INTERIM FINANCIAL REPORT

for the period ended 30 June 2014

the
COVENTRY
TLC not PLC

CONTENTS

IFRS RESULTS

This Interim Financial Report for the six months ended 30 June 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) and with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union (EU). The Interim Financial Report should be read in conjunction with the Annual Report & Accounts for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

FORWARD LOOKING STATEMENTS

Certain statements in this Interim Financial Report are forward looking. The Society, defined in this Interim Financial Report 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.

HIGHLIGHTS

The directors are pleased to present the results for the six months ended 30 June 2014.

Excellent growth in savings and mortgages

- New mortgage lending up 17% to £3.4 billion (30 June 2013: £2.9 billion).
- Net mortgage lending was £1.3 billion, equivalent to 12% of all net mortgage lending in the UK[1].
- Savings balances increased by £0.6 billion, to a record £22.0 billion.

Continued strong financial performance

- Profit before tax increased by 82% to £87.9 million (30 June 2013: £48.3 million).
- Cost to mean asset ratio of 0.41% remains the lowest reported by a UK building society.
- Impairment charges just £3.3 million, reflecting the Society's low risk lending both before and throughout the credit crisis.
- Loans where arrears were greater than 2.5% of the balance were 0.58% (including possessions). This represents just 42% of the industry average of 1.37%[2].
- Common Equity Tier 1 (CET 1) ratio of 24.6% remains the highest reported by any top 10 building society.
- Successful issuance of £400 million Additional Tier 1 capital in June reflects the Society's strength and record of profitability and increased the Society's leverage ratio significantly above current minimum requirements.
- Maintained strong 'A' credit ratings throughout the 'credit crunch' – Fitch (A) and Moody's (A3).

Doing the right thing for members and the community

- Average variable Cash ISA savings rate of over 2.40%[3] - with all Coventry Cash ISAs paying at least 2.00%, comparing favourably against the average market variable cash ISA rate of 1.16%[1].
- A Coventry Cash and Junior ISA have been in the national press 'best buys' for over 120 consecutive weeks.
- Average savings rate of over 2.00%[3] across all savings balances with over 90% of savings balances paid an interest rate of 1.50% or more[4] - three times the Bank of England Base Rate.
- Over three-quarters of all variable savings balances currently held at the Society are paid a rate equal to or higher than the equivalent 'best buy' from any major high street bank or building society[5].
- In the most recent table published by the Financial Ombudsman Service, Coventry had one of the lowest proportions of complaints upheld of any high street bank or building society listed.
- No individual member of staff is incentivised to sell products and hasn't been since 2010.
- A further £0.9 million raised for The Royal British Legion's Poppy Appeal during the first six months of the year.
- Recently awarded Most Trusted Cash ISA, Current Account and Savings Provider 2014 by Moneywise.

1. As at 30 June 2014. Source: Bank of England.
2. As at 31 March 2014. Source: PRA.
3. Weighted average interest rate by balances held at 30 June 2014.
4. As at 30 June 2014. Excludes Offset accounts.
5. As at 30 June 2014. Average non-ISA deposit of £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 Coventry Current/MoneyManager and Offset accounts. Source: Moneyfacts data.

INTERIM MANAGEMENT REPORT: CHIEF EXECUTIVE'S REVIEW

Coventry is a traditional building society with a strong record of performance, I feel privileged to have joined such a successful organisation.

During the first half of 2014 the Society has continued to achieve strong growth in savings and mortgages, offering its members competitive products and being recognised for the excellent service it provides.

In particular, the Society has worked hard to support its savings members in a market which continues to present challenges for them.

Coventry's ability to deliver the right outcomes for its members is based on strong fundamentals. It remains the most cost-efficient building society in the UK supporting the value it can provide to members through competitive pricing and has retained its 'A' credit rating from two of the major credit rating agencies. The strong demand for the recent capital issuance shows the Society has the confidence of the wider financial markets.

Continued mortgage growth

Gross mortgage advances totalled £3.4 billion, an increase of £0.5 billion on the first half performance for 2013 and a new record for the Society. Mortgage balances increased by £1.3 billion, equivalent to 12% of UK net lending[1], to £25.4 billion.

This was achieved during a period of considerable change in the mortgage market. The implementation of the Mortgage Market Review (MMR) represents a significant investment for the industry as a whole. However, it has not altered the prudent approach which has been the hallmark of the Society's mortgage lending for many years.

Coventry's record of high quality lending has been achieved because of its simple focus on protecting the interests of its members – both in terms of ensuring that individuals are borrowing appropriately for their circumstances but also by ensuring the financial strength of the Society as a whole.

The successful delivery of its MMR solution, combined with continued growth in mortgage lending, shows the strength of the Society's approach to lending and its ongoing support for the UK housing market.

Supporting savers

The signs of economic recovery in the UK have been welcome. However, the need to sustain this recovery has ensured that the interest rate environment remains challenging for savers.

The Bank of England Base Rate has been at its historical low of 0.50% for over five years and initiatives to help stimulate economic activity, including those designed to increase activity in the housing market, have resulted in further reductions in market interest rates paid to savers.

In this difficult environment, the Society has sought to pay all Coventry members very competitive rates on their savings.

This is particularly the case for ISA balances, often the cornerstone of individual long-term saving plans. The average variable cash ISA in the market currently pays 1.16%[1]. As at the end of June 2014, Coventry Building Society paid at least 2.00% - or four times the Bank of England Base Rate - on all of its Cash ISAs, and an average of over 2.40%[2] across its overall variable Cash ISA balances.

Coventry has delivered this competitive approach to ISA savings consistently and has had a cash ISA product in the national press 'best buy' tables for over 120 consecutive weeks. Its Junior ISA, which pays 3.25%, has been a 'best buy' since its launch in April 2012[3].

Whilst ISAs have a particular focus at the Society, it has also delivered consistently good value on non-ISA savings too. As at the end of June 2014, we paid an average rate of over 2.00%[2] on all savings balances, with over 90% paying at least 1.50%[4], or three times Base Rate, and in the first half of 2014 a non-ISA savings product has featured in the national press 'best buys' each and every week.

