

24 February 2017

COVENTRY BUILDING SOCIETY REPORTS STRONG RESULTS

Coventry Building Society has today announced its results for the year ended 31 December 2016. Highlights include:

- **Record growth in mortgages:** Mortgage assets increased by £3.5 billion, representing growth of 12%, more than four times faster than the market¹.
- **Record savings balances:** Savings deposit balances grew by 11%, nearly twice the rate of the market¹.
- **Strong capital:** Profit before tax increased by 11% to £239 million, increasing the Common Equity Tier 1 (CET 1) ratio to 32%, the highest reported by any top 20 lender² and a leverage ratio of over 4%.
- **Low costs:** The Society's cost to mean asset ratio reduced to 0.41%³, the lowest reported by any building society⁴ and key to our ability to offer consistently competitive interest rates.
- **Low risk:** The Society is a low risk lender which protects individual borrowers and the Society alike. During the year, arrears greater than 2.5% of the balance due were less than a quarter of the industry average⁵.
- **Low margin:** The Society aims to operate at a low net interest margin⁶. The comparatively low margin of 1.06% in 2016 is a tangible example of returning value to members, underpinned by low costs and low credit losses.
- **Competitive savings rates:** As testament to this and in an unprecedented period of low interest rates, our average savings rate in 2016 was 1.77% compared with a market average of 0.92%⁷.
- **Exceptional customer service:** The Society works hard to sustain and improve the service it provides to members in branches, over the phone, online and also to intermediaries. It measures this using the common metric of Net Promoter Score[®] and in 2016 achieved a very high score of +70⁸, representing a strong endorsement from our members.
- **Highly engaged employees:** Excellent service is delivered by our people, who are proud to Put Members First. In 2016 the Society was awarded the ORC International Award for the highest employee engagement of any medium-sized company in Europe that it surveyed.
- **Supporting local communities:** In 2016 over three quarters of employees were actively involved in volunteering, fundraising or raising awareness for local charities and community groups.

For more information or additional comment please contact: the press office on **0800 121 6868** or email **media@thecoventry.co.uk**

Coventry Building Society. Principal Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN. www.thecoventry.co.uk

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details.

Commenting, Mark Parsons, Coventry Building Society Chief Executive said:

“These highlights demonstrate a strong performance across all aspects of the business.

Not only has this performance supported our members in the shorter term, but our financial strength supports the investment that enables us to compete and grow in the future.

This is particularly true of our investment in technology, both in terms of core infrastructure and member services. The investment we began in 2015 has started to deliver enhancements, with our new website going live in January 2017. As well as making the Society’s services easy to access across different devices, it brings a level of transparency that is unusual in financial services. In addition, we are investing to stay reliable and secure, so that we are protecting our members from the ever present threat of cybercrime and maintaining their trust in the services we provide. This investment will continue.

A key thrust of our investment is the intent to keep things simple. Earlier in the year we were praised by independent savings advisers Savings Champion for the explanation we provided to new and existing members about the changes to the taxation of savings. Our new website develops this theme further, to the extent of providing members with information about competitor products to help them make the right choice.

Our ambition to deliver simple high quality services extends to our work with mortgage intermediaries, who are responsible for introducing the majority of our new mortgage business. There continues to be significant change in mortgage regulation and the introduction of new stamp duty rules in April was a test for the industry as a whole. We attracted record business during this time, and beyond, while sustaining our normal high service levels – a performance which was recognised by the Society being one of the few lenders achieving the 2016 Financial Adviser Five Stars mortgage service award in November.

We do sometimes make mistakes, but when we do, we work hard to put them right. Our record with the Financial Ombudsman Service bears this out. In comparison with an industry average of 48%⁹, the overturn rate on complaints reported to the Financial Ombudsman Service about the Society was just 4%⁹, reflecting our commitment to do the right thing for our members.

A consequence of our investment in people and technology is that the independent consumer champion, Fairer Finance has ranked us first for savings and first for mortgages for the second year running, based on its survey of customer happiness, trust, complaints performance and transparency.

