2017 Interim Results

10 August 2017

The co-operative bank

It's good to be different

Background to the Restructuring & Recapitalisation

Considerable progress in delivering a more resilient, focused and digitally-enabled bank, differentiated by Values & Ethics and strong customer service

Considerable progress since 2013

- ✓ Improved franchise strength with top 3 current account NPS and stronger mortgage origination
- ✓ £8.5bn reduction in Legacy Portfolio and Optimum assets since 2013[1]
- ✓ Managed reduction in liquidity
- ✓ 22 % decrease in operating costs since 2014[1]
- ✓ Substantially progressed conduct redress and remediation programme
- ✓ Major re-platform of IT and enhanced digital offering
- ✓ Reinforced risk function

Rationale for the Restructuring

- Despite progress, lower for longer interest rates and higher than anticipated transformation / conduct remediation costs constraining organic capital generation
- CET1 ratio was expected to fall and remain below 10 % over the medium term (26 January 2017 announcement)
- Enhanced regulatory capital requirements expected of all UK banks, including MREL

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1. As at 31 December 2016

Restructuring and Recapitalisation

Agreement on the terms of an equity raise and recapitalisation announced on 28 June 2017

Overview

- Approximately £700m[1] of additional CET1 capital, before transaction costs:
  - £250m new equity (certain existing Tier2 noteholders to provide backstop commitment)
  - £443m recapitalisation of Tier 2 bonds
  - Committed support from 91 % of Tier 2 noteholders and 80 % of shareholders[2]
- Bank and Co-operative Group have agreed principles with Pace Trustees regarding separation of Pace pension scheme

Implementation of the Proposal

- Recapitalisation will be implemented by way of scheme of arrangements and consent solicitation
- New holding company of the Bank
- Retail expected to receive cash, at a maximum level c.45 % of par value, capped at £13.5m
- Completion subject to certain conditions including shareholder, bondholder, court and regulatory approvals

Restructuring and Recapitalisation expected to complete in early September 2017

1. Will depend upon the actual amount of retail cash consideration paid as part of the Restructuring and Recapitalisation
2. As at 5pm on 28 July 2017

Co-operative Bank – snapshot

25

YEARS OF OUR

CUSTOMER-LED

ETHICAL POLICY

The co-operative bank

It's good to be different

£19 bn net loans

£21 bn customer deposits

9.8% CET1 ratio

c.4 million loyal customers

1.4 million current accounts

Top 3 current account NPS

3,500 FTE[1]

Differentiated in the market through values and ethics

1. FTE is operating staff including contractors and temporary staff and excludes project staff

Our vision

Efficient and financially sustainable UK Retail and SME Bank distinguished by its values and ethics

1 Differentiated proposition and loyal customer base

- c.4 million loyal customers
- Differentiated through values and ethics

2 Choice of distribution channels

- Internet and mobile banking
- 95 branches in UK
- 4 contact centres
- 113 ATMs and full access to Link network

3 Customer-centric product range

- Retail and SME product range
- £1.4bn of mortgage completions in H1 2017
- 1.4m current accounts

4 Right-size operating cost base

- 10 % decrease in operating cost base in H1 2017 vs H1 2016
- More to do – c.£350m p.a. cost base targeted from end of 2018

5 Capital resilience and regulatory compliance

H1 2017 achievements

1 **Differentiated proposition and loyal customer base**

- c.4 million loyal customers – stable current account franchise despite uncertainty surrounded by the sale and capital raise process
- Everyday Extra current account launched in April 2017
- New Centrepoint current account switching offer launched in August 2017

2 **Choice of distribution channels**

- Roll-out of online Mortgage in Principle (MiP) tool in February 2017
- Introduction of enhanced Platform retention capability in April 2017
- Enhanced online functionality for Everyday Rewards and Everyday Extra current accounts

3 **Customer-centric product range**

- Mortgage completions of £1.4bn in H1 2017 (H1 2016: £1.5bn)
- Robust mortgage pipeline – on track to meet full year targets
- Marginal attrition in current accounts balances given press coverage
- Simplified SME product set, self-service first model, enhanced online banking

H1 2017 achievements

4

Right-size operating cost base

- Progress made on the cost reduction journey – more to do
- 9.9 % reduction in operating expenditure to £200.8m (H1 2016: £222.8m)
- 10 branch closures completed, reducing the network to 95 branches
- 9.7 % decrease in operating FTEs to 3,519 from end of 2016 (H1 2016 vs H1 2017: 20 % decrease)

5

Capital resilience and regulatory compliance

- CET1 ratio of 9.8 % at 30 June 2017 (Dec 2016: 11.0 %)
- £700m[1] additional CET1 resources to be raised, before transaction costs – Tier 1 ICG compliance in H2 2017 with c. 22-23 % CET1 ratio at year-end
- £0.2bn reduction in Legacy / Optimum assets from end of 2016
- RWAs decreased to £6.3bn (Dec 2016: £6.7bn)
- Separation of IT infrastructure to improve business resilience - remediation of non-compliance with FCA threshold condition

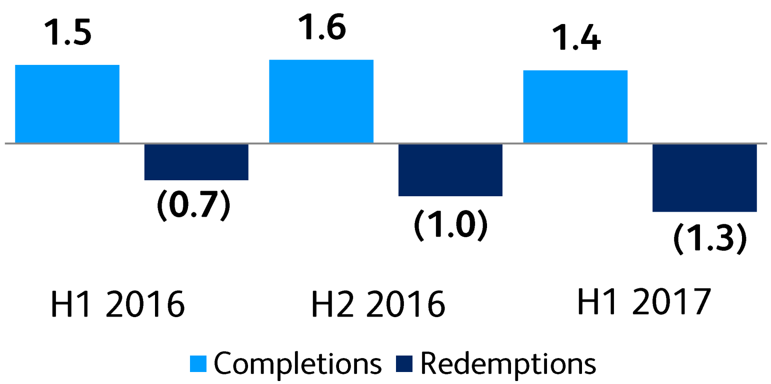
It's good to be different

1. Will depend upon the actual amount of retail cash consideration paid as part of the Restructuring and Recapitalisation

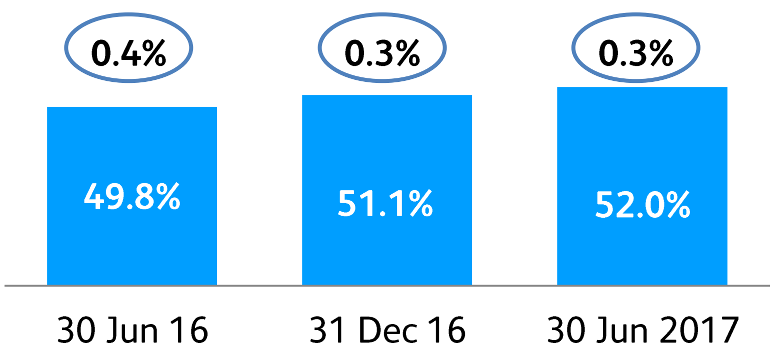
Mortgage performance

On track to meet full year targets – front book lending focused on prime mortgages

Mortgage flow (£bn)[1]



Average Retail Mortgage LTV[2,3]



- Reduced completions in line with plan given expected lower BTL origination (68 % reduction H1 2016 vs H1 2017). Prime mortgage lending broadly stable
- Redemptions reflect the specific maturity profile of the existing book in H1 2017
  – Enhanced Platform retention capability introduced in April 2017
- Marginal increase in average retail mortgage LTV driven by higher LTV on completions in H1 2017 due to lower BTL volumes (capped at 75 % LTV) and lower rate of HPI increases

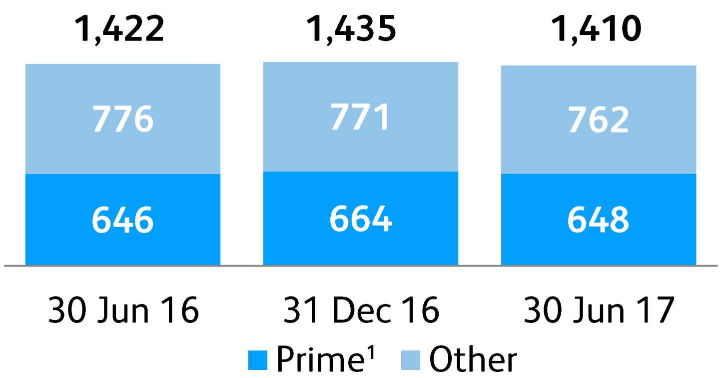
90+ days past due % of gross loans and advances as at period end