The consistent competitiveness of its savings portfolio has meant that the Society has continued to attract significant additional savings inflows. In the first half of 2014, retail balances increased by £0.6 billion to a new record of £22.0 billion.

Strong and secure

In order to grow, attract new members and maintain the confidence of key stakeholders, the Society must be financially strong.

It continues to be one of the most highly rated banks or building societies in the UK and remains 'A' rated by both Fitch (A) and Moody's (A3).

At 24.6%, the Society's Common Equity Tier 1 ratio remains the highest reported by any top 10 building society. However, during the first half of 2014, Coventry has also taken action to enhance its leverage ratio, a non risk based measure introduced as part of the Basel III CRD IV package.

In June 2014, Coventry successfully issued new capital in the form of Perpetual Capital Securities. The issue of £400 million was heavily oversubscribed, demonstrating the appeal of the Society's financial strength. This demand also ensured a very competitive price for this Additional Tier 1 capital. The leverage ratio at 30 June 2014 of 4.4%[5] is well above the current requirement as detailed in the Basel III capital regulations.

The strength of institutional interest in the Society also reflects its track record of high quality lending and cost-efficiency. The quality of lending is demonstrated in impairment charges that remain very much lower than for the industry as a whole.

Effective control of costs continues to be a trademark of Coventry Building Society. With a cost to mean assets ratio of 0.41%, Coventry continues to be the UK's most cost-efficient building society. The cost to income ratio of 35.5% also compares well with other building societies, especially considering the relatively high rates paid to savers and the low risk nature of our lending.

Net interest income increased by £53.6 million, reflecting the reduction in funding costs due to the impact of the Funding for Lending Scheme on market interest rates, as well as the growth the Society has achieved.

Higher income, low costs and low impairment charges combined to produce profit before tax of £87.9 million (30 June 2013: £48.3 million). This profit is the primary source of ongoing financial strength and security for the Society.

Outlook

As I mentioned earlier, the prospects for a sustained economic recovery in the UK are encouraging.

MMR has been implemented successfully and the housing market continues to move forward as public sentiment remains positive.

The timing and extent of a potential rise in the Bank of England Base Rate remains the cause of much speculation and one that sums up the challenge for the Society in protecting the interests of all members – those who may rely on their savings to supplement their income and those for whom a mortgage represents their most significant monthly financial commitment.

However, the Society has a track record of successfully balancing these interests and delivering long-term value to all of its members.

I believe that we are in an excellent position to maintain this record and I look forward to leading the Society for the benefit of existing and future members.

Signed on behalf of the Board by

Mark Parsons
Chief Executive
31 July 2014

1. As at 30 June 2014. Source: Bank of England.
2. Weighted average interest rate by balances held at 30 June 2014.
3. Excludes competitor products with restricted availability (e.g. existing customers only, or reliant on maintaining or opening another product with the same provider).
4. As at 30 June 2014. Excludes Offset accounts.
5. The leverage ratio is calculated on an end point basis using the Capital Requirements Regulation (CRR) definition of Tier 1 and the Basel definition of the leverage ratio exposure, as issued by the Basel Committee on Banking Supervision in January 2014. In July 2014 the UK Financial Policy Committee published a consultation paper (The Financial Policy Committee's review of the leverage ratio), which, if implemented, would introduce additional requirements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Disclosure and Transparency Rules (DTR 4.2.7R) require that a description of the principal risks and uncertainties are given in the Interim Financial Report for the remaining six months of the financial year.

The principal risks and uncertainties affecting the Society were reported on pages 44 to 76 of the Annual Report & Accounts for the year ended 31 December 2013. These risks are categorised as credit, market, liquidity and funding, operational and business risk, which are common to most financial services firms in the UK. These risks continue to affect the Society as at 30 June 2014 and there have been no material changes to the Society's approach to risk management during the first half of the year.

The improvements seen in the UK economy through 2013 have continued into 2014 with GDP now above pre-crisis levels and optimism for the prospects of the UK economy reportedly at an all-time high[1]. Notwithstanding this improvement, some of the risks previously identified remain evident. Current risks include:

- Overheating of the UK housing market
- Impact of interest rate rises on borrowers
- Scottish independence
- Regulatory capital reforms
- Cyber threats

These risks and uncertainties, and how the Society is looking to mitigate them, are summarised below:

Overheating of the UK housing market

There has been significant press coverage highlighting the risks arising in the UK housing market, with concerns raised by market participants, regulators and more recently, the Bank of England[2]. The risk to the Society would come from any rapid fall in house prices and the subsequent erosion of credit protection that this brings to the Society's mortgage book. However, this is only likely to impact the Society if such a movement coincided with a reversal in the more recent improvements to the UK economy. The Society's approach of focusing on low loan to value lending to borrowers assessed for affordability under a higher rate environment, means that it is well positioned to absorb any such impacts.

There has been significant comment on the performance of the London property market and lending at higher loan to income ratios. The Society has limited exposure to these areas of the market as lending is capped at four times income for all owner-occupied lending and the average loan to value ratio for new lending for the six months to 30 June 2014 in London was 59%.

Prospects for rate rises

In its assessment of the economic environment, the Society has always taken a prudent approach to anticipated interest rate rises.

This is in relation to the risk to the Society as a whole, as well as the risk to individual members and the Society continues to ensure that it has a significant proportion of administered rate savings and mortgages on its balance sheet to enable this risk to be managed.

It is worth noting that, even in the context of a protracted low interest rate environment, the Society continues to generate strong profits with no diminution of capital.

The Society is also conscious of the inherent risks to mortgage members currently enjoying relatively low rates who could suffer from a rate 'shock' in the event that Bank Base Rate begins to rise. To this end, the Society only lends to those members who it believes can afford repayments even at higher levels of interest rates and adopts a supportive approach to those few that do experience difficulties.