I believe strongly that our high level of member satisfaction also reflects the investment we make in our people. We recruit on the basis of values and behaviours as much as skills and experience. We encourage internal mobility and support the personal and career aspirations of our employees to make this happen, with over 40% of vacancies in 2016 being filled by internal applicants. The result is a team of highly committed people – 91% of employees say they are proud to work for Coventry Building Society.

The high level of employees’ engagement is underlined by their support for national and local causes. Our community programmes extend from our longstanding support for The Royal British Legion, with total donations to date of £13.9 million, to supporting over 70 local community partners. Much of our contribution comes through volunteering - as an example in 2016 more than 100 employees supported over 1,300 students and young adults in developing their financial literacy and employability skills.

These examples show the progress we have made across all aspects of our business in 2016. But I believe that the investment we make in delivering long-term value to our members is the most significant of all.

For more information or additional comment please contact: the press office on **0800 121 6868**
or email **media@thecoventry.co.uk**

Coventry Building Society. Principal Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN. www.thecoventry.co.uk

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details.

I am particularly proud of the growth in savings we have achieved. This clearly reflects our competitive pricing, shown by our average savings rates in 2016 being 0.85% above the market average⁷. Competitive pricing has been equally successful in attracting new mortgage business. Our low operating costs and impairment losses give us the ability to operate at low but sustainable margins. This returns real value to our members – but it is also underpinned by strong and growing capital ratios supported by our 2016 profits.

This in turn provides reassurance that we have the financial strength and flexibility to sustain the Society into the future whatever the economic conditions.

Looking forward, the Board is confident that the Society is well positioned to continue its strong, profitable, member-focused growth. There are some economic and political uncertainties at present and will be for the foreseeable future. However, this is no longer unusual and our strong track record shows that our simple business model based on Putting Members First, with low risk lending and low cost operations, can thrive even in uncertain conditions.”

1. Source: Bank of England.

2. Source: Council of Mortgage Lenders - 2015 top mortgage lenders (balance outstanding) - latest published CET 1 data, as at 23 February 2017.

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

4. As at 23 February 2017.

5. Source: Prudential Regulation Authority – Quarter 1, Quarter 2 and Quarter 3 data. Arrears greater than 2.5% of the balance due, including possessions.

6. Net interest income as a percentage of average total assets.

7. The Society's average month end savings rate (Society mix of products) compared to the Bank of England weighted average rate for household interest-bearing deposits (market mix of products).

8. Net Promoter[®], Net Promoter Score[®], and NPS[®] are trademarks of Satmetrix Systems, Inc., Bain & Company, Inc., and Fred Reichheld. NPS of +70, is a calculated average from 5 surveys: branch survey of 12,732 customers, savings contact centre survey of 17,461 callers, mortgage contact centre survey of 1,910 callers, online survey amongst 4,214 users, and a survey amongst 1,976 brokers.

9. Source: Financial Ombudsman Service - latest published information: 1 January 2016 to 30 June 2016.

For more information or additional comment please contact: the press office on **0800 121 6868**
or email **media@thecoventry.co.uk**

Coventry Building Society. Principal Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN. www.thecoventry.co.uk

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details.

Financial Review

Income Statement

Overview

Statutory profit before tax has increased by 10.7% to £239.1 million.

Underlying profit represents management's view of underlying performance and is presented to aid comparability across reporting periods and has increased by 4.0% to £239.5 million.

Whilst the Society does not aim to maximise profit, it is the key source of capital to protect members' interests and to support growth. In this context, both underlying and statutory profit measures have increased in 2016. This continues a track record of sustainable profitability that has seen capital ratios continue to strengthen.

