NEWS RELEASE

10 August 2012

COVENTRY BUILDING SOCIETY ANNOUNCES RECORD RESULTS

Coventry Building Society has today announced record profits during the six months ended 30 June 2012. The Society's share of the mortgage market was also a record with net mortgage lending equivalent to 45% of the UK market.

Strong business performance

- Profit before tax increased by 17% to £52.8 million.
- Mortgage assets increased by £1.8 billion to £21.0 billion.
- New mortgage lending increased by 33% to £2.5 billion.
- Net mortgage lending was £1.3 billion, equivalent to 45% of all net mortgage lending in the UK.
- Savings balances increased by £300 million, to a record £19.3 billion.

Strong, stable and efficient

- Maintained strong 'A' credit ratings throughout 'credit crunch' – Fitch (A) and Moody's (A3).
- Core tier 1 ratio of 21.9%, the highest reported by any UK building society.
- Cost to mean assets ratio just 0.37%, the lowest level reported by a UK building society and less than half the average[1] reported by all UK building societies in 2011.
- Impairment charges just £4.3 million from a loan book totalling in excess of £21.0 billion.
- No direct exposure to either sovereign debt or banks of Portugal, Ireland, Italy, Greece or Spain.

Member and community focused, with high levels of staff engagement

- The largest high street bank or building society never to appear in Financial Ombudsman (FOS) tables of complaints.
- Over £6.7 million raised for the Royal British Legion's Poppy Appeal since October 2008.
- Awarded Gold status by Investors in People, just one of two large banks or building societies to have reached this standard.

[1] Source: BSA

For more information or additional comment please contact:

Richard Field, Head of Communications on 0870 607 7727 (07790 880880 out of hours) or email media@thecoventry.co.uk

David Stewart, Chief Executive, commented on the results:

"Coventry continues to make strong progress, building on the excellent record established since the onset of the credit crisis.

In the first half of 2012 we achieved record profits whilst our net mortgage lending was equivalent to 45% of the market as a whole. In spite of fierce competition, savings balances grew further to a record £19.3 billion. Further evidence of the Society's continued strength can be found in our credit ratings, and Coventry is now the only rated UK high street bank or building society not to have been downgraded by any rating agency in any of the last three years.

I remain confident that the Society is well positioned to continue to prosper in what is still an uncertain economic environment.

Record profits

The strength of our business model is underlined by the consistency of both our strategy and our financial results.

In the first half of 2012, net interest income increased by £8.1 million (9%), reflecting the benefits of recent growth.

Over many years, we have taken care to make sure that borrowers can afford their mortgage, and this is reflected in both arrears and impairment charges that are very much lower than for the industry as a whole. At 30 June 2012, only 0.80% of mortgage balances were 2.5% or more in arrears, and impairment charges totalled just £4.3 million from a loan book of £21.0 billion.

The caution we exercise in our lending decisions is reflected equally in the care we take to control our costs. With a cost to mean assets ratio of 0.37%, Coventry has maintained its position as the UK's most cost-efficient building society.

Improved income, low costs and low impairment charges combined to produce a profit before tax of £52.8 million, an increase of 17% over the first half of 2011.

Record share of the mortgage market

Throughout the financial crisis, we have sustained a consistent appetite for new mortgage lending and market conditions continue to favour our business model. Gross mortgage advances totalled £2.5 billion, representing 3.8% of new mortgages in the UK and just over 18% of all mortgage lending undertaken by building societies and mutual banks.

This continued market presence is in contrast to the position of some of our competitors. Excluding the impact of those assets acquired from the UK businesses of the Bank of Ireland, mortgage balances grew by £1.3 billion or 7%. This was equivalent to 45% of all net mortgage lending in the UK and means that since the start of 2010, Coventry has accounted for approaching one quarter of UK net mortgage lending.

Mortgage growth underpinned by strong funding capability

The Society's ability to maintain its mortgage lending is based on the strength of its funding. Savings balances increased by a further £300 million to £19.3 billion, bringing the total growth achieved since the crisis began in 2007 to over £11.0 billion.

This retail funding capability is reinforced by continuing and cost-effective access to wholesale funding markets. May 2012 saw our first public residential mortgage backed securitisation issue, which raised £800 million of stable, term funding at attractive pricing. This follows successful issuances of long term unsecured bonds in 2009 and 2010 (total: £750 million) and covered bonds totalling over £1.2 billion issued in 2011.

Acquisition of UK mortgage assets
In June 2012, we completed the purchase of a £0.5 billion loan book comprising UK buy-to-let mortgages originated by Bank of Ireland's UK businesses. The book is seasoned, and performing well, with an average indexed loan to value ratio of 53%.

Strong and secure
Coventry continues to be one of the most highly rated banks or building societies in the UK, being 'A' rated by both Fitch (A) and Moody's (A3). In fact, Coventry is now the only high street bank or building society not to have been downgraded by either of these agencies over the last three years.

At 21.9%, the Society's Core tier 1 ratio remains the highest reported by any building society, illustrating the high quality of assets.

Treating members fairly
As a building society, we have an over-riding duty to treat members fairly and ensure that the products we provide are suitable for their needs. This is reflected in the low level of complaints received and our willingness to put things right if mistakes are made. I am pleased to note once again that Coventry has yet to feature in any of the tables published by the Financial Ombudsman Service. We are, by some considerable distance, the largest UK mortgage lender not to have been listed.

I am also pleased that the Society continues to be recognised independently and in the first half of 2012 we once again featured strongly in numerous financial services awards.

Our services to intermediaries received a 'five star' rating from FTadvisor.com, whilst Moneynet named Coventry 'Overall Best Savings' and 'Best Overall Current Account' provider.