Scottish independence

If Scotland were to become independent from the rest of the United Kingdom it is likely that there would be some significant consequences, particularly for the financial sector. Some of these may be 'first order' associated with the possibility of dealing in a different currency and the impact that this may have on the Society's borrowers across the border. Second order effects may arise from the impact that any split would have on the Scottish and UK economies, both of which might be anticipated to suffer initially. While the Society's focus on low loan to value business affords it some protection, determining the full extent and likelihood of impacts from an independent Scotland is not straightforward and much will depend on the respective actions of the two Governments.

Regulatory capital reforms

The Society remains well capitalised against the underlying risks of the business, as demonstrated by the highest Common Equity Tier 1 ratio of any top 10 building society. However, the introduction of a leverage ratio assesses firms on a non-risk basis, and poses challenges to organisations such as Coventry Building Society, which hold high concentrations of low risk weighted assets on their balance sheet.

Whilst the need to meet an appropriate leverage ratio is clear, the level of the minimum requirement, which has been the subject of significant speculation, is still to be set by the regulatory bodies[3].

Risks to the Society's business model increase if the minimum leverage ratio is ultimately agreed at a level significantly above the 3% provisionally set by the Basel Committee.

The Society continues to strengthen its capital position in order to ensure that suitable headroom exists above this requirement. The Board therefore took the decision to supplement the Society's reserves with a new Additional Tier 1 issuance that increases the leverage ratio to 4.4%[4] at 30 June 2014 (end-point basis).

Cyber threats

The 'Cyber threat' continues to be recognised as one of the key strategic threats to the UK and much attention is being placed on public-private sector initiatives to mitigate this threat. The significance of cyber defence is recognised by the Bank of England and the financial services regulatory bodies and they are calling for financial institutions to put in place plans to counter this threat. Whilst we await clarity on what this means for the Society we are not complacent and are continuing to enhance our controls and monitoring capability.

The key cyber threats to the financial services sector, and to the Society, are still those posed by organised criminals, who continue to develop and exercise their capabilities. Also of concern are the risks posed by insiders - both those with malicious or criminal intent and those that cause disruption or damage through accidental actions.

Further information on the Society's approach to risk management can be found within the Risk Management Report on pages 44 to 76 of the Annual Report & Accounts for the year ended 31 December 2013.

CAPITAL RATIOS

The table below provides a summary of the Society's capital resources and CRD IV ratios.

	Transitional rules[5] 30 Jun 2014 £m	**End-point 30 Jun 2014 £m**	Proforma transitional rules[5,6,7] 1 Jan 2014 £m	Proforma end-point[6,7] 1 Jan 2014 £m
Capital resources:				
Common Equity Tier 1 (CET 1) capital	**928.0**	**928.0**	855.2	855.2
Total Tier 1 capital	**1,452.9**	**1,324.9**	983.2	855.2
Total capital	**1,502.4**	**1,331.6**	1,029.6	857.2
CRD IV ratios:	**%**	**%**	%	%
Common Equity Tier 1 (CET 1) ratio	**24.6**	**24.6**	22.8	22.8
Leverage ratio[3,4]	**4.8**	**4.4**	3.4	3.0

The capital disclosures above are on a Group basis, including all subsidiary entities. For regulatory purposes the Group also reports on an Individual Consolidated basis, which only includes those subsidiaries meeting particular criteria contained within CRD IV. The Individual Consolidated CET 1 ratio on an end-point basis at 30 June 2014 is 0.3% higher than the Group ratio due to assets held by entities that sit outside of the Individual Consolidation.

1. Top Ipsos Mori Economic Optimism Index, May 2014.
2. Treasury Select Committee hearing – Financial Stability Report, Bank of England, 15 July 2014.
3. In July 2014 the UK Financial Policy Committee published a consultation paper (The Financial Policy Committee's review of the leverage ratio), which, if implemented, would introduce additional requirements.
4. The leverage ratio is calculated using the CRR definition of Tier 1 and the Basel definition of the leverage ratio exposure, as issued by the Basel Committee on Banking Supervision in January 2014.
5. Under transitional rules, capital includes grandfathered Tier 1 and Tier 2 instruments, which are fully amortised under the end-point basis.
6. Proforma figures have been included to aid comparability.
7. Since the publication of the Annual Report & Accounts 2013, the ratio has been updated to reflect the most current guidance on the prudent valuation adjustment.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2014

	Notes	**Period to 30 Jun 2014 (Unaudited) £m**	*Period to 30 Jun 2013 (Unaudited) £m	Year ended 31 Dec 2013 (Audited) £m
Interest receivable and similar income	3	**431.9**	424.0	854.5
Interest payable and similar charges	4	**(266.4)**	(312.1)	(601.4)
Net interest income		**165.5**	111.9	253.1
Fees and commissions receivable		**5.2**	6.3	12.1
Fees and commissions payable		**(1.6)**	(1.6)	(3.3)
Other operating income		**0.2**	0.3	0.5
Net (losses)/gains from derivative financial instruments		**(1.7)**	4.1	2.8
Total income		**167.6**	121.0	265.2
Administrative expenses	5	**(53.5)**	(48.3)	(98.2)
Amortisation of intangible assets		**(2.9)**	(2.1)	(4.7)
Depreciation of tangible fixed assets		**(3.1)**	(3.0)	(6.0)
Impairment losses on loans and advances to customers	6	**(3.3)**	(3.5)	(6.3)
Provisions for liabilities and charges	7	**(16.0)**	(14.8)	(16.3)
Charitable donation to Poppy Appeal		**(0.9)**	(1.0)	(1.6)
Profit before tax		**87.9**	48.3	132.1
Taxation		**(18.9)**	(11.3)	(30.8)
Profit for the financial period		**69.0**	37.0	101.3

*Comparatives as at 30 June 2013 have been restated. See note 2 for further details.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2014