Statutory and underlying profit are set out in the summarised Income Statement below:

Year to 31 December 2016	Statutory profit £m	Gain on sale of Visa Europe Limited £m	Financial Services Compensation Scheme levy £m	Movements on derivatives and hedge accounting £m	Underlying profit £m
Net interest income	385.0	–	–	–	385.0
Other income	10.5	(4.9)	–	–	5.6
Losses on derivatives and hedge accounting	(1.0)	–	–	1.0	–
Total income	394.5	(4.9)	–	1.0	390.6
Management expenses	(149.5)	–	–	–	(149.5)
Impairment credit	1.5	–	–	–	1.5
Provisions	(6.1)	–	4.3	–	(1.8)
Charitable donation to Poppy Appeal	(1.3)	–	–	–	(1.3)
Profit before tax	239.1	(4.9)	4.3	1.0	239.5

Year to 31 December 2015	Statutory profit £m	Gain on sale of Visa Europe Limited £m	Financial Services Compensation Scheme levy £m	Movements on derivatives and hedge accounting £m	Underlying profit £m
Net interest income	363.9	–	–	–	363.9
Other income	5.4	–	–	–	5.4
Losses on derivatives and hedge accounting	(0.3)	–	–	0.3	–
Total income	369.0	–	–	0.3	369.3
Management expenses	(137.4)	–	–	–	(137.4)
Impairment credit	1.9	–	–	–	1.9
Provisions	(15.8)	–	14.1	–	(1.7)
Charitable donation to Poppy Appeal	(1.7)	–	–	–	(1.7)
Profit before tax	216.0	–	14.1	0.3	230.4

For more information or additional comment please contact: the press office on **0800 121 6868** or email **media@thecoventry.co.uk**

Coventry Building Society. Principal Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN. www.thecoventry.co.uk

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details.

Net interest income

Net interest income at £385.0 million is £21.1 million higher than the previous year, primarily as a result of growth in mortgage assets offset by a slight decrease in the net interest margin. The increase in net interest income was a key driver in the increase in both underlying and statutory profit before tax. The Society's net interest margin has decreased by 5 basis points to 1.06% in the year to 31 December 2016.

	Year to 2016 £m	Year to 2015 £m
Net interest income	385.0	363.9
Average total assets	36,205	32,696
	%	%
Net interest margin	1.06	1.11

This is as a result of increased competition for mortgage customers and the impact that this has had on new business margins and redemption levels. The Board has taken the decision not to seek to recover all of this reduction from reducing the interest paid on savings accounts. The Board believes that there will be a further modest decrease in the net interest margin in future years as a consequence of continuing competition in the mortgage market and its desire to protect savers.

Savings rates paid to existing account holders have continued to fall across the industry during the year and, although the Society has taken selective action to reduce rates on some of its accounts, it has not done so to the same extent as many of its competitors. All the Society's variable rate mortgage customers received the full benefit of the reduction in the Bank of England Base Rate. The Society therefore continues to manage the net interest margin to deliver value to members through both attractive savings rates and competitive mortgage products.

For example, a Coventry ISA product has been in the national press best buy tables every week for over four years and at the end of the year, all of our variable rate cash ISA balances paid more than double the average rate in the market, and over 85% paid more than 1.2%¹.

In addition, as at the end of 2016 over 92% of the Society's variable rate balances paid at least three times the Bank of England Base Rate.

Taking our instant access accounts and variable cash ISAs alone, this translates to an additional £90.0 million² of interest received by members compared with average market rates of interest. This demonstrates the delivery of a key strategic goal.

The Board continues to balance achieving this goal with the need to protect the overall financial strength of the Society and meet increasing capital requirements by strengthening reserves through retained profits, further information is included in the Regulatory capital section below.

Other income

Other income is not a strategic priority for the Society, which remains focused on the provision of savings and mortgage products.

Other income has increased to £10.5 million (2015: £5.4 million). The increase primarily relates to a £4.9 million gain on completion of the acquisition of Visa Europe Limited by Visa Inc. The Society has received cash proceeds and preference shares and will be eligible for future cash consideration in exchange for its membership of Visa Europe Limited. The gain has been excluded from underlying profit.

