr/>
	19.7	18.8	20.9
	<hr/>	<hr/>	<hr/>

These provisions are deducted from the appropriate asset values in the balance sheet.

NOTES TO THE HALF YEAR REPORT (CONTINUED)

7 PROVISIONS FOR LIABILITIES AND CHARGES

	Period to 30 June 2009 (Unaudited) £m	Period to 30 June 2008 (Unaudited) £m	Year ended 31 December 2008 (Audited) £m
At 1 January	15.7	4.4	4.4
Charge for the period	-	-	11.4
Provisions utilised	-	-	(0.1)
Release in the period	(3.0)	-	-
	<hr/>	<hr/>	<hr/>
At end of period	12.7	4.4	15.7
	<hr/>	<hr/>	<hr/>

The release in the period of £3.0 million relates to revised estimates of amounts payable to the Financial Services Compensation Scheme.

Other provisions have been made in respect of circumstances that may give rise to various customer claims.

8 DEBT SECURITIES

	Period to 30 June 2009 (Unaudited) £m	Period to 30 June 2008 (Unaudited) £m	Year ended 31 December 2008 (Audited) £m
Available-for-sale:			
Government investment securities	467.9	102.0	109.8
Analysis of transferable debt securities			
• Listed	1,490.7	847.1	1,286.3
• Unlisted	1,249.9	1,812.0	1,759.7
	<hr/>	<hr/>	<hr/>
	3,208.5	2,761.1	3,155.8
	<hr/>	<hr/>	<hr/>

NOTES TO THE HALF YEAR REPORT (CONTINUED)

9 LOANS AND ADVANCES TO CUSTOMERS

	Period to 30 June 2009	Period to 30 June 2008	Year ended 31 December 2008
	(Unaudited) £m	(Unaudited) £m	(Audited) £m
Loans fully secured on residential property	13,407.4	12,542.8	13,073.2
Other loans			
• Loans fully secured on land	0.2	0.2	0.1
• Other loans	92.4	107.5	99.5
	<hr/> 92.6 <hr/>	<hr/> 107.7 <hr/>	<hr/> 99.6 <hr/>
	<hr/> 13,500.0 <hr/>	<hr/> 12,650.5 <hr/>	<hr/> 13,172.8 <hr/>

Other loans incorporate £1.4 million (30 June 2008 - £1.6 million, 31 December 2008 - £1.5 million) of loans that are fully secured on residential property and that were made to corporate bodies such as Housing Associations prior to 1 July 1998, the date upon which the Society adopted the powers of the Building Societies Act 1997.

10 SHARES

	Period to 30 June 2009	Period to 30 June 2008	Year ended 31 December 2008
	(Unaudited) £m	(Unaudited) £m	(Audited) £m
Held by individuals	12,516.0	11,222.1	12,345.9
Other shares	8.7	9.3	8.6
Hedge accounting adjustment	15.2	(10.4)	31.6
	<hr/> 12,539.9 <hr/>	<hr/> 11,221.0 <hr/>	<hr/> 12,386.1 <hr/>

NOTES TO THE HALF YEAR REPORT (CONTINUED)

11 SUBORDINATED LIABILITIES

	Period to 30 June 2009	Period to 30 June 2008	Year ended 31 December 2008
	(Unaudited) £m	(Unaudited) £m	(Audited) £m
Subordinated liabilities owed to note holders are as follows:			
Fixed rate subordinated notes 2015	30.8	30.8	30.0
Fixed rate subordinated notes 2015	25.2	25.2	25.2
Fixed rate subordinated notes 2022	15.0	15.0	15.5
	71.0	71.0	70.7

All subordinated liabilities are denominated in sterling.

All of the Society's notes are repayable at the dates stated, or earlier at the option of the Society, with the prior consent of the FSA.

The rights of repayment of the holders of the notes are subordinated to the claims of all depositors, creditors and shareholders in the Society, as regards the principal of the notes and accrued interest.

12 SUBSCRIBED CAPITAL

	Period to 30 June 2009	Period to 30 June 2008	Year ended 31 December 2008
	(Unaudited) £m	(Unaudited) £m	(Audited) £m
Subscribed capital owed to permanent interest holding members is as follows:			
Permanent interest bearing shares	161.1	160.9	161.1

Interest is paid in arrears on £40 million permanent interest bearing shares at the rate of 12 1/8% p.a. in half-yearly instalments, and paid in arrears on £120 million permanent interest bearing shares at the rate of 6.092% p.a. in half-yearly instalments. The shares are repayable only in the event of a winding up of the Society or otherwise with the consent of the FSA. In a winding up or dissolution of the Society the claims of the holders of permanent interest bearing shares would rank behind all other creditors of the Society and the claims of members holding shares as to principal and interest. The holders of permanent interest bearing shares are not entitled to any share in any final surplus upon a winding up or final dissolution of the Society.