Profit for the financial period		**69.0**	37.0	101.3
Other comprehensive income				
Items that will not be reclassified to the income statement:				
Remeasurement of defined benefit plan		**-**	-	(10.8)
Taxation		**-**	-	2.0
Items that may subsequently be reclassified to the income statement:				
Available-for-sale investments:				
Fair value movements taken to reserves		**18.0**	(73.6)	(138.0)
Amount transferred to income statement	12	**(9.9)**	73.3	134.8
Taxation		**(1.7)**	0.1	0.7
Cash flow hedges:				
Fair value movements taken to reserves		**(25.2)**	(1.7)	(33.9)
Amount transferred to income statement		**55.9**	1.2	24.4
Taxation		**(6.2)**	0.1	2.0
Other comprehensive income for the period, net of tax		**30.9**	(0.6)	(18.8)
Total comprehensive income for the period, net of tax		**99.9**	36.4	82.5

The notes on pages 11 to 19 form part of this Interim Financial Report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	**30 Jun 2014 (Unaudited) £m**	30 Jun 2013 (Unaudited) £m	31 Dec 2013 (Audited) £m
Assets				
Cash and balances with the Bank of England		**2,121.2**	2,639.6	2,042.1
Loans and advances to credit institutions		**136.0**	339.8	179.3
Debt securities		**1,658.1**	2,164.0	1,666.0
Loans and advances to customers	8	**25,401.1**	23,172.3	24,117.1
Hedge accounting adjustment		**(16.3)**	33.0	(8.4)
Derivative financial instruments		**161.4**	222.4	191.2
Intangible assets		**14.9**	9.8	12.2
Property, plant and equipment		**28.2**	30.2	29.4
Investment properties		**5.3**	5.3	5.3
Pension benefit surplus		**5.9**	15.1	5.1
Deferred tax assets		**5.0**	8.4	8.3
Prepayments and accrued income		**5.5**	10.0	5.7
Total assets		**29,526.3**	28,649.9	28,253.3
Liabilities				
Shares		**21,951.6**	20,931.8	21,311.7
Deposits from banks		**1,170.9**	1,929.5	1,032.6
Other deposits		**9.0**	6.0	4.0
Amounts owed to other customers		**499.5**	464.9	337.1
Debt securities in issue		**3,893.7**	3,739.4	4,064.8
Hedge accounting adjustment		**83.8**	150.7	89.5
Derivative financial instruments		**222.7**	269.5	213.6
Current tax liabilities		**18.5**	12.9	16.1
Deferred tax liabilities		**6.3**	4.6	2.0
Accruals and deferred income		**24.8**	39.9	35.6
Other liabilities		**8.5**	8.7	21.7
Provisions for liabilities and charges	7	**25.6**	23.6	9.9
Subordinated liabilities	9	**58.1**	58.1	58.2
Subscribed capital	10	**161.5**	161.4	161.5
Total liabilities		**28,134.5**	27,801.0	27,358.3
Equity				
Additional Tier 1 capital	11	**396.9**	-	-
General reserve		**983.6**	859.1	914.6
Available-for-sale reserve	12	**(5.7)**	(9.8)	(12.1)
Cash flow hedge reserve		**17.0**	(0.4)	(7.5)
Total liabilities and equity		**29,526.3**	28,649.9	28,253.3

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTERESTS AND EQUITY

FOR THE PERIOD ENDED 30 JUNE 2014

	Additional Tier 1 capital £m	General reserve £m	Available-for-sale reserve £m	Cash flow hedge reserve £m	Total £m
As at 1 January 2014 (Audited)	**-**	**914.6**	**(12.1)**	**(7.5)**	**895.0**
Profit for the financial period	**-**	**69.0**	**-**	**-**	**69.0**
Net movement in Available-for-sale reserve (net of tax)	**-**	**-**	**6.4**	**-**	**6.4**
Net movement in Cash flow hedge reserve (net of tax)	**-**	**-**	**-**	**24.5**	**24.5**
Total comprehensive income	**-**	**69.0**	**6.4**	**24.5**	**99.9**
Issue of Additional Tier 1 capital	**396.9**	**-**	**-**	**-**	**396.9**
As at 30 June 2014 (Unaudited)	**396.9**	**983.6**	**(5.7)**	**17.0**	**1,391.8**

	Additional Tier 1 capital £m	*General reserve £m	Available-for-sale reserve £m	Cash flow hedge reserve £m	*Total £m
As at 1 January 2013 (Audited) (previously reported)	-	811.4	(9.6)	-	801.8
Changes in accounting policy	-	10.7	-	-	10.7
As at 1 January 2013 (as restated)	-	822.1	(9.6)	-	812.5
Profit for the financial period (as restated)	-	37.0	-	-	37.0
Net movement in Available-for-sale reserve (net of tax)	-	-	(0.2)	-	(0.2)
Net movement in Cash flow hedge reserve (net of tax)	-	-	-	(0.4)	(0.4)
Total comprehensive income	-	37.0	(0.2)	(0.4)	36.4
As at 30 June 2013 (Unaudited)	-	859.1	(9.8)	(0.4)	848.9

* Comparatives as at 30 June 2013 have been restated. See note 2 for further details.

	Additional Tier 1 capital £m	General reserve £m	Available-for-sale reserve £m	Cash flow hedge reserve £m	Total £m
As at 1 January 2013 (Audited)	-	822.1	(9.6)	-	812.5
Profit for the financial year	-	101.3	-	-	101.3
Remeasurement of defined benefit plan (net of tax)	-	(8.8)	-	-	(8.8)
Net movement in Available-for-sale reserve (net of tax)	-	-	(2.5)	-	(2.5)
Net movement in Cash flow hedge reserve (net of tax)	-	-	-	(7.5)	(7.5)
Total comprehensive income	-	92.5	(2.5)	(7.5)	82.5
As at 31 December 2013 (Audited)	-	914.6	(12.1)	(7.5)	895.0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2014