Derivatives and hedge accounting

The Society uses derivative financial instruments to manage various aspects of risk and in doing so complies with the Building Societies Act 1986, which limits the use of derivatives to the reduction of risk (hedging) arising from changes in interest rates, exchange rates or other market indices.

For more information or additional comment please contact: the press office on **0800 121 6868**
or email **media@thecoventry.co.uk**

Coventry Building Society. Principal Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN. www.thecoventry.co.uk

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details.

Even though the Society uses derivatives exclusively for risk management purposes, Income Statement volatility arises due to the accounting ineffectiveness of designated hedges. The Board believes that this volatility arises from application of the accounting rules rather than because of economic reality and consequently it is excluded from underlying profit.

Management expenses

Management expenses for 2016 were £149.5 million (2015: £137.4 million). The increase is a reflection of the growth of the Society, the costs of servicing a larger membership, continuing investment in the Society's IT infrastructure and the Society's response to ongoing regulatory requirements.

There has been significant growth in employee costs in 2016. In addition to the average salary increase of 3.2% for employees, additional costs were incurred in order to comply with new regulations and also to further improve the quality of service offered to members.

The Society has increased investment in order to ensure that its core IT infrastructure and systems are robust and secure, and are able to support increased functionality and methods of distribution, including developments in online services. Depreciation and amortisation of property, plant and equipment and intangibles have accordingly increased to £15.0 million (2015: £12.9 million).

Despite the absolute increase in management expenses, the Society's ratio of costs to mean total assets has reduced to 0.41%. For over 10 years the Society has achieved the lowest reported cost to mean asset ratio of all UK building societies and expects to retain this position comfortably for 2016.

Continuing cost increases are expected, arising from sustained levels of investment in technology, increased regulation and organic growth. The Society's ability to grow whilst retaining control of costs continues to represent a significant competitive advantage.

Impairment charge

The Society has a strong record of low impairments, reflecting the success of its low risk lending strategy which has always been a key element of its business model. Other than as a result of small books acquired as part of the merger with Stroud & Swindon in 2010, the Society has never undertaken commercial lending or second charge lending, and its exposure to unsecured lending is negligible with no new lending of this type since 2009.

There was an impairment credit of £1.5 million in 2016 (2015: £1.9 million credit). This release is a reflection of the continuing improvement in economic conditions, including moderate house price growth, prolonged low interest rates, falling unemployment, and wage increases outstripping increases in the cost of living. These factors have led to the percentages of mortgage balances 2.5% or more in arrears falling 35% year-on-year.

Provisions

The £6.1 million (2015: £15.8 million) provision for liabilities and charges comprises £4.3 million (2015: £14.1 million) for the Financial Services Compensation Scheme (FSCS) levy, £1.2 million (2015: £1.7 million) for Payment Protection Insurance (PPI), and £0.6 million (2015: £nil) in relation to compensation that may be due to customers impacted by a recent Financial Conduct Authority (FCA) publication on the calculation of monthly payments for customers in arrears (see below).

The Society pays levies (in relation to the banking failures during the financial crisis) to the FSCS based on its share of protected deposits and such levies are excluded from underlying profit. During the year, the FSCS advised that recoveries had been made against assets funded by the FSCS scheme, resulting in a reduced charge for the Society in 2016.

The PPI charge in the year reflects the impact of the delayed introduction of a deadline for PPI claims, which is expected to be set by the FCA. Provisions for PPI claims continue to be materially lower for the Society than for many other organisations. This is a consequence of the design of the PPI product previously offered by the Society.

For more information or additional comment please contact: the press office on **0800 121 6868**
or email **media@thecoventry.co.uk**

Coventry Building Society. Principal Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN. www.thecoventry.co.uk

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details.

