

Stroud & Swindon **Your Building Society**

PRESS RELEASE

23 March 2010

Stroud & Swindon Building Society Announces Merger with Coventry Building Society

The Board of Stroud & Swindon Building Society today announces that it has agreed to merge with Coventry Building Society, the UK's third largest building society.

The merger, which is subject to the approval of Stroud & Swindon's eligible members as well as confirmation by the Financial Services Authority, is expected to become effective on 1 September 2010.

The enlarged Society, which will have assets of over £21 billion and 91 branches and agencies across the Midlands and South West of England, will be a strong, independent mutual society offering long term member value and excellent service to an increased membership of approximately 1.5 million members.

The Society, whose head office will be in Coventry, will be known as Coventry Building Society with the Stroud & Swindon name retained and operated as a separate and distinct brand.

Full details of the merger will be mailed to members of Stroud & Swindon in mid-May. A Special General Meeting at which eligible members will be able to vote on the merger is expected to be held on 16 June.

Benefits to Stroud & Swindon Members

As a result of the merger, Stroud & Swindon's members will become part of a larger, stronger society, with greater profitability and deeper financial resources, which prides itself on independence and mutuality.

The merger will have many benefits for Stroud & Swindon's members including an improvement in rates for a large proportion of our membership, access to a broader branch network, ongoing excellent quality service and enhanced financial strength going forward.

Approximately two thirds of accounts held by savings members are expected to receive an increase in their existing rate (matching equivalent variable rate savings products offered by Coventry) and over 25% of accounts held by borrowing members (being those on Stroud & Swindon's residential SVR of 5.99%) are expected to benefit from a reduction in their mortgage payments

as they move onto Coventry's lower SVR, currently 4.74%. As this rate is variable there is no guarantee as to what it will be in the future.

The branch and agency network of Stroud & Swindon will be maintained without any closures for at least 12 months from the date of the merger. There will also be no redundancies among branch staff as a result of the merger.

It is expected that Stroud & Swindon members will, within a year of the effective date, have access to the enlarged Society's 91 branches and agencies compared to just 43 today for Stroud & Swindon as a stand-alone entity.

Stroud & Swindon savers who also hold accounts with Coventry Building Society at the date of the merger will receive separate protection of up to £50,000 per individual under the Financial Services Compensation Scheme (FSCS), until 30 December 2010.

There will be no change to the terms of the subordinated debt securities of £52m currently in issue by Stroud & Swindon.

There will be no bonus payment to members of either Stroud & Swindon or Coventry Building Society on the merger taking effect. No Directors or Officers of either Society will receive a bonus as a result of the merger.

Despite strong capital and liquidity ratios, the impact of an historically low bank base rate on our tracker mortgages coupled with the demand for, and the rising cost of, retail funds has led to a second year of losses for Stroud & Swindon.

With interest rates unlikely to rise in the near future and given the many benefits to Stroud & Swindon members of a combination with Coventry, the Board of Stroud & Swindon is unanimous in its view that this merger is in the best interests of its members.

Board and Operational Structure

David Harding and David Stewart, currently Chairman and Chief Executive respectively of the Coventry, will be Chairman and Chief Executive of the enlarged Society. Glyn Smith, currently a director of Stroud & Swindon Building Society will join the Board of Coventry Building Society as a Non-Executive Director. This appointment will be subject to FSA approval and Coventry Building Society's normal election procedures.

It is in the interests of all members to integrate functions which means that the responsibilities of Stroud & Swindon's head office will be transferred to Coventry. Whilst it is not possible to set out a detailed timetable at this stage, it is anticipated that this will be completed over an 18 month period following the effective date of the merger.

John Sutherland, Chief Executive of Stroud & Swindon, said: "Today's announcement is excellent news for Stroud & Swindon members who have the opportunity to join one of the UK's strongest and most profitable building societies. In considering a number of options, we believe that Coventry's commitment to long term member value, fairness, strategic prudence and local communities, provides Stroud & Swindon's members with the best possible future. We strongly recommend Stroud & Swindon's members to vote in favour of the merger."

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

Notes to Editors

About Stroud & Swindon Building Society

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

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

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

About Coventry Building Society

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

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

- Record operating profit before impairments and exceptional items of £75.0 million (2008 - £71.7 million).
- Profit before tax of £56.2 million (2008 - £26.4 million).
- Gross mortgage lending of over £2.7 billion, representing 15% of all new lending by building societies (source – BSA).

- Retail savings balances grew by £833 million in 2009 and have increased by £5 billion (61%) in last three years.
- Cost to mean assets ratio of only 0.38%, the lowest level reported by a UK building society.
- Loan loss provisions amongst the lowest of any large UK lender.
- Core tier 1 ratio of 27.9%, the highest reported by any large building society.
- Retained strong credit ratings throughout 'credit crunch' - Fitch (A) and Moody's (A3).

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

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