	Period to 30 Jun 2014 (Unaudited) £m	*Period to 30 Jun 2013 (Unaudited) £m	Year ended 31 Dec 2013 (Audited) £m
Cash flows from operating activities			
Profit before tax	**87.9**	48.3	132.1
Adjustments for:			
Impairment provisions and other provisions	**19.3**	18.3	22.6
Depreciation and amortisation	**6.0**	5.1	10.7
Interest on subordinated liabilities and subscribed capital	**8.2**	8.2	16.4
Changes to fair value adjustment of hedged risk	**61.9**	(47.1)	(39.6)
Other non-cash movements	**(1.0)**	42.7	(9.9)
Non-cash items included in profit before tax	**94.4**	27.2	0.2
Loans to credit institutions	**24.0**	1.0	111.5
Loans and advances to customers	**(1,287.3)**	(1,156.9)	(2,106.1)
Prepayments, accrued income and other assets	**(0.5)**	(7.3)	(14.6)
Changes in operating assets	**(1,263.8)**	(1,163.2)	(2,009.2)
Shares	**635.0**	769.7	1,222.9
Deposits and other borrowings	**306.1**	1,225.6	197.4
Debt securities in issue	**(60.0)**	6.3	(90.3)
Accruals, deferred income and other liabilities	**(18.2)**	(21.5)	(28.0)
Changes in operating liabilities	**862.9**	1,980.1	1,302.0
Interest paid on subordinated liabilities and subscribed capital	**(8.2)**	(8.2)	(16.4)
Taxation	**(16.0)**	(3.6)	(17.9)
Net cash flows from operating activities	**(242.8)**	880.6	(609.2)
Cash flows from investing activities			
Purchase of investment securities	**(152.5)**	(482.7)	(573.3)
Sale and maturity of investment securities	**178.4**	587.0	1,110.5
Purchase of property, plant and equipment and intangible assets	**(7.9)**	(5.8)	(12.8)
Net cash flows from investing activities	**18.0**	98.5	524.4
Cash flows from financing activities			
Issue of Additional Tier 1 capital	**396.1**	-	-
Repurchase and repayment of debt securities	**(111.5)**	(136.5)	(263.9)
Issue of debt securities	**-**	-	543.7
Net cash flows from / (used in) financing activities	**284.6**	(136.5)	279.8
Net increase in cash	**59.8**	842.6	195.0
Cash and cash equivalents at start of period	**2,071.6**	1,876.6	1,876.6
Cash and cash equivalents at end of period	**2,131.4**	2,719.2	2,071.6
Cash and cash equivalents:			
Cash and balances with the Bank of England	**2,081.4**	2,602.2	2,001.6
Loans and advances to credit institutions	**50.0**	117.0	70.0
	2,131.4	2,719.2	2,071.6

* Comparatives as at 30 June 2013 have been restated. See note 2 for further details.

NOTES TO THE INTERIM FINANCIAL REPORT

1. Reporting Period

These results have been prepared as at 30 June 2014 and show the financial performance for the period from, and including, 1 January 2014 to this date.

2. Basis of preparation and changes to the Group's accounting policies

Basis of preparation

This condensed consolidated financial report for the six months ended 30 June 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) and with IAS 34 Interim Financial Reporting as adopted by the EU. The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Annual Report & Accounts for the year ended 31 December 2013, which have been prepared in accordance with IFRS as adopted by the EU.

The Group accounts consolidate the assets, liabilities and results of the Society and all its subsidiary companies.

Changes in accounting policy

The accounting policies adopted by the Group in the preparation of its 2014 Interim Financial Report are consistent with those disclosed in the Annual Report & Accounts for the year ended 31 December 2013, except for the adoption of new accounting policies and new standards or interpretations effective as of 1 January 2014 which were not previously adopted. The new accounting policies adopted in the period are described below.

Accounting standards and interpretations
Additional accounting standards that became applicable during the interim period did not have a significant impact on the Group's income statement or statement of financial position. The following standards and amendments, relevant to the Group, have been adopted during the interim period:

Pronouncement	Nature of change
IFRS 10, 11, 12 and amendments to IAS 27 and IAS 28	A package of five new and revised standards addressing the accounting for consolidation, involvements in joint ventures and disclosure of involvements with other entities. With the exception of additional disclosure requirements, the new and revised standards do not have a significant impact for the Group.
IAS 32 Offsetting Financial Assets and Liabilities	Clarifies existing offsetting criteria. The amendment does not have a significant impact for the Group.

The International Accounting Standards Board (IASB) has issued further pronouncements since 31 December 2013. The Group does not expect adoption of any of these pronouncements to have a significant impact on its results other than those noted below:

Pronouncement	Nature of change
IFRS 9 Financial Instruments	On 24 July 2014 the IASB issued IFRS 9 Financial Instruments as a complete standard relating to impairment, classification and measurement, and micro-hedge accounting. The standard, which has yet to be adopted by the EU, is effective for years commencing on or after 1 January 2018. The standard is expected to have a significant impact on the Group, along with the wider financial sector.

NOTES TO THE INTERIM FINANCIAL REPORT
(continued)

Equity Instruments

During the year the Group issued its first equity instrument, Additional Tier 1 (AT1) Capital. Further details of the instrument are included in note 11. The Group's accounting policy for equity instruments is described below.

In accordance with IAS 32, issued financial instruments are classified as equity instruments where the contractual arrangement with the holder does not result in the Group having a present obligation to deliver cash, another financial asset or a variable number of equity instruments. Where the Group does have a present obligation, the instrument is classified as a financial liability.

The proceeds of the issuance of equity instruments are included in equity. Costs incurred that are incremental and directly attributable to the issuance are deducted from the proceeds (net of tax) and are not amortised.

Distributions to holders of equity instruments are recognised when they become irrevocable and are deducted, net of tax where applicable, from the general reserve.

Prior year adjustment

The Group has restated its results for the interim period to June 2013, following the early adoption of IFRIC 21 *Levies*. The restatement affects the income statement for the interim period to 30 June 2013 by recognising a charge of £13.9 million relating to the Financial Services Compensation Scheme (FSCS) levy which was previously recognised in the income statement for the year ending 31 December 2012 and a reduction in taxation of £3.2 million. Consequently, the opening reserves as at 1 January 2013 have also been restated but the closing reserves as at 30 June 2013 remain unaffected. Further details on the restatement are included in the 2013 Annual Report & Accounts, on pages 94 to 95.