1. Excludes contractual repayments
2. 90+ days past due, forborne or in default
3. Indexed and weighted by gross loans and advances, excludes Optimum

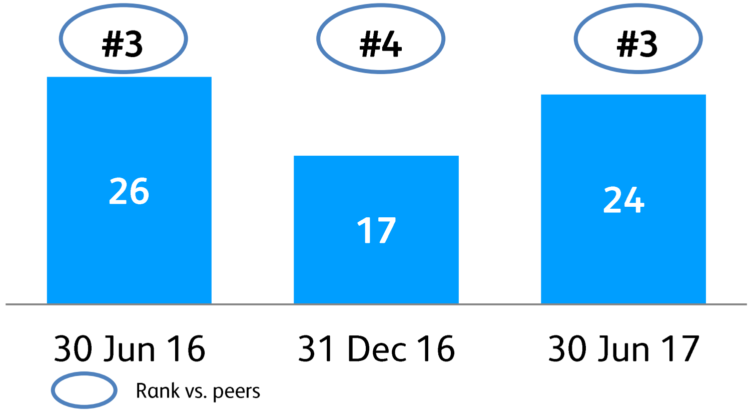
Current accounts performance

Modest decrease in current account volumes – recovery in customer advocacy

Current Accounts (thousands)



Current Account Net Promoter Score[2]



- Modest decrease in current account volumes given less competitive switching offer and reaction to uncertainty around the sale and capital raise processes
  - Prime current accounts increased vs H1 2016, decreased vs H2 2016
- New Centrepoint current account switching incentive launched in August 2017
- Commitment to customer service maintained – NPS increased to +24

It's good to be different

1. Current account with on average £800+ paid in per month
2. Source: Gfk FRS

Recent awards

Moneyfacts 5 star Award:

- Business current account
- Business direct plus
- Community direct plus
- FSB[1] current account
- Best Service from a Business Bank
- Best Charity Banking Provider
- Commended for Best Buy-to-Let Mortgage Provider

Your Mortgage Awards:

- Intermediary Lender of the Year

The UK Complaint Handling Awards 2017:

- Silver Award for the Best UK Complaints Handling Team in Banking and Investment

Moneynet Awards:

- Best Current Account Rewards' for Everyday Rewards proposition

1. The Federation of Small Businesses

Income statement snapshot

Statutory loss before tax reduced to £135.2m in H1 2017

	H1 2016 £m	H1 2017 £m	Change £m	
Net interest income	201.5	172.0	(29.5)	12
Losses on asset sales	(11.2)	(1.1)	10.1	
Non-interest income	47.4	38.0	(9.4)	12
Operating expenditure & projects	(242.5)	(209.1)	(33.4)	13, 15
Impairment gains/(losses)	2.1	1.4	(0.7)	
Operating result	**(2.7)**	**1.2**	**3.9**	
Other projects and severance[1]	(114.5)	(48.0)	(66.5)	15
Conduct risk	(21.1)	(4.7)	16.4	16
Fair value amortisation	(97.2)	(58.3)	38.9	
Exceptional items[2]/other[3]	58.5	(25.4)	(89.3)	
Loss before taxation	**(177.0)**	**(135.2)**	**41.8**	
Net interest margin	1.42 %	1.32 %	(0.10) %	12

- Reduced income given smaller balance sheet, margin compression from base rate cut and pricing actions in response to deposit outflows

- Planned reduction in Legacy portfolio deleverage

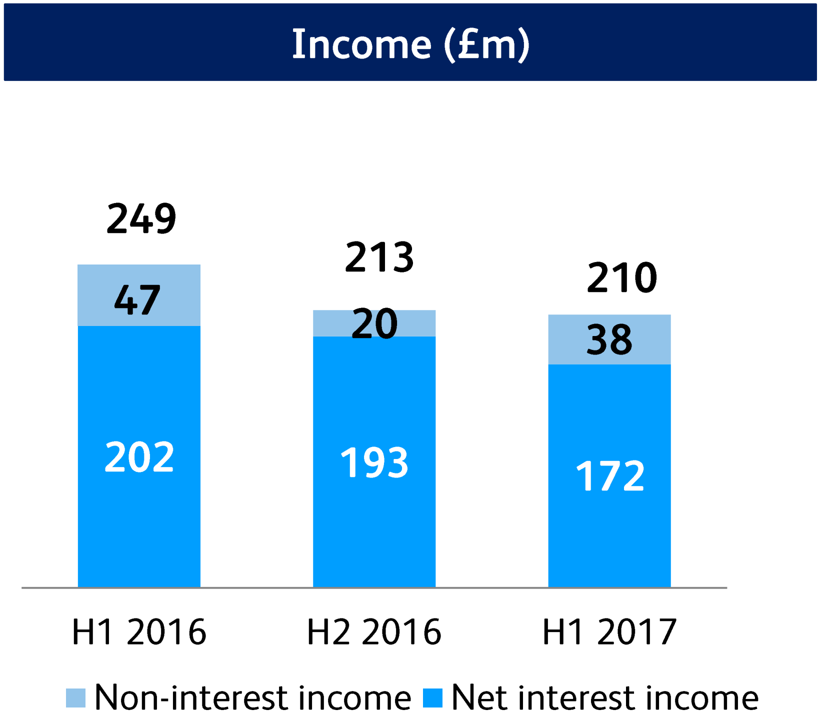
- Increase in Everyday Rewards expense and reduced gains on treasury assets sales

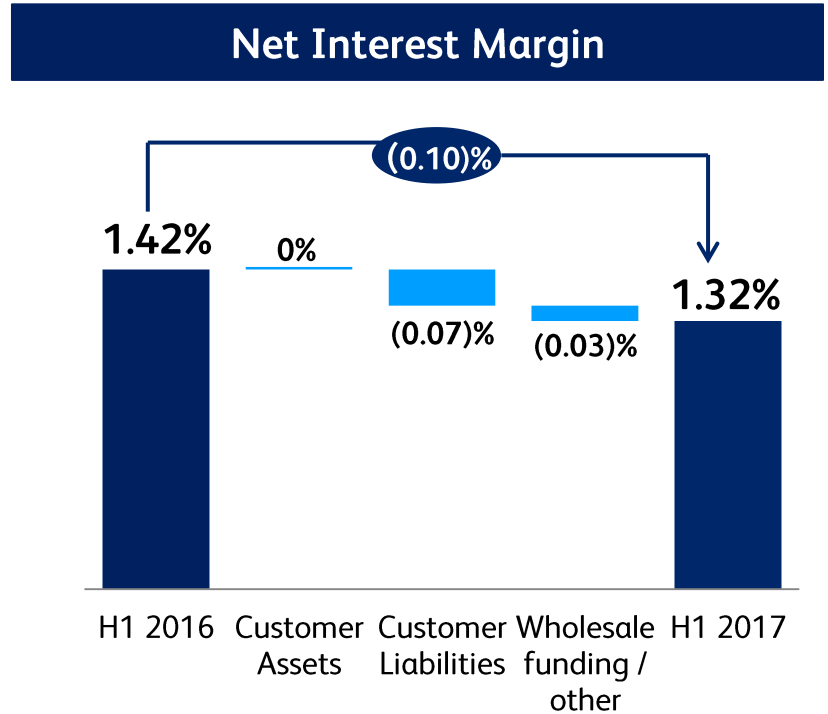
- Fair value amortisation associated with the Britannia Building Society has now substantially completed

1. Other projects includes remediation, strategic
2. In H1 2017 exceptional items included £48.3m of costs in respect of the Restructuring and Recapitalisation and a gain of £22.8m relating to the sale of VocaLink shares. In H1 2016, exceptional items comprised the gain recognised on sale of the Bank's share in Visa Europe (£58.1m)
3. Share of post-tax profits from JV

Income and net interest margin

Reduced income given smaller balance sheet, margin compression from base rate cut and pricing actions in response to deposit outflows