The Society will be impacted by the FCA's recent publication in relation to mortgage regulations. This addresses instances where arrears balances have been automatically included within customers' monthly mortgage payments when they have been recalculated from time to time, for example when an interest rate changes or they have switched products. The FCA considers this practice to be automatic capitalisation and in October 2016 issued a guidance consultation on a proposed voluntary remediation framework. As a result, the Society has set aside £0.6 million to compensate customers who may have been adversely impacted by these issues.

Charitable donation to the Poppy Appeal

The Society donated £1.3 million to The Royal British Legion's Poppy Appeal during the year (2015: £1.7 million). The contribution to this appeal since 2008 now totals £13.9 million.

Taxation

The Board strongly believes the Society should contribute its fair share of tax and in 2016 the corporation tax charge arising on profits earned was £56.7 million (2015: £44.7 million). This represents an effective rate of tax of 23.7% (2015: 20.7%) which is significantly above the statutory corporation tax rate of 20% (2015: 20.25%). This is primarily due to a charge of £9.4 million in respect of the 8% surcharge on the profits of banking companies (i.e the Society) that was introduced from 1 January 2016. The Society's subsidiaries are outside the scope of the surcharge. The Society expects that its future effective tax rate will exceed the standard rate due to the impact of this surcharge.

For more information or additional comment please contact: the press office on **0800 121 6868**
or email **media@thecoventry.co.uk**

Coventry Building Society. Principal Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN. www.thecoventry.co.uk

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details.

Balance sheet

Overview

Mortgage balances have grown by 11.8% from £29.4 billion to £32.9 billion in the year and on-balance sheet liquidity by £0.5 billion. These have been funded by increases in retail funding of £2.7 billion and wholesale funding of £1.4 billion.

	2016 £m	2015 £m
Assets		
Loans and advances to customers	32,881.6	29,411.0
Liquidity	4,827.8	4,375.3
Other	586.5	328.1
Total assets	38,295.9	34,114.4
Liabilities		
Retail funding	28,054.3	25,355.8
Wholesale funding	7,742.0	6,336.0
Subordinated liabilities and subscribed capital	67.1	219.8
Other	611.2	551.3
Total liabilities	36,474.6	32,462.9
Equity		
General reserve	1,376.1	1,222.3
Other equity instruments	396.9	396.9
Other	48.3	32.3
Total equity	1,821.3	1,651.5
Total liabilities and equity	38,295.9	34,114.4
Unencumbered FLS Treasury bills (off-balance sheet liquidity)*	1,142.8	1,142.2

* Treasury bills (obtained under the FLS quoted at market value above) provide very high quality liquidity but, in accordance with accounting standards, are not recognised on the balance sheet, as the Society does not retain the risks and rewards in relation to these assets.

Loans and advances to customers

The Society's lending strategy for owner-occupier and buy to let mortgages is focused on high quality, low loan to value loans within the prime residential market, through competitively priced mortgages. These loans are primarily distributed through UK-wide third party intermediaries, and to a lesser extent through a number of advisors within the Society's network of branches and the Coventry-based contact centre.

In 2016, the Society advanced £9.0 billion of mortgages, a 13.3% increase over 2015 (2015: £8.0 billion), outperforming the rate of market growth³. As a result, organic mortgage balance growth was £3.5 billion, a 41.6% increase from 2015 (2015: £2.5 billion), increasing our market share of stock to 2.5%³ (2015: 2.3%). This performance is expected to ensure the Society remains the UK's eighth⁴ largest mortgage lender in what has been an increasingly competitive market.

The growth in the mortgage book has been achieved whilst retaining the Society's focus on low risk lending. The result is an overall indexed loan to value of the mortgage book at 31 December 2016 of 48% (simple average), a position that is largely consistent with previous years (2015: 48%).

The result of this responsible lending approach is highlighted by an arrears performance which is significantly better than that of the industry as a whole and credit losses which are consistently amongst the lowest reported by any top 10 mortgage lender⁴.

As at 31 December 2016, 0.17% of mortgage balances were 2.5% or more in arrears, including possessions (23 properties) (2015: 0.26%, 32 properties). At the time of the latest published data⁵, arrears were 19% of the industry average.