Going concern

Details of the Group's objectives, policies and processes for managing its exposure to liquidity, credit, market, operational and business risks are contained in the Risk Management Report of the 2013 Annual Report & Accounts. Taking these objectives, policies and processes into account alongside the current economic and regulatory environment, the directors confirm they are satisfied the Group has adequate resources to continue in business for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing this interim financial information.

Significant accounting judgement and estimates

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. Those items where management are required to make critical accounting estimates remain unchanged from the year ended 31 December 2013, and details are provided on page 104 of the 2013 Annual Report & Accounts.

3. Interest receivable and similar income

	Period to 30 Jun 2014 (Unaudited) £m	Period to 30 Jun 2013 (Unaudited) £m	Year ended 31 Dec 2013 (Audited) £m
On loans fully secured on residential property	**443.1**	425.0	865.0
On other loans	**1.4**	1.7	3.3
Interest and other income on debt securities	**19.8**	33.1	56.5
Interest and other income on other liquid assets	**5.8**	4.0	8.7
Net expense on financial instruments hedging assets	**(38.2)**	(39.8)	(79.0)
Total	**431.9**	424.0	854.5

NOTES TO THE INTERIM FINANCIAL REPORT

(continued)

4. Interest payable and similar charges

	Period to 30 Jun 2014 (Unaudited) £m	Period to 30 Jun 2013 (Unaudited) £m	Year ended 31 Dec 2013 (Audited) £m
Bank and customer			
Subordinated liabilities	**2.1**	2.1	4.2
Other	**7.5**	4.3	11.5
Debt securities in issue	**69.6**	71.0	138.1
Other borrowed funds			
On shares held by individuals	**211.6**	259.9	497.8
On other shares	**-**	-	0.1
On subscribed capital	**6.1**	6.1	12.2
Net income on financial instruments hedging liabilities	**(30.5)**	(31.3)	(62.5)
Total	**266.4**	312.1	601.4

5. Administrative expenses

	Period to 30 Jun 2014 (Unaudited) £m	Period to 30 Jun 2013 (Unaudited) £m	Year ended 31 Dec 2013 (Audited) £m
Employee costs			
Wages and salaries	**26.8**	24.7	51.7
Social security costs	**2.6**	2.5	5.2
Pension costs			
Defined benefit plan	**(0.1)**	0.5	0.4
Defined contribution plan	**2.1**	1.0	2.8
	31.4	28.7	60.1
Other expenses	**22.1**	19.6	38.1
Total	**53.5**	48.3	98.2

6. Impairment provisions on loans and advances to customers

Impairment provisions have been deducted from the appropriate asset values on the condensed consolidated statement of financial position.

	Period to 30 Jun 2014 (Unaudited) £m	Period to 30 Jun 2013 (Unaudited) £m	Year ended 31 Dec 2013 (Audited) £m
Impairment charge for the period	**3.3**	3.5	6.3

Impairment provision at the end of the period:			
Residential mortgages	**22.7**	25.7	25.3
Other loans	**4.3**	1.7	2.1
Total	**27.0**	27.4	27.4

The incurred loss element of the fair value adjustments arising from the merger with Stroud & Swindon Building Society of £5.2 million has been included within the closing provision in the table above (30 June 2013: £5.5 million, 31 December 2013: £6.0 million).

Further information on loans and advances to customers is presented in note 8.

7. Provisions for liabilities and charges

	30 Jun 2014 (Unaudited) £m	*30 Jun 2013 (Unaudited) £m	31 Dec 2013 (Audited) £m
At 1 January	**9.9**	9.2	9.2
Charge for the period	**16.0**	14.8	16.3
Provision utilised	**(0.3)**	(0.4)	(15.6)
Total	**25.6**	23.6	9.9

* Comparatives as at 30 June 2013 have been restated. See note 2 for further details.

As at 30 June 2014, a provision of £24.6 million (30 June 2013: £22.1 million, 31 December 2013: £8.7 million) was held for amounts payable to the Financial Services Compensation Scheme (FSCS). During the period, further provision was made in respect of FSCS totalling £16.0 million (30 June 2013: £13.9 million, 31 December 2013: £15.4 million).

Included above are other provisions totalling £1.0 million (30 June 2013: £1.5 million, 31 December 2013: £1.2 million) made in respect of circumstances that may give rise to various customer claims. During the period, the Group raised a nil charge (30 June 2013: £0.9 million charge, 31 December 2013: £0.9 million charge) for Payment Protection Insurance (PPI) redress to customers. It is expected that the liability will mainly crystallise over the next five years.

NOTES TO THE INTERIM FINANCIAL REPORT
(continued)

8. Loans and advances to customers

	30 Jun 2014 (Unaudited) £m	30 Jun 2013 (Unaudited) £m	31 Dec 2013 (Audited) £m
Residential mortgages			
Owner-occupier mortgages	**15,884.8**	14,686.4	15,149.2
Buy-to-let mortgages	**9,000.4**	7,869.3	8,410.4
Near-prime mortgages	**109.3**	120.8	114.1
Self-certification mortgages	**349.1**	428.0	380.5
Other loans			
Commercial mortgages	**7.0**	9.8	7.3
Unsecured loans	**50.5**	58.0	55.6
Total	**25,401.1**	23,172.3	24,117.1

9. Subordinated liabilities

	30 Jun 2014 (Unaudited) £m	30 Jun 2013 (Unaudited) £m	31 Dec 2013 (Audited) £m
Fixed rate subordinated notes 2016 - 12.25%	**7.5**	7.5	7.1
Fixed rate subordinated notes 2021 - 6.12%	**10.1**	10.1	10.1
Fixed rate subordinated notes 2022 - 6.469%	**15.0**	15.0	15.5
Fixed rate subordinated notes 2026 - 6.33%	**10.2**	10.2	10.2
Fixed rate subordinated notes 2032 - 7.54%	**15.3**	15.3	15.3
Total	**58.1**	58.1	58.2

All subordinated liabilities are denominated in sterling. The notes are repayable at the dates stated, or earlier at the option of the Society, with the prior consent of the Prudential Regulation Authority (PRA). The rights of repayment of the holders of the notes are subordinated to the claims of all depositors, creditors and the claims of members holding shares as to principal and interest.