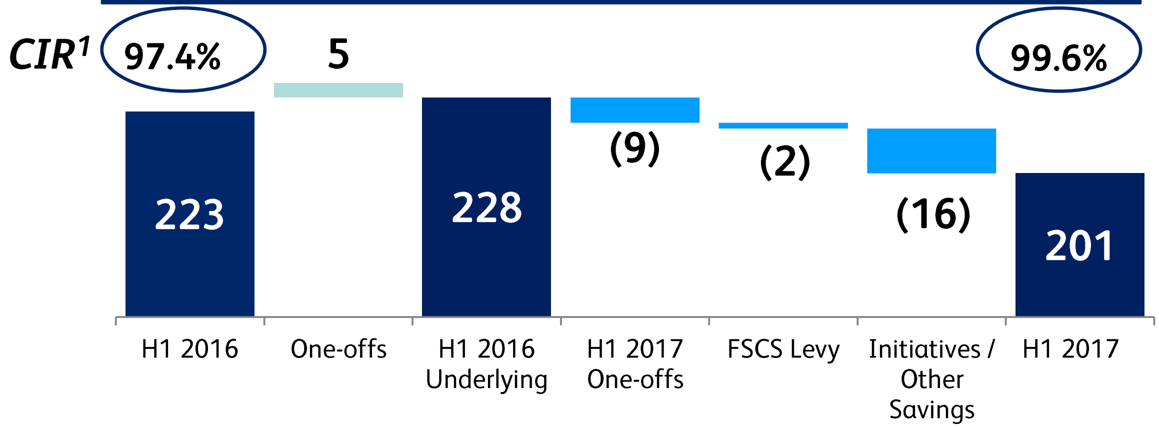


- Passback on base rate reduction and pricing actions on customer liabilities have driven margin compression
- Lower wholesale returns reflecting smaller balance sheet, base rate reduction, and less income from hedging of non-interest bearing balances – partially offset by maturity of funding SPVs

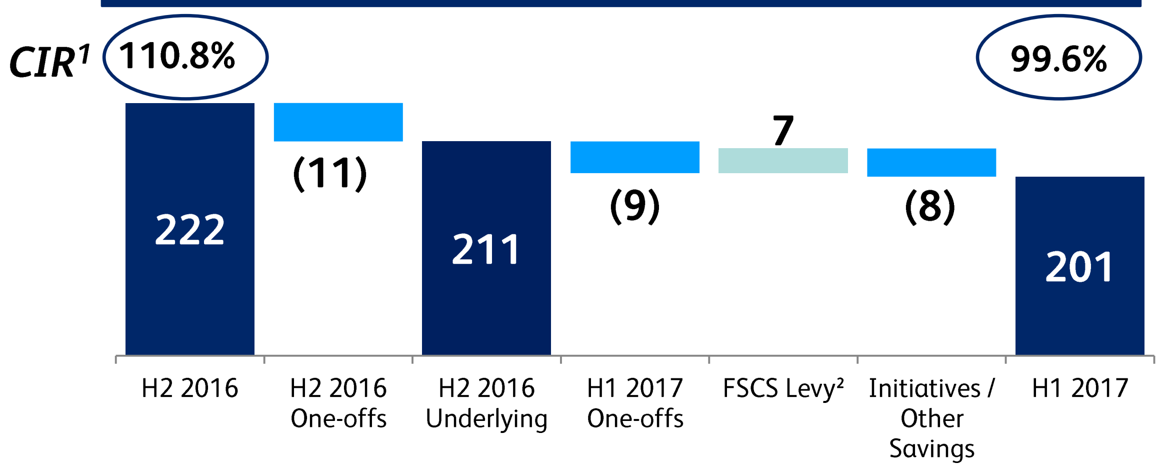
Operating expenditure bridge

£22m net cost reduction during H1 2017 vs H1 2016

H1 2016 vs H1 2017 (£m)



H2 2016 vs H1 2017 (£m)



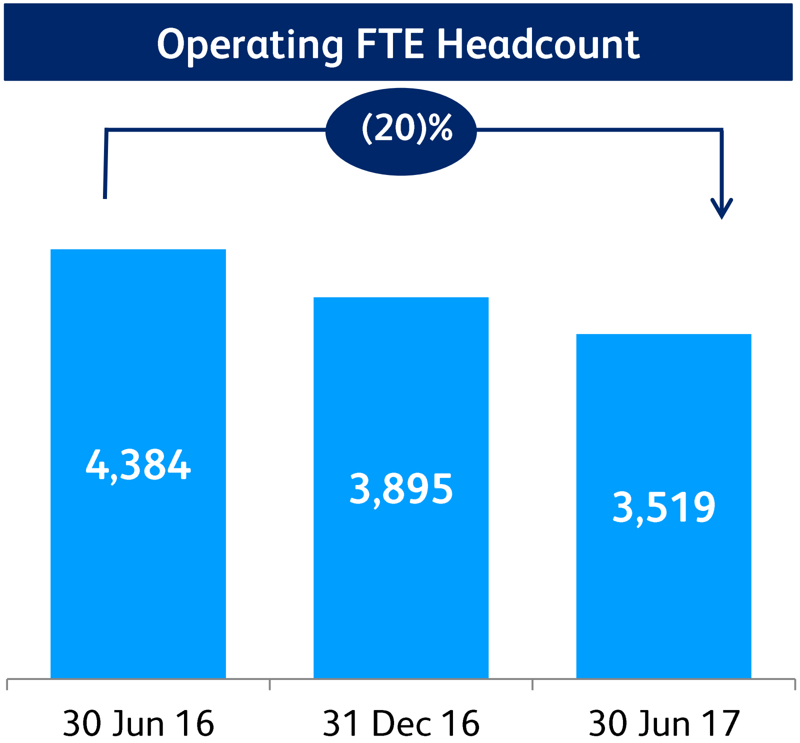
- **H1 2017 one-offs:**
  - Primarily relate to provision movements, property sales and accruals no longer needed
- **H1 2017 initiatives/other savings:**
  - £10m relating to 2016 cost initiatives, including branch closures
  - £22m savings achieved in H1 2017 across staff, third party and marketing
  - Offset by £16m of new spend on IBM, IT refresh and maintenance, mortgage outsourcing and digital

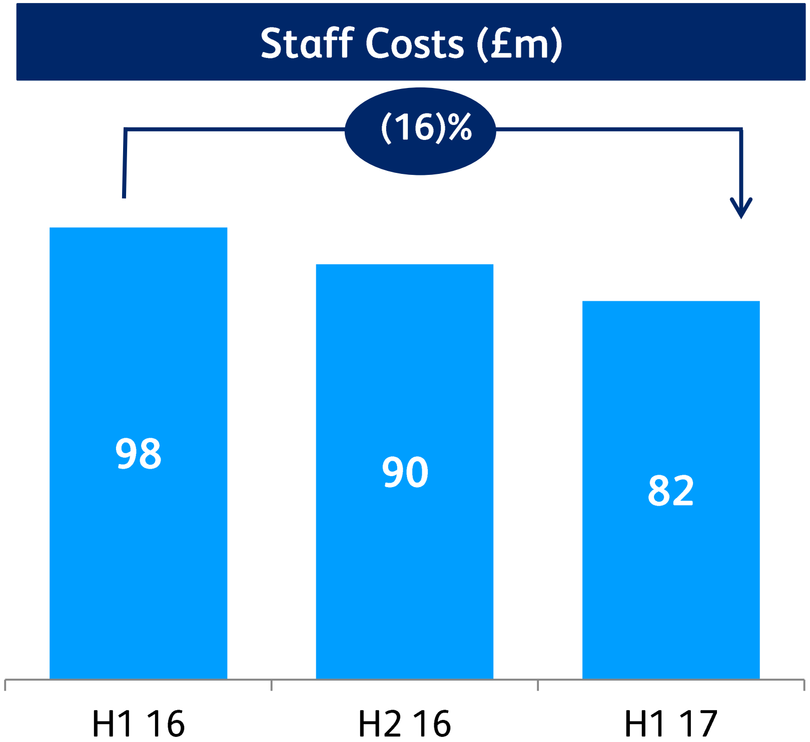
It's good to be different

1. Cost to income ratio (CIR) defined as operating expenditure and operating project spend (including associated depreciation and amortisation) divided by operating income excluding losses on asset sales
2. H1 2017 movement reflects £2.3m credit received in H2 2016