For more information or additional comment please contact: the press office on **0800 121 6868** or email **media@thecoventry.co.uk**

Coventry Building Society. Principal Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN. www.thecoventry.co.uk

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details.

Liquidity

On-balance sheet liquid assets have increased to £4.8 billion (2015: £4.4 billion). Unencumbered Treasury bills drawn under the Funding for Lending Scheme (FLS) remained broadly unchanged. Liquid assets continue to be held primarily in deposits at the Bank of England and UK Government investment securities and the growth of liquid assets reflects the Society's larger retail savings book.

The credit quality of total liquid assets remains high with 96% of the portfolio rated Aaa–Aa3 (2015: 95%) and 4% rated A1–A3 (2015: 5%). The Society has no direct exposure to the peripheral Eurozone countries.

As at 31 December 2016, no amounts in the liquid asset portfolio were either past due or impaired and as such no impairment provision has been made.

Of the £4.8 billion liquid assets, £1.4 billion are held as Available-for-sale (AFS) and under IFRS are marked to market with any changes in value recorded through other comprehensive income. The non-AFS assets are loans and advances to credit institutions or deposits with the Bank of England. As at 31 December 2016, the balance on the AFS reserve was £6.7 million gain, net of tax (2015: £2.5 million gain, net of tax), reflecting increased market values of UK Government investment securities and equity holdings.

On-balance sheet liquid assets are supplemented by unencumbered Treasury bills obtained under the FLS, which are readily available to meet cash flow requirements (£1.1 billion). Total amounts drawn down through the FLS increased to £2.4 billion during the year (2015: £2.0 billion).

The Liquidity Coverage Ratio at 31 December 2016 was 151% (2015: 141%), comfortably above the minimum regulatory requirement. The Society also monitors its position against the Net Stable Funding Ratio (NSFR), a longer-term funding measure which is due to become a regulatory standard in January 2018. Based on current interpretations of regulatory requirements and guidance, the Society exceeds the expected 100% minimum future requirement.

Retail funding

The Society continues to be predominantly funded by retail savings, which have increased in the year by £2.7 billion to £28.1 billion (2015: £25.4 billion), representing growth of 10.6%, in comparison to market growth of 6.1%³. As such our market share increased to 2.0% (2015: 1.9%)³ with over 200,000 new savings accounts opened in 2016.

Our growth in the savings market demonstrates our commitment to providing our members with attractive rates of interest relative to the market, despite the availability of cheaper wholesale funding. This increase in savings balances allowed us to offer mortgages on an additional 16,000 homes. In total over 90% of mortgage balances are funded by retail savings or capital.

The Society has continued to support the cash ISA market with competitive rates of interest, as demonstrated by growth, which was nine times greater than that of the market³, increasing our share to 3.9% (2015: 3.2%).

For more information or additional comment please contact: the press office on **0800 121 6868** or email **media@thecoventry.co.uk**

Coventry Building Society. Principal Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN. www.thecoventry.co.uk

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details.

Wholesale funding

The Society uses wholesale funding to provide diversification by source and term and also to provide value to members through lowering the overall cost of funding.

In 2016, on-balance sheet wholesale funding increased by £1.4 billion with a year end balance of £7.7 billion (2015: £6.3 billion).

Around £1.1 billion of this increase reflects the utilisation of marketable securities in sale and repurchase agreements and other deposits from banks. The balance of the increase is mainly attributable to foreign exchange movements in euro denominated debt securities in issue where the currency risk was already fully hedged.

In March 2016, the Society successfully completed a £275 million issuance of Residential Mortgage Backed Securities (RMBS) secured on buy to let loans under its newly established Offa RMBS programme. Outstanding notes on the Society's Leofric programme were repaid in full in November 2016 on the call date.

In early January 2017, the Society became the first UK institution to enter the euro covered bond market since the UK referendum on EU membership, with a €500 million issuance.