NOTES TO THE HALF YEAR REPORT (CONTINUED)

13 GENERAL RESERVE

Movements in general reserves were as follows:

	Period to 30 June 2009	Period to 30 June 2008	Year ended 31 December 2008
	(Unaudited) £m	(Unaudited) £m	(Audited) £m
As at 1 January	574.9	559.2	559.2
Actuarial loss on defined benefit pension plan (net of tax at 28%)	-	-	(3.1)
Net profit for the financial period	31.1	25.1	18.8
	<hr/>	<hr/>	<hr/>
At end of period	606.0	584.3	574.9
	<hr/>	<hr/>	<hr/>

14 AVAILABLE-FOR-SALE RESERVE

Movements in available-for-sale reserves were as follows:

	Period to 30 June 2009	Period to 30 June 2008	Year ended 31 December 2008
	(Unaudited) £m	(Unaudited) £m	(Audited) £m
As at 1 January	(23.8)	(3.9)	(3.9)
Fair value losses taken to reserves (net of tax at 28%)	(31.8)	(9.1)	(19.9)
	<hr/>	<hr/>	<hr/>
At end of period	(55.6)	(13.0)	(23.8)
	<hr/>	<hr/>	<hr/>

NOTES TO THE HALF YEAR REPORT (CONTINUED)

15 NOTES TO THE CASH FLOW STATEMENT

	Period to 30 June 2009 (Unaudited) £m	Period to 30 June 2008 (Unaudited) £m	Year ended 31 December 2008 (Audited) £m
Non-cash items included in profit before tax			
Net increase in impairment provisions	6.9	2.8	32.3
Depreciation and amortisation	3.3	3.0	6.0
Interest on subordinated liabilities	2.0	2.0	4.0
Interest on subscribed capital	6.1	6.0	12.2
Decrease/(increase) in fair value adjustment of hedged risk	112.5	20.9	(70.4)
Other non-cash movements	9.7	15.7	(21.4)
	<hr/> 140.5 <hr/>	<hr/> 50.4 <hr/>	<hr/> (37.3) <hr/>
Changes in operating assets			
Decrease/(increase) in loans to credit institutions and other liquid assets	157.3	(58.7)	1,678.8
Increase in loans and advances to customers	(340.2)	(848.7)	(1,356.8)
Decrease/(increase) in prepayments and accrued income	5.1	(2.2)	(2.8)
Increase in other assets	(0.7)	(0.7)	(1.6)
	<hr/> (178.5) <hr/>	<hr/> (910.3) <hr/>	<hr/> 317.6 <hr/>
Changes in operating liabilities			
Increase in shares	237.6	958.3	2,039.9
Increase/(decrease) in deposits and other borrowings	45.1	4.4	(731.5)
(Decrease)/increase in debt securities in issue	(173.7)	463.3	(555.3)
(Decrease)/increase in accruals and deferred income	(102.3)	(43.1)	6.6
(Decrease)/increase in other liabilities	(1.2)	4.1	2.7
	<hr/> 5.5 <hr/>	<hr/> 1,387.0 <hr/>	<hr/> 762.4 <hr/>
	Period to 30 June 2009 (Unaudited) £m	Period to 30 June 2008 (Unaudited) £m	Year ended 31 December 2008 (Audited) £m
Cash and cash equivalents			
Cash and balances with the Bank of England	216.7	130.9	232.5
Due from other banks	34.0	185.7	128.0
	<hr/> 250.7 <hr/>	<hr/> 316.6 <hr/>	<hr/> 360.5 <hr/>

Cash and cash equivalents excludes the balance which the Society is required to maintain with the Bank of England which, at 30 June 2009, amounted to £14.0 million (30 June 2008 - £13.3 million, 31 December 2008 - £14.5 million).

RESPONSIBILITY STATEMENT

The directors confirm that this half year financial report has been prepared in accordance with IAS 34 as adopted by the EU. The half year management report includes a fair review of the important events that have occurred in the first six months of the financial year and their impact on the financial statements, with a description of the principal risks and uncertainties for the remaining six months required by the Disclosure and Transparency Rules (DTR 4.2.7).

A full list of the Board of Directors can be found in the 2008 Annual Report and Accounts, with the following amendments:

Colin Franklin (appointed director on 7 July 2009)
Phil Vaughan (appointed director on 7 July 2009)

Signed on behalf of the Board by

Rob Green
Finance Director
19 August 2009

INDEPENDENT REVIEW REPORT TO COVENTRY BUILDING SOCIETY

Introduction

We have been engaged by the Society to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the Consolidated Income Statement, Balance Sheet, Statement of Recognised Income and Expense, Cash Flow Statement and the related explanatory notes that have been reviewed. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Society in accordance with guidance contained in ISRE 2410 (UK and Ireland) Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the EU.

As disclosed in note 2, the annual financial statements of the Society are prepared in accordance with IFRS as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Society a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the EU.

Ernst & Young LLP
London
19 August 2009

OTHER INFORMATION

The half-yearly report information set out in this document is unaudited and does not constitute accounts within the meaning of section 73 of the Building Societies Act 1986.

The financial information for the year ended 31 December 2008 has been extracted from the Annual Accounts for that year. The Annual Accounts for the year ended 31 December 2008 have been filed with the Financial Services Authority. The Auditors' report on these Annual Accounts was unqualified.

A copy of the half-yearly financial report is placed on the website of Coventry Building Society. The directors are responsible for the maintenance and integrity of the information on the Society's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.