Operating expenditure – staff

Delivering sustainable cost savings



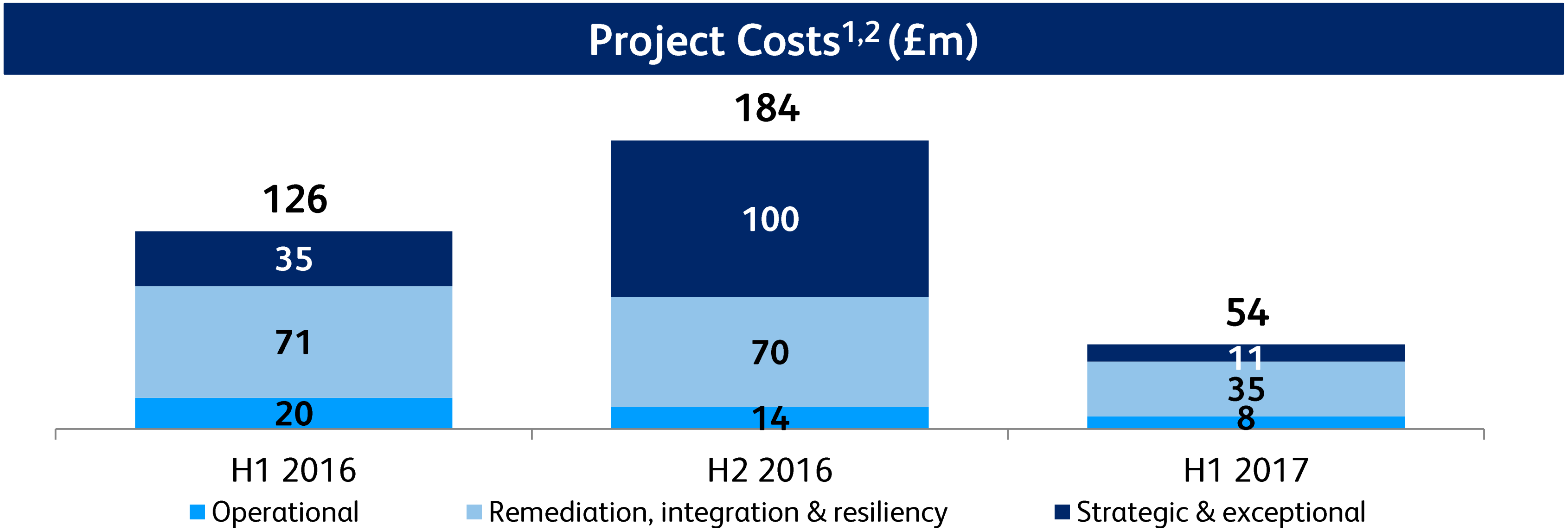


- Permanent staff numbers have reduced by 897 to 3,313 (H1 2016: 4,210) – costs fallen by £12.7m
- Contractor costs fallen by £1.9m to £6.1m in H1 2017 (H1 2016: £8.0m)

It's good to be different

Project costs

Reduced project spend reflects the progress made in 2016 and reprioritisation to cease certain projects and to focus on essential regulatory projects



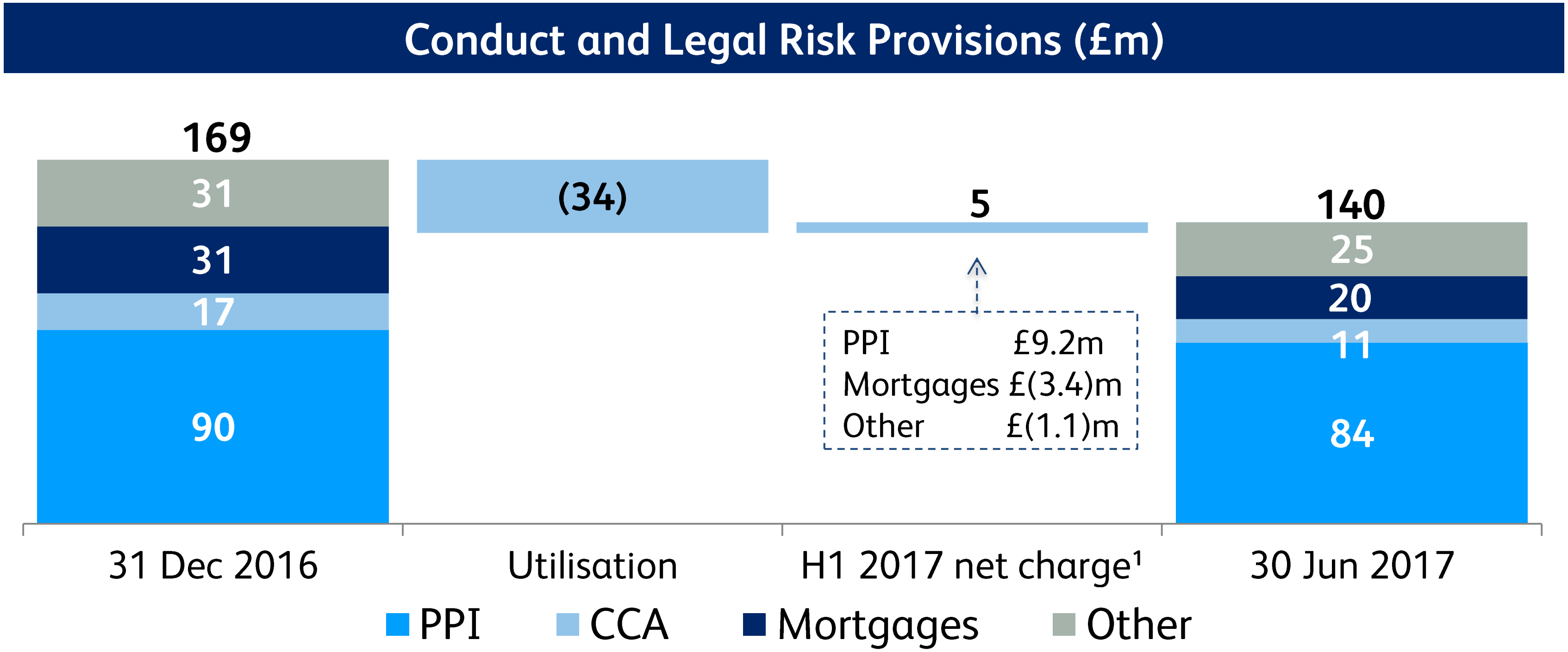
- ***Operational*** - 60 % decrease reflecting focus on essential regulatory projects
- ***Remediation*** - 51 % decrease driven by completion of the IBM ESO programme
- ***Strategic*** - 69 % decrease reflecting reprioritisation of project portfolio, to cease certain projects with the main focus being on essential regulatory projects (H2 2016 included £78m of costs associated with mortgage outsourcing)

It's good to be different

1. Includes Strategic projects depreciation (H1 2016: £2m, H2 2016: £5m, H1 2017 : £6m), Remediation projects depreciation (H1 2016: £3m, H2 2016: £7m, H1 2017: £3m), Operational projects depreciation (H1 2016: £8m, H2 2016: £6m, H1 2017: £7m)
2. Excludes severance (H1 2016: £9m, H2 2016: £13m, H1 2017: £3m)

Conduct

Substantially addressed known legacy conduct issues



- ***PPI:*** £9.2m net charge in H1 2017 due to increased publicity and new requirement to contact customers who were previously rejected – provisioned to end-February 2020 to reflect August 2019 FCA time bar
- ***Mortgages:*** £3.4m net release in H1 2017 reflecting more accurate data on scope and redress due to customers

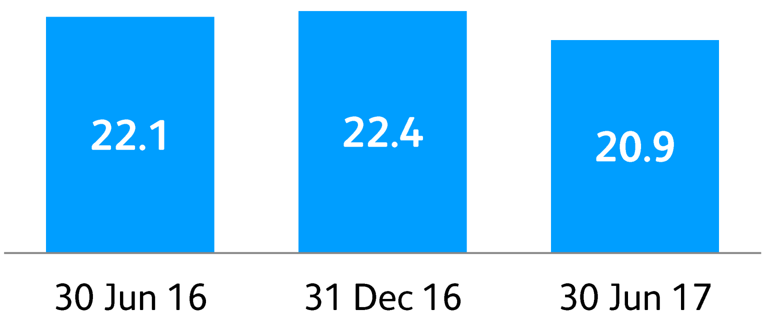
It's good to be different

1. In H1 2017, 0.5m of legal risk charges expensed through operating expenditure line

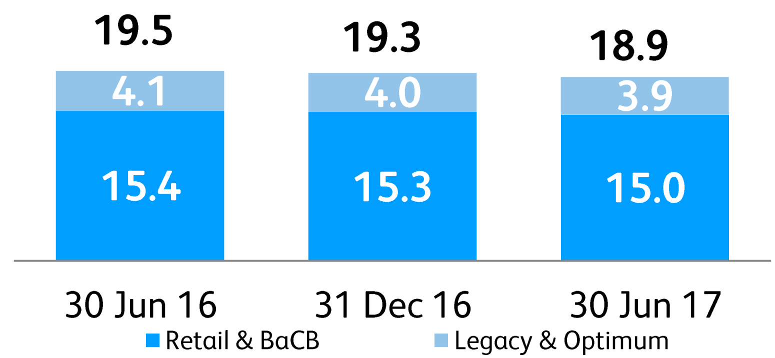
Balance sheet snapshot

Overall resilient franchise – deposit flows related to uncertainty surrounding the Bank, managed through repricing actions