10. Subscribed capital

	Call date	30 Jun 2014 (Unaudited) £m	30 Jun 2013 (Unaudited) £m	31 Dec 2013 (Audited) £m
Permanent Interest Bearing Shares 1992 - 12 1/8%	n/a	**41.6**	41.6	41.6
Permanent Interest Bearing Shares 2006 - 6.092%	June 2016	**119.9**	119.8	119.9
Total		**161.5**	161.4	161.5

Interest is paid in arrears on £40 million Permanent Interest Bearing Shares at the rate of 12 1/8% per annum in half-yearly instalments, and on £120 million Permanent Interest Bearing Shares at the rate of 6.092% per annum in half-yearly instalments. The shares are repayable only in the event of a winding up of the Society or otherwise with the prior consent of the PRA. 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 including subordinated liabilities 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.

11. Additional Tier 1 capital

	Total £m
At 1 January 2014	**-**
Issuance	**400.0**
Issuance costs	**(3.9)**
Taxation	**0.8**
At 30 June 2014 (Unaudited)	**396.9**

In June 2014, the Society issued £400 million of new Additional Tier 1 (AT1) capital. AT1 instruments rank pari passu to each other and to Permanent Interest Bearing Shares. They would rank behind all other creditors of the Society including subordinated liabilities and the claims of members holding shares as to principal and interest.

The AT1 instruments pay a fully discretionary, non-cumulative fixed coupon at an initial rate of 6.375% per annum. The rate will reset on 1 November 2019 and every five years thereafter to the five year mid swap rate plus 4.113%. Coupons are paid semi-annually in May and November. The first coupon payment of £8.9 million, covering the period to 31 October 2014, if approved, would be due on 1 November 2014 and would be recognised in the statement of changes in members' interests and equity in the financial year ended 31 December 2014.

The instruments have no maturity date. They are repayable at the option of the Society in 2019 and on every fifth anniversary thereafter. AT1 is only repayable with the prior consent of the PRA. If the fully-loaded CET1 ratio for the Group, on either an individual consolidated or a consolidated basis, falls below 7% the AT1 instruments convert to Core Capital Deferred Shares (CCDS) at the rate of one CCDS share for every £67 of AT1 holding.

The returns paid to investors on these securities will be treated as an appropriation of profit after tax, reflecting their categorisation as equity instruments, and hence will not be reflected within the income statement, but instead will be distributed directly from the general reserve.

12. Available-for-sale reserve

Amounts within the Available-for-sale reserve are transferred to the income statement upon the disposal of debt securities, and where a hedging relationship exists between the debt securities and a derivative instrument.

During the period, £9.9 million gain (30 June 2013: £76.2 million loss, 31 December 2013: £137.6 million loss) was transferred to 'Net gains from derivative financial instruments' in the income statement in respect of hedge accounting adjustments to offset the effects of changes in the fair value of derivatives hedging Available-for-sale debt securities. Amounts transferred to 'Interest receivable and similar income' totalled nil (30 June 2013: £2.9 million gain, 31 December 2013: £2.8 million gain) in respect of the disposal of Available-for-sale debt securities.

13. Financial instruments – classification and fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: valuation techniques for which all significant inputs are based on observable market data.
- Level 3: valuation techniques for which significant inputs are not based on observable market data.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. For all other financial instruments the Group determines fair values using other valuation techniques.

The following tables summarises the fair value of the Group's financial assets and liabilities measured at amortised cost on the face of the Group's statement of financial position:

	Carrying amount 30 Jun 2014 (Unaudited) £m	**Fair value 30 Jun 2014 (Unaudited) £m**	Carrying amount 30 Jun 2013 (Unaudited) £m	Fair value 30 Jun 2013 (Unaudited) £m	Carrying amount 31 Dec 2013 (Audited) £m	Fair value 31 Dec 2013 (Audited) £m
Financial assets						
Cash and balances with the Bank of England	**2,121.2**	**2,121.2**	2,639.6	2,639.6	2,042.1	2,042.1
Loans and advances to credit institutions	**136.0**	**136.0**	339.8	339.8	179.3	179.3
Loans and advances to customers	**25,401.1**	**25,341.0**	23,172.3	22,817.6	24,117.1	23,997.0
Financial liabilities						
Shares	**21,951.6**	**22,245.6**	20,931.8	21,230.1	21,311.7	21,395.5
Deposits from banks	**1,170.9**	**1,182.6**	1,929.5	1,929.5	1,032.6	1,023.6
Other deposits	**9.0**	**9.0**	6.0	6.0	4.0	4.0
Amounts owed to other customers	**499.5**	**499.5**	464.9	464.9	337.1	337.3
Debt securities in issue	**3,893.7**	**4,305.2**	3,739.4	3,962.7	4,064.8	4,287.0
Subordinated liabilities	**58.1**	**62.5**	58.1	59.6	58.2	62.8
Subscribed capital	**161.5**	**198.2**	161.4	172.9	161.5	192.4

Loans and advances to customers
The fair value of loans to customers is assessed as the value of the expected future cash flows. Future cash flows are projected using contractual interest payments, contractual repayments and the expected prepayment behaviour of borrowers. Assumptions are applied regarding expected levels of customer prepayments and the risk of defaults. The resulting estimated future cash flows are discounted at current market rates, which include appropriate credit spreads, to determine a fair value. These fair values have been adjusted where necessary to reflect any observable market conditions at the time of valuation.

Customer shares and deposits
Shares and deposits from customers are valued in accordance with the cash flows projected from the contractual terms of the deposits. The fair value of shares and deposits that are available on demand is the amount repayable on demand. The fair value of fixed term or restricted access deposits is determined from the estimated projected cash flows from those deposits discounted at the current market rates, which include appropriate credit spreads, for those types of deposit.