In addition, Coventry featured more frequently than all other high street banks and building societies in the 2012 MoneyWise Customer Service Awards, for categories in which the Society was eligible. The Society was shortlisted in 11 different categories, and was awarded 'Best Savings Provider - Consistency of Rates'.

Outlook
The environment in which we operate remains uncertain and challenging. During 2012 the sovereign debt crisis in Europe has intensified further whilst public confidence in financial services has fallen to new depths.

Whilst I understand and support the need for more robust regulation, this now represents a very considerable burden to institutions such as Coventry. I expect this to intensify further in the months and years ahead.

However, Coventry is built on solid foundations and I believe we have the right strategy for these conditions. Our prudent business model ensures that we are well placed to prosper even if economic conditions deteriorate further.

Equally important, our truly member-focused ethos will help us to gain new customers as the value of trust and fair dealing becomes more important.

The last five years have perhaps been the most successful in the Society's history. I look forward to building on this strong performance during the second half of 2012 and in future years."

Notes to editors

- Summary details of the results for the year ended 30 June 2012 are attached.
- Coventry Building Society is the third largest building society in the UK with assets of £26.0 billion.

www.thecoventry.co.uk
Coventry Building Society. Registered Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN.
We monitor and record phone calls.

Group Income Statement

	Half Year Ended 30.06.12	Half Year Ended 30.06.11	Year Ended 31.12.11
	£m	£m	£m
Net interest income	97.7	89.6	167.5
Other income and charges	6.8	7.0	14.0
Net gains/(losses) from derivative financial instruments	0.7	(0.4)	0.5
Total income	**105.2**	**96.2**	**182.0**
Management expenses	(47.0)	(41.1)	(87.5)
Operating profit before impairments and exceptional items	**58.2**	**55.1**	**94.5**
Impairment losses on loans and advances to customers	(4.3)	(4.0)	(9.9)
Operating profit after impairments and before exceptional items	**53.9**	**51.1**	**84.6**
Provision for FSCS levies	-	(0.7)	(13.4)
Integration and merger related costs	-	(5.0)	(10.7)
Operating profit after impairments and exceptional items	**53.9**	**45.4**	**60.5**
Charitable donation to Poppy Appeal	(1.1)	(0.4)	(1.0)
Profit before tax	**52.8**	**45.0**	**59.5**
Taxation	(13.0)	(11.3)	(12.9)
Profit for the financial period	**39.8**	**33.7**	**46.6**

Group Statement of Comprehensive Income

	Half Year Ended 30.06.12	Half Year Ended 30.06.11	Year Ended 31.12.11
	£m	£m	£m
Profit for the financial period	**39.8**	**33.7**	**46.6**
Actuarial loss on defined benefit pension plan	-	-	(4.3)
Tax on actuarial loss on defined benefit pension plan	-	-	1.1
Effect of tax rate change on other items through the general reserve	(0.1)	-	-
Fair value movements taken to reserves	11.4	0.3	19.6
Tax on fair value movements taken to reserves	(2.8)	(0.1)	(5.2)
Other comprehensive income for the period, net of tax	**8.5**	**0.2**	**11.2**
Total comprehensive income for the period, net of tax	**48.3**	**33.9**	**57.8**

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Group Balance Sheet

	As at Half Year Ended 30.06.12 £m	As at Half Year Ended 30.06.11 £m	As at Year Ended 31.12.11 £m
Assets			
Liquid assets	4,516.4	3,972.0	4,842.1
Loans and advances to customers	21,035.4	18,431.6	19,240.0
Hedge accounting adjustment	80.1	39.5	68.7
Derivative financial instruments	249.6	99.1	259.7
Tangible and intangible fixed assets	45.5	46.6	48.0
Other assets	24.3	37.1	28.1
Total assets	**25,951.3**	**22,625.9**	**24,486.6**
Liabilities			
Shares	19,271.2	17,672.7	18,964.1
Borrowings	4,949.7	3,747.7	3,947.0
Hedge accounting adjustment	226.0	67.8	201.5
Derivative financial instruments	399.1	138.0	336.0
Other liabilities	93.4	50.0	64.3
Subordinated liabilities	58.1	68.1	68.2
Subscribed capital	161.3	161.3	161.3
Total liabilities	**25,158.8**	**21,905.6**	**23,742.4**
Equity			
Reserves	792.5	720.3	744.2
Total liabilities and equity	**25,951.3**	**22,625.9**	**24,486.6**

Group Cash Flow Statement

	Half Year Ended 30.06.12 £m	Half Year Ended 30.06.11 £m	Year Ended 31.12.11 £m
Cash flows from operating activities	(1,144.6)	(1,207.9)	(1,011.3)
Cash flows from investing activities	201.8	(83.6)	180.2
Cash flows from financing activities	780.0	722.6	1,271.5
Net (decrease)/increase in cash	**(162.8)**	**(568.9)**	**440.4**
Cash and cash equivalents at start of period	1,978.2	1,537.8	1,537.8
Cash and cash equivalents at end of period	**1,815.4**	**968.9**	**1,978.2**

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Key Ratios

	Half Year Ended 30.06.12	Half Year Ended 30.06.11	Year Ended 31.12.11
	%	%	%
Asset growth	6.0	1.5	9.8
Growth in loans and advances to customers	9.3	4.9	9.5
Net interest margin	0.78	0.80	0.72
Management expenses to mean assets	0.37	0.37	0.37
Core tier 1 capital ratio	21.9	24.1	22.8

FORWARD LOOKING STATEMENTS

Certain statements in this document are forward looking. The Society, defined in this document as Coventry Building Society and its subsidiary undertakings, believes that the expectations reflected in these forward looking statements are reasonable based on the information available at the time of the approval of this document. However, 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 have concluded there are no material uncertainties that lead to significant doubt about the Society's ability to continue as a going concern.

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