Customer Deposits (£bn)



Net Customer Loans[1] (£bn)



Other Selected Balance Sheet Data

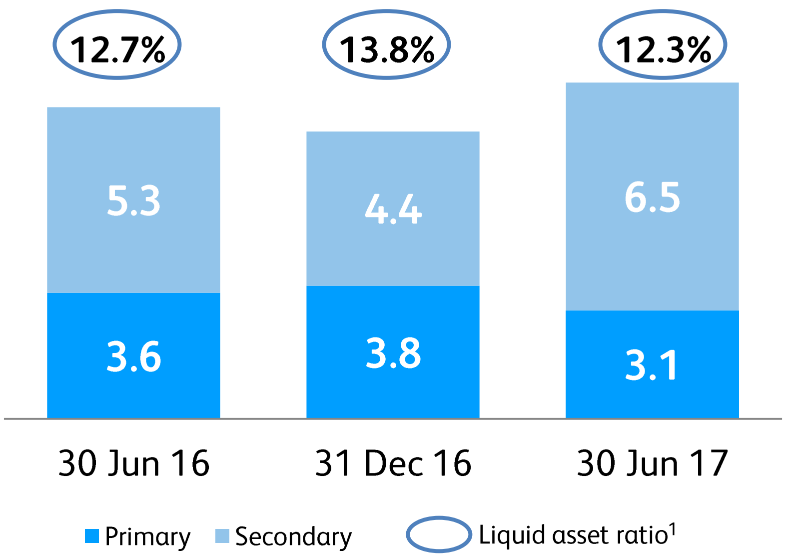
	31 Dec 16	30 Jun 17	Change	
Total Assets (£m)	27,588	24,994	(2,594)	Deposit flows, Leek 19 call, reduction in gilts and RMBS repos, H1 17 loss
Equity (£m)	959	786	*(173)*	Ongoing losses
LTD ratio[2]	86.7 %	90.6 %	*3.9pp*	Reduction in deposits
NPL ratio[3]	3.6 %	3.2 %	*(0.4)pp*	Deleverage of impaired assets in Retail unsecured and Legacy portfolios
NPL coverage ratio[4]	17.4 %	15.4 %	*(2.0)pp*	Deleverage of impaired assets in Retail unsecured and Legacy portfolios

1. Net of allowances for losses
2. LTD ratio calculated as net customer loans (excluding fair value adjustments for hedged risk) divided by customer deposits (including capital bonds)
3. Calculated as impaired customer balances (6+ months past due, possession, litigation and bankruptcy) divided by gross loans and advances
4. Calculated as allowance for losses on customer balances divided by impaired customer balances

Liquidity

Remain at a surplus to regulatory requirements

Liquidity (£bn)



- Liquidity coverage ratio (LCR) was 176 % as at 30 June 2017 (Dec 16: 214 %) – surplus to regulatory requirements

Primary liquidity

- Primary liquidity of £3.1bn – reduced by £0.7bn from 31 December 16
- Reduction reflects a combination of targeted deposit reductions, customer reaction to the sale and capital raise process uncertainty and wholesale fund activities (including Leek 19 redemption)

Secondary liquidity

- Secondary liquidity of £6.5bn – increased by £2.1bn from 31 December 16
- Movement in secondary liquidity :
  - Increased due to £2.9bn Platform originated retail mortgages becoming eligible for central bank facilities and £1.2bn retained Silk Road 4 AAA notes
  - Offset by reduction in retained Warwick notes due to £350m sale, repo encumbrance and amortisation of assets

It's good to be different

1. Calculated as primary liquidity divided by total assets

Pension update

Bank has two pension schemes

Britannia

- Closed defined benefit scheme
- Triennial actuarial valuation as at 5 April 2014
- Schedule of contributions totals £50m over 7 years with pledge of £165m of RMBS notes
- IAS 19 surplus of £20m recognised as at 31 December 2016, in line with IFRIC 14
- 4,721 members with assets of £0.9bn[2]

Co-operative Group Pension Scheme (Pace)[1]

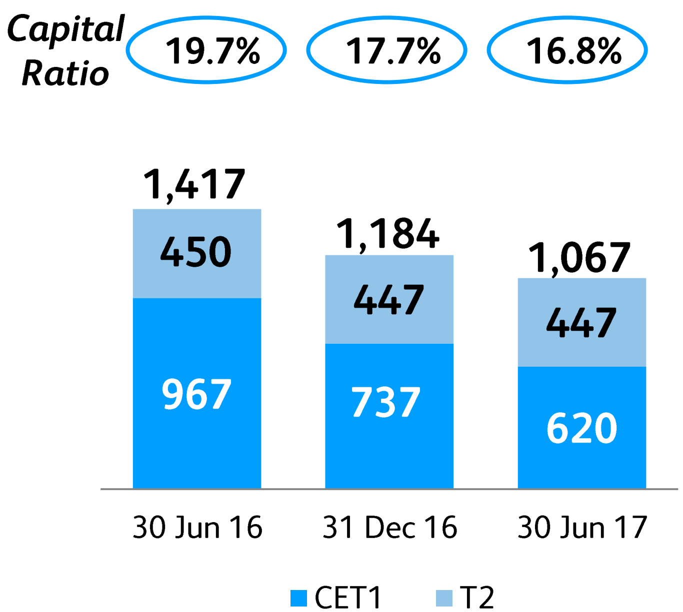
- Principles agreed to sectionalise Pace into two legally separate Bank and Group sections
- Bank section - c.21 % of the assets and liabilities of Pace
- Removal of obligation to support the Group section
- Agreement reached on deficit recovery contributions:
  - £100m over 10 years (£12.5m for the first five years, followed by £7.5m for the subsequent five years)
  - Bank to provide £216m of collateral from the point of sectionalisation
- Pillar 2a pension risk add-on relating to Pace expected to reduce, once the separation completes (expected in 2018)
- Pace DC – 54,580 total members (Bank section has 5,662 members and assets of £38m)
- Pace DB – 34,838 members with assets of £10.9bn (estimated Bank section: £2.3bn)[2]

1. Implementation of pensions sectionalisation subject to risks and uncertainties including finalising of implementation agreement. See "Risk Factors" on http://www.co-operativebank.co.uk/investorrelations
2. IAS 19 as of 31 December 2016

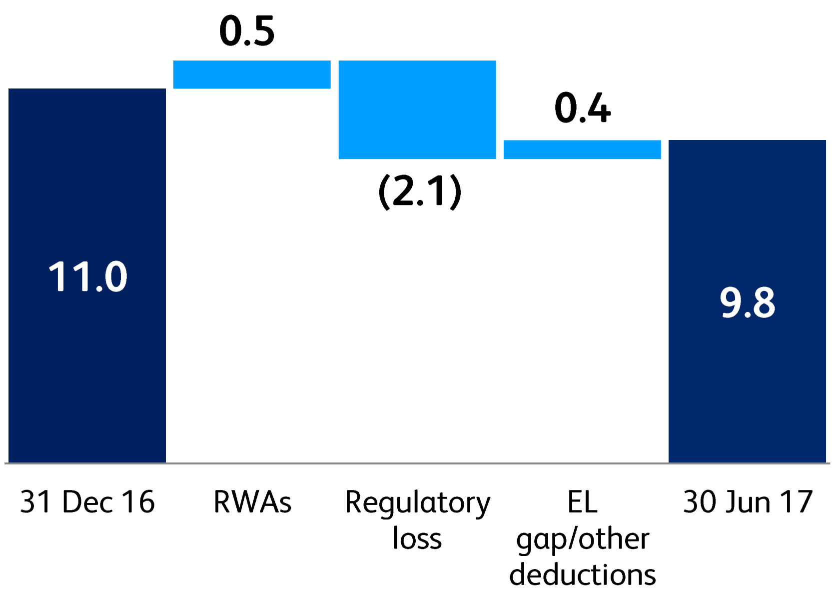
Capital position

Losses have reduced capital ratios, partially offset by RWA reduction

Total Capital Position (£m)