Subordinated liabilities and subscribed capital.

During the year the Society exercised its right to call £120.0 million of Permanent Interest Bearing Shares (PIBS) at par, leading to a reduction in this balance sheet category. The PIBS no longer qualified as capital, and consequently this call had no material impact on key capital ratios.

The Society also repaid £32.0 million of subordinated liabilities during the year, which similarly had no material impact on key capital ratios.

Equity

The Society's equity is predominantly made up of its General reserve and Additional Tier 1 capital (other equity) but also includes the AFS reserve and cash flow hedge reserve. The Society's total equity increased by around £0.2 billion over the year to £1.8 billion, driven primarily by retained profits generated during the period.

Regulatory capital

The Society's CRD IV capital position (excluding any transitional provisions) as at 31 December 2016 is summarised in the following table. The increase in CET 1 capital, total Tier 1 capital and total capital is primarily driven by profit after tax of £182.4 million.

Despite an 11.8% growth in the mortgage book, the related risk weighted assets have only marginally increased as a result of house price inflation reducing effective risk weights.

The movements described above have resulted in an increase in the Society's CET 1 ratio from 29.4% to 32.2% and in its leverage ratio from 4.0% to 4.1%. At 31 December 2016, and throughout the year, the Society complied in full with all of the regulatory capital requirements that were in force.

For more information or additional comment please contact: the press office on **0800 121 6868** or email **media@thecoventry.co.uk**

Coventry Building Society. Principal Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN. www.thecoventry.co.uk

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details.

	End-point 31 Dec 2016 £m	End-point 31 Dec 2015 £m
Capital resources:		
Common Equity Tier 1 (CET 1) capital	1,320.8	1,167.2
Total Tier 1 capital	1,717.7	1,564.1
Total capital	1,722.0	1,568.4
Risk weighted assets	4,099.3	3,974.6
Capital and leverage ratios:		
	%	%
Common Equity Tier 1 (CET 1) ratio	32.2	29.4
Leverage ratio*	4.1	4.0
Leverage ratio (modified)**	4.4	n/a

* The leverage ratio is calculated in accordance with the definitions of CRD IV as amended by the European Commission delegated regulation. The calculation reflects constraints in the inclusion of Additional Tier 1 capital in accordance with the Financial Policy Committee's leverage ratio regime regulations.

** Leverage ratio modified under the UK regulatory regime by excluding central bank reserves from the calculation of leverage exposures.

The Society is provided with Individual Capital Guidance (ICG) by the Prudential Regulatory Authority (PRA). Following a Supervisory Review process in the first half of 2016, the Society has been issued with an ICG of 12.8% which is the sum of its Pillar 1 and Pillar 2A requirements. With a CET 1 ratio of 32.2% the Society comfortably meets this requirement using CET 1 capital alone.

On 1 August 2016, the PRA announced a modification of the calculation of leverage exposure for the purpose of the UK leverage ratio framework by excluding central bank reserves. Under the modified basis of measurement the Society's leverage ratio at 31 December 2016 would be 4.4%.

1. Source: Bank of England. Average quoted interest rate on all variable rate cash ISAs including bonus as at 31 December 2016.

2. Based on the Society's instant access and variable cash ISA monthly weighted average savings rates and balances versus Bank of England average quoted interest rates for instant access variable non ISA and variable rate cash ISA balances.

3. Source: Bank of England.

4. Source: Council of Mortgage Lenders - 2015 balance outstanding.

5. Source: Prudential Regulation Authority – latest available information, as at 30 September 2016.

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 report. 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.

For more information or additional comment please contact: the press office on **0800 121 6868** or email **media@thecoventry.co.uk**

Coventry Building Society. Principal Office: Economic House, PO Box 9, High Street, Coventry CV1 5QN. www.thecoventry.co.uk

Calls to 0800 numbers are free when made from the UK. You may be charged for calls to all other numbers, please contact your service provider for further details.