Debt securities in issue, subordinated liabilities and subscribed capital

The estimated fair value of longer dated liabilities is calculated based on quoted market prices where available or using similar issues as a proxy for those liabilities that are not of sufficient size or liquidity to have an active market quote. For those liabilities where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate to the remaining term to maturity.

Fair value measurements and classification within the fair value hierarchy

The following table summarises the fair value hierarchy of the Group's financial assets and liabilities measured at fair value on the face of the Group's statement of financial position.

30 June 2014 (Unaudited)	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total fair value £m**
Derivative financial instruments - assets	**-**	**161.4**	**-**	**161.4**
Debt securities	**1,658.1**	**-**	**-**	**1,658.1**
Derivative financial instruments - liabilities	**-**	**(184.5)**	**(38.2)**	**(222.7)**
30 June 2013 (Unaudited)				
Derivative financial instruments - assets	-	222.4	-	222.4
Debt securities	2,138.6	25.4	-	2,164.0
Derivative financial instruments - liabilities	-	(233.8)	(35.7)	(269.5)
31 December 2013 (Audited)				
Derivative financial instruments - assets	-	191.2	-	191.2
Debt securities	1,666.0	-	-	1,666.0
Derivative financial instruments - liabilities	-	(179.0)	(34.6)	(213.6)

Level 2 - Derivatives

Level 2 derivatives comprise interest rate swaps and caps and cross currency swaps, which have been valued using present value calculation swap models. All significant inputs are based on observable market data including interest rate curves and foreign exchange spot and forward rates.

Level 2 - Debt securities

Level 2 debt securities comprise certificates of deposit. The fair value is derived from present value calculations, incorporating interest rate curves from market data.

Level 3 - Derivatives

Level 3 derivatives are balance tracking interest rate swaps. These are valued using the same valuation technique as Level 2 derivatives. The unobservable inputs relate to the projection of the swap notional amount, which changes over time to match the balance of the underlying mortgage portfolio. As changes in the projection of interest and prepayment rates of the underlying mortgage portfolio impact the swap and hedged item equally, the net income statement and balance sheet impact would be negligible should actual experience differ to that projected.

The following table analyses movements in the Level 3 portfolio:

	Total £m
As at 1 January 2013 (Audited)	(46.3)
Items recognised in the Income statement	
Interest payable and similar expense	(6.5)
Net unrealised gains from derivative financial instruments	11.8
Settlements	6.4
As at 31 December 2013 (Audited)	**(34.6)**
Items recognised in the Income statement	
Interest payable and similar expense	**(3.2)**
Net unrealised losses from derivative financial instruments	**(3.7)**
Settlements	**3.3**
As at 30 June 2014 (Unaudited)	**(38.2)**

There have been no transfers between any of the levels during the period. Transfers only occur when either it becomes possible to value a financial instrument using a method that is higher up the valuation hierarchy or it is no longer possible to value it using the current method and therefore be valued using a method lower down the hierarchy.

14. Related party transactions

Full details of the Group's related party transactions for the year to 31 December 2013 can be found in note 35 of the 2013 Annual Report & Accounts.

At the Group's Annual General Meeting on 25 April 2013, David Stewart announced his decision to resign his position as Chief Executive. To ensure a smooth transition in the leadership of the Group, he agreed to extend his notice period to 30 September 2014. On 31 March 2014, David Stewart stepped down as Chief Executive. On 1 April 2014, Colin Franklin was appointed Interim Chief Executive, until a permanent successor was appointed. On 7 May 2014, Mark Parsons entered into an agreement to take up the role of Chief Executive from 1 July 2014. The service contract entered into is terminable by Mark Parsons on six months' notice and by the Group on one year's notice. Colin Franklin became Deputy Chief Executive from 1 July 2014.

RESPONSIBILITY STATEMENT

The directors confirm that this Interim Financial Report has been prepared in accordance with IAS 34 as adopted by the EU. The interim management report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the Interim Financial Statements, as required by the Disclosure and Transparency Rules (DTR 4.2.7). The principal risks and uncertainties continue to be those reported within the Risk Management Report starting on page 44 of the 2013 Annual Report & Accounts and those detailed on pages 5 and 6 of this Interim Financial Report.

A full list of the Board of directors can be found in the 2013 Annual Report & Accounts, with the following amendments since 1 January 2014:

- Colin Franklin was appointed as Interim Chief Executive with effect from 1 April 2014 following the resignation of David Stewart on 31 March 2014. With effect from 1 July 2014, Colin Franklin became Deputy Chief Executive.
- Mark Parsons was appointed as Chief Executive with effect from 1 July 2014.

Signed on behalf of the Board by

Mark Parsons
Chief Executive
31 July 2014

John Lowe
Finance Director

INDEPENDENT REVIEW REPORT

Independent review report to Coventry Building Society

Introduction

We have been engaged by the Society to review the set of condensed consolidated financial statements in the Interim Financial Report for the six months ended 30 June 2014 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Members' Interests and Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes 1 to 14. We have read the other information contained in the Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated financial statements.

This report is made solely to the Society in accordance with guidance contained in International Standard on Review Engagements 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 Interim 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 the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the Annual Report & Accounts of the Society are prepared in accordance with IFRSs as adopted by the European Union. The set of condensed consolidated financial statements included in this Interim Financial Report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Society a conclusion on the set of condensed consolidated financial statements in the Interim Financial Report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. 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 set of condensed consolidated financial statements in the Interim Financial Report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
31 July 2014

OTHER INFORMATION

The Interim Financial 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 2013 has been extracted from the Annual Report & Accounts for that year. The Annual Report & Accounts for the year ended 31 December 2013 have been filed with the Financial Conduct Authority (formerly the Financial Services Authority). The Auditors' report on these Annual Report & Accounts was unqualified.

A copy of the Interim Financial Report is placed on the website of Coventry Building Society, at thecoventry.co.uk/interim2014. 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.

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