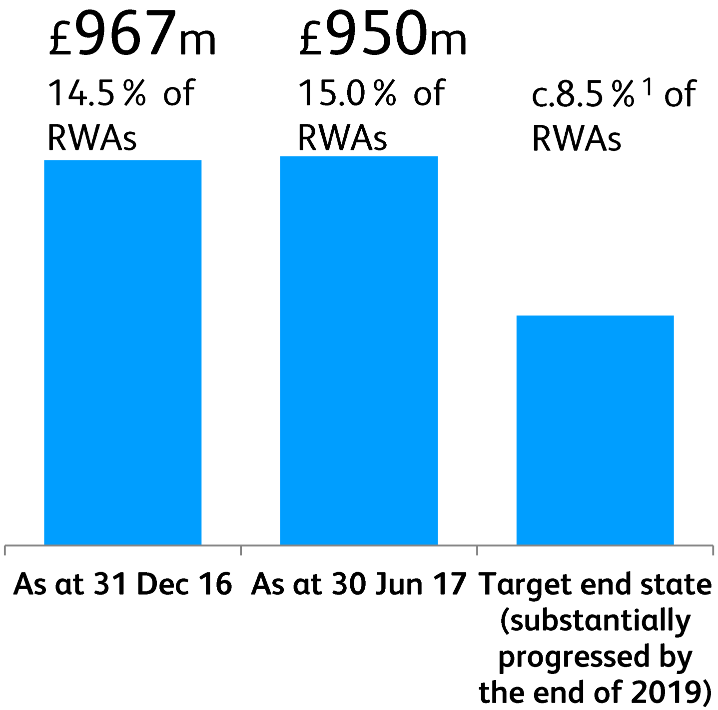
CET1 Ratio Development (%)



- Calico not meeting SRT requirements as of 30 Jun 17 would imply 0.8 % reduction CET1 ratio and £1.1bn increase in Optimum RWAs (partially offset by £0.6bn reduction in securitisation RWAs, resulting in £0.4bn net increase in total RWAs)

Pillar 2a development

Target reduction in Pillar 2a capital requirement



- Pillar 2a increased as at 30 Jun 2017 mainly due to removal of Optimum temporary model adjustment coupled with fixed add-ons which increase relative to reducing RWAs

Pension

- Pillar 2a pension risk add-on relating to Pace expected to reduce, once the separation completes[2]

Operational risk

- Expected to decrease as conduct issues remediated and the risk of business disruption from operational events, including system failures, is reduced

Other

- Execution risk expected to decrease as Bank completes transformation
- IRRBB expected to increase due to retention of Warwick notes from Optimum deleverage

Model Risk

- IRB remediation programme to conclude, supporting add-on removal

1. Based on the Bank's internal assessment – subject to future SREPs
2. Implementation of pensions sectionalisation subject to risks and uncertainties including finalising of implementation agreement. See "Risk Factors" on http://www.co-operativebank.co.uk/investorrelations

2017 outlook and longer term targets

	2016 reported	H1 2017 reported	Assuming completion of capital raising[1] 2017 outlook	Longer term targets[2]
Balance sheet				
Retail & BaCB assets	£15.3bn	£15.0bn	Broadly flat to 2016	c.£1bn net growth p.a.
Other assets	£12.3bn	£10.0bn	c.£10bn	Reduce with Legacy Portfolio run-off
Income statement				
NIM[3]	1.39 %	1.32 %	1.35 – 1.40 %	Increasing from 2018, with increasing base rates, up to 10bps p.a.
Non-interest income	£67m	£38m	c.£50m	c.£40m p.a.
Operating costs	£(445)m	£(201)m	c.£(410)m	c.£(350)m p.a. targeted from end of 2018 onwards
Project costs	£(310)m	£(54)m	c.£(100)m	c.£(120m) in 2018, run rate of c.£(50)m over the medium term
FV unwind	£(181)m	£(58)m	£c.(50)m	-
Profitability (post-tax)	£(419)m	£(140)m	£(225)m to £(250m)[4]	Sustainable profitability in the medium term[5]
RoE[6]	n.m.	n.m.	n.m.	Mid-single digit in 2021[7] with material progress by 2019
Capital				
RWAs	£6.7bn	£6.3bn	c.£5.5bn	c.£5-5.5bn in the final years of the plan
CET1 ratio	11.0 %	9.8 %	22-23 %	c.25 % which will comply with all regulatory requirements
Pillar 2a & ICG	14.5 %	15.0 %	Tier 1 ICG[8] compliance	Full ICG[9] compliance with c.£250m Tier 2 issuance[10] in 2018. End state Pillar 2a of approximately 8.5 %
Excess capital	n.m.	n.m.	n.m.	PRA Buffer[9] compliance in 2019, potential for 2021 dividend[11]
MREL	n.m.	n.m.	n.m.	MREL[12] issuance[10] in 2020/21. Meet interim MREL from 1 Jan 2020

Per announcement made on 26 June 2017 and the Consent Solicitation Memorandum and scheme circulars published on 28 July 2017. Refer to slide 28 in the Appendix for full footnotes

Improving performance

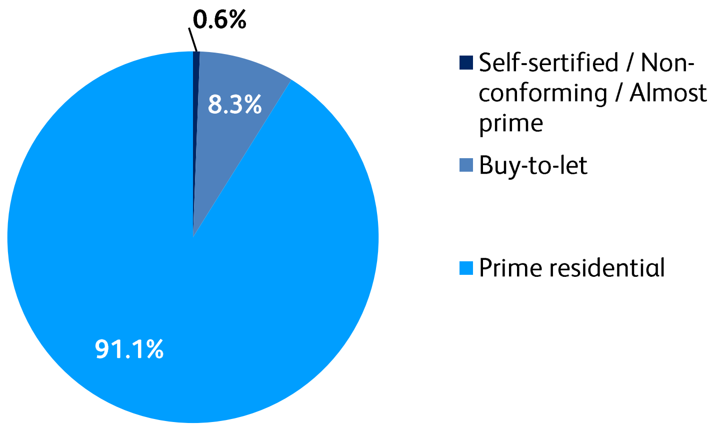
Focus in H1 was securing the future of the Bank – H2 onwards will be on improving performance

- Key focus items
  - Improving income
  - Driving down CIR to be in line with UK peers
  - Enhance RoE
- Create headroom for investment
  - Review current budget
  - Reduce capital requirements (Pillar 2a and Pillar 2b)
- Investigate business cases, priorities and ordering of any investment spend

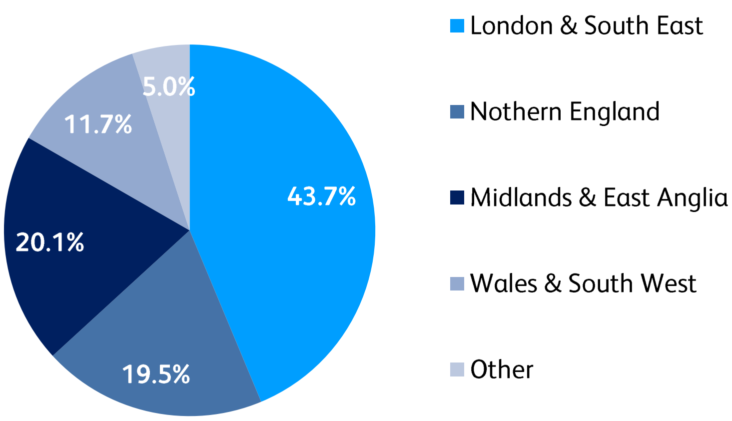
Appendix

Retail mortgages – portfolio analysis

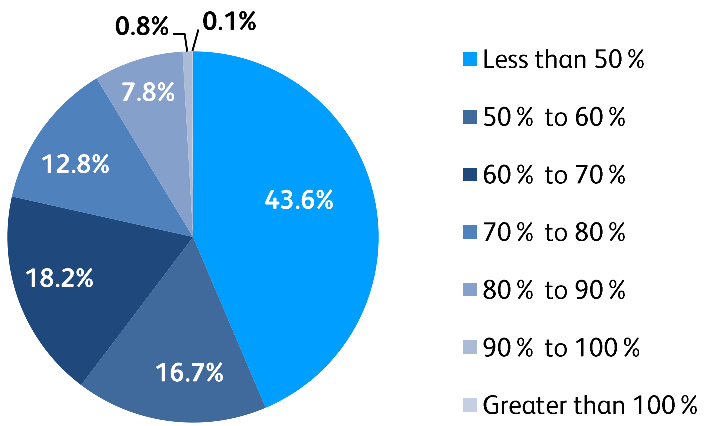
Asset Class



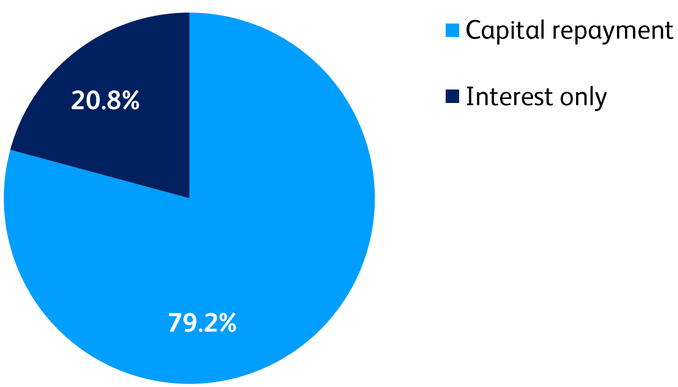
Regional Split



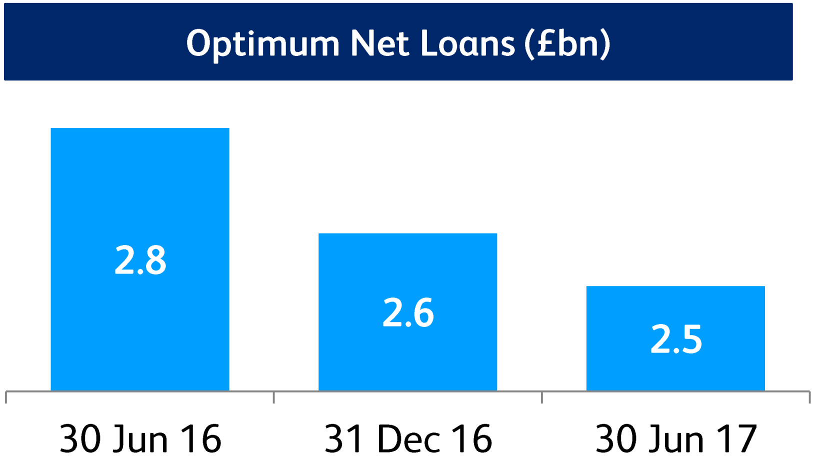
Index LTV Split

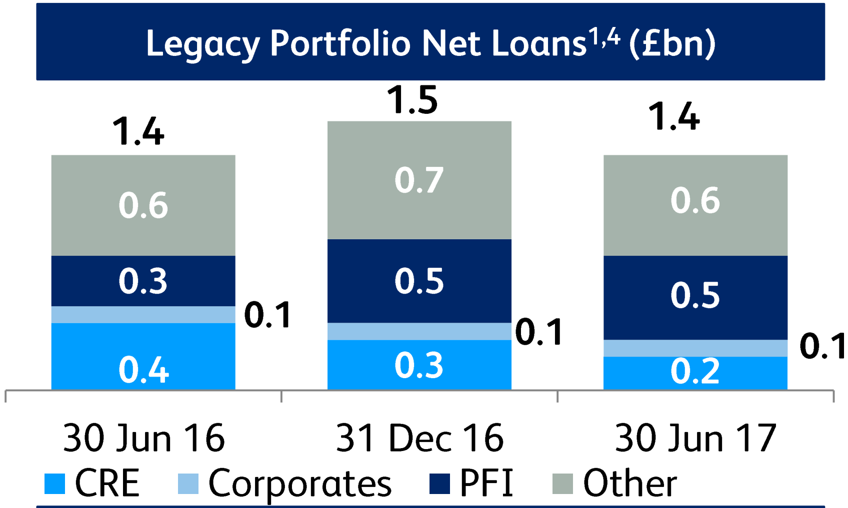


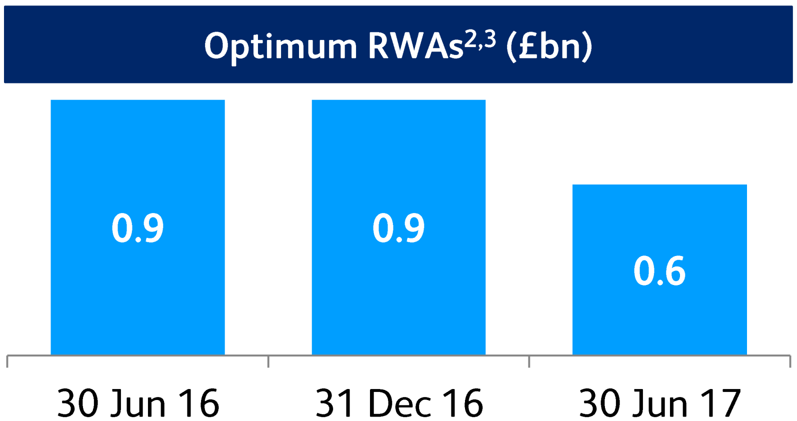
Repayment Type

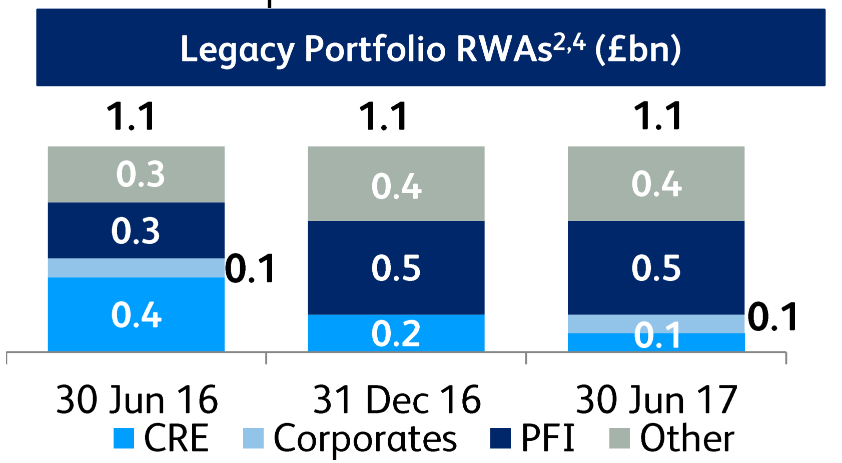


Optimum & Legacy – balance sheet dynamics







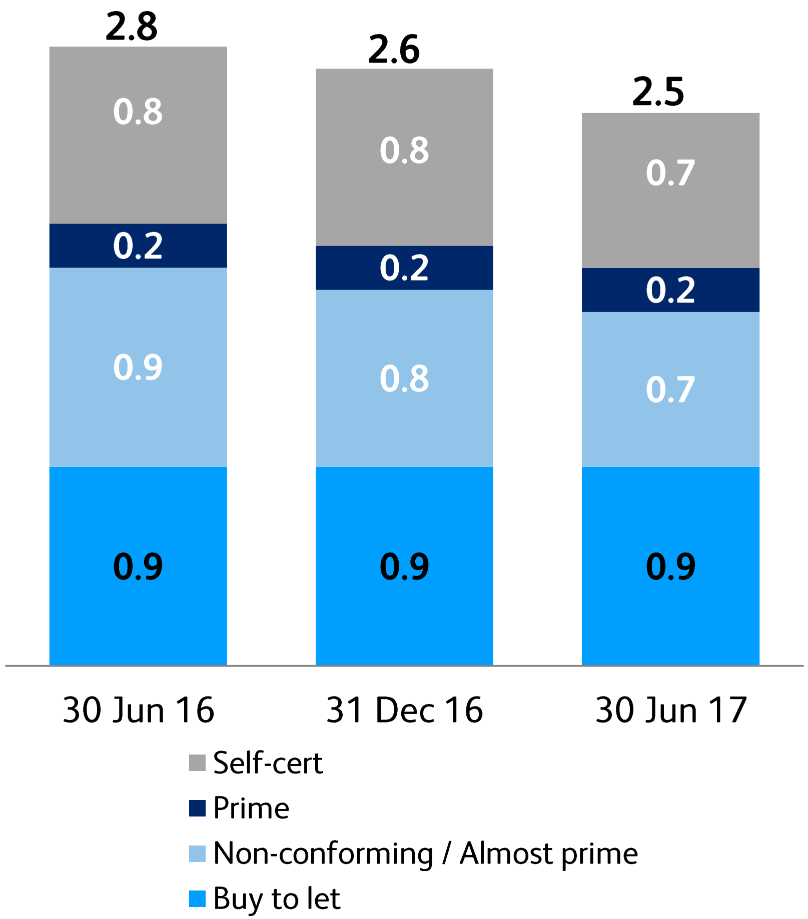


1. Now presented on a chargeable balances basis. Previously reported numbers included an accounting adjustment
2. CRD IV Credit RWAs. Calico not meeting SRT requirements would imply 0.8% reduction in 30 Jun 17 CET1 ratio and £1.1bn increase in Optimum RWAs (partially offset by £0.6bn reduction in securitisation RWAs, resulting in £0.4bn net increase in total RWAs)
3. Temporary RWA adjustment of £0.3bn removed during H1 2017
4. PFI and REAF assets transferred back to Non-core in H2 2016

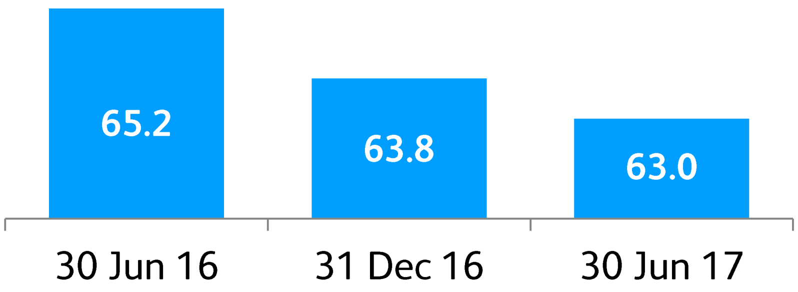
Optimum overview

c.£2bn Optimum deleverage planned for H2 2017

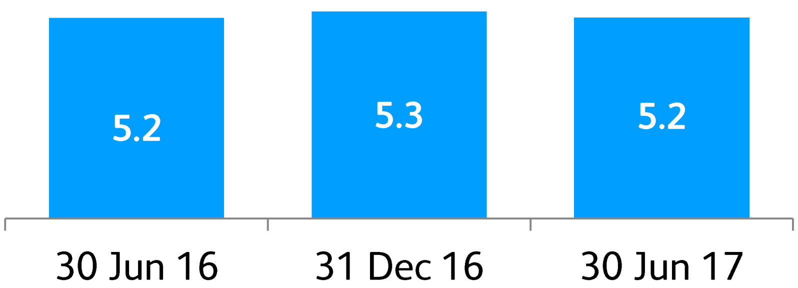
Gross Loans and Advances (£bn)



Average Mortgage LTV (%)[1]



90+ days past due[2] as % of Gross Loans and Advances



- Highly seasoned book (average 10 years in tenure)
- Self cert/non-conforming is from point of origination

It's good to be different

1. Indexed and weighted by gross loans and advances
2. 90+ days past due, forborne or in default

Footnotes to 2017 outlook & longer term targets

1. For significant execution risks and material uncertainties regarding successful completion of the capital raising, which may not be completed on acceptable terms, or at all, see the Risk Factors included on the Bank's website (http://www.co-operativebank.co.uk/investorrelations).
2. This replaces all previous guidance.
3. Calculated based on average total assets.
4. Adjusted loss forecast excludes the one-off income statement transactional impact.
5. Assuming utilisation of a significant amount of deferred tax assets.
6. Profit after tax over average total equity.
7. Based on a capital stack that meets all capital requirements.
8. Equivalent to 75% ICG (75% is equal to Tier 1 requirements, made up of not less than 56% CET1 capital and maximum 19% AT1 capital). To be met with CET1 capital as the Bank has no AT1 capital.
9. Based on the Bank's internal assessment of future Pillar 2a and 2b requirements. Subject to future SREPs.
10. Tier 2 and MREL issuances assumes successful capital raising, Bank credit rating improvement and conducive capital markets. Issuances may not be completed, when required, on acceptable terms, or at all.
11. Subject to regulatory capital requirements, including CRR Maximum Distributable Amount restrictions on dividends and distributions, PRA approval and the availability of distributable reserves, which is expected to require shareholder and court approved reduction in share capital.
12. Per statement of policy on the Bank of England's approach to setting MREL (November 2016).

The 2017 and longer-term targets stated above may be subject to timing variances, and changes may result in actual results greater or less than the per annum figures stated.

The co-operative bank

Disclaimer

Caution about Forward Looking Statements

This document contains certain forward looking statements with respect to the business, strategy and plans of The Co-operative Bank (including its 2017-2021 Strategic Plan and the May Outlook on the Strategic Plan, together referred to as the "Plan") and its current targets, goals and expectations relating to its future financial condition and performance, developments and/or prospects. In particular, it includes targets under "2017 outlook & longer term targets" and the "Pillar 2a development". Forward looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve', 'predict', 'should' or in each case, their negative or other variations or comparable terminology, or by discussion of strategy, plans, objectives, goals, future events or intentions. Forward looking statements, including statements about The Co-operative Bank's or its directors' and/or management's beliefs and expectations, are not historical facts or guarantees of future performance. By their nature, forward looking statements involve risk and uncertainty because they are based on current plans, estimates, targets, projections, views and assumptions and are subject to significant inherent risks, uncertainties and other factors both external and internal relating to the Bank's Plan, strategy or operations, which may result in the Bank being unable to achieve the current targets, predictions, expectations and other anticipated outcomes expressed or implied by these forward-looking statements. In addition, certain of these disclosures are dependent on choices relying on key model characteristics and assumptions and are subject to various limitations, including assumptions and estimates made by management. Accordingly, undue reliance should not be placed on forward-looking statements.

Important factors that could affect the outcome of forward-looking statements

There are a large number of important factors which could adversely affect the Bank's operating results and financial condition, the Bank's ability to implement its Plan and cause the Bank to miss its targets or affect the accuracy of forward-looking statements. These include the risks and uncertainties associated with the successful execution of the Plan set out in Note 1.3 of the 2017 Interim Report which should be read in conjunction with the risks and uncertainties summarised in the 'Principal Risks and Uncertainties' section of the 2017 Interim Report and the risk factors which are considered by the Bank to be material to it which are discussed in more detail in the 'Risk Factors' included at https://www.co-operativebank.co.uk/investorrelations. These include significant risks and factors such as: the completion of the Restructuring and Recapitalisation of the Bank, which may or may not proceed; the Bank's ability to continue as a going concern; whether the Bank's regulators and supervisory authorities will exercise any of their various powers including to impose a special resolution procedure on the Bank under the Banking Act 2009; ability to respond to a change in its business environment or strategy and successfully deliver all or part of the Plan and desired strategy when planned or targeted; changes in the Bank's relationship with the Co-operative Group; ability to complete the remaining transformation, remediation and change programmes when planned and in line with target costs; whether any deficiencies in appropriate governance and related programme management processes would impede the satisfactory delivery of the transformation programme when planned and in line with targeted costs which would impact associated cost reductions or income generation plans; the extent of the amounts the Bank will be required to pay in pension fund deficits; ability to complete sectionalisation of the PACE pension scheme within the timescales required; the Bank's ability to successfully deliver important management actions required to implement the Bank's strategy and the Plan; whether base rates will increase as soon as and as much as the Bank is forecasting in its Plan or whether competitive pressures reduce the Bank's market share or do not enable net interest margins to increase as envisaged in the Plan or that regulatory pressure constrain the anticipated growth in volumes; whether growth in new mortgage origination is significantly less than assumed in the Plan; whether the Bank can access liquidity and funding at an appropriate cost to fund the requisite level of asset origination targeted in the Plan, including the risk that the Bank may be unable to gain access to current or future central bank funding facilities and initiatives; whether assets in the Bank's Legacy Portfolio can be sold on acceptable terms, or at all and in a capital efficient manner; greater than planned losses identified in the Plan on any remaining asset sales; changes in the business, such as fee changes result in cash outflows and a lower than expected overall non-interest income; significant new conduct or legal risk provisions during the life of the Plan; whether RWAs remain significantly greater than those assumed in the May Outlook on the Plan due to worsening economic conditions and the risk that any material increases in RWAs will significantly increase our capital requirements; whether the Bank will achieve intended cost reductions when planned, or at all; operating costs being higher than assumed in the Plan, particularly in the latter half of the Plan; the Bank's cost to income ratio continuing to negatively impact its profitability and its capital position; whether the Bank will be able to achieve IGC compliance and all capital requirements and MREL when planned; whether the Bank will complete a £250 million Tier 2 debt issuance in 2018 and MREL qualifying debt issuances in 2020 and 2021 when planned, on acceptable terms, or at all; the PRA or other regulators exercising their discretion and withdrawing their support for the Bank or its Plan; whether the Bank is able to recognise the amount of deferred tax assets stated in the Plan and generates the profits after tax targeted in the Plan when expected, or at all and the Bank's ability to remedy its regulatory deficiencies and weaknesses in the Bank's Risk Management Framework.
Any forward-looking statements made in this document speak only as of the date of this document and the Bank expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document as a result of new information or to reflect any change in the Bank's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, except as required under applicable law or regulation.

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