Half-Year Results and Investor Presentation

8th August 2019

The co-operative bank
for people with purpose

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2019: Fixing the Basics

Andrew Bester

Chief Executive Officer

The co-operative bank
for people with purpose

Positive strategic progress and financial performance ahead of expectations

YTD results demonstrate positive financial performance, despite a challenging UK Retail Banking market and economic uncertainty

- **Resilient business performance** despite market pressures
- We will **remain focused on cost reduction** whilst **investing in our brand, digital capabilities and enhancing our product offering**
- **'Fix the basics' spend expected to track lower than guidance**
- **Successful Tier 2 issuance of £200m**
- **Upgraded credit rating from Moody's** a positive step as we look to build our future

Core income up 1% £189.4m (2018:186.9m)

Cost:Income ratio ahead of Plan 101% (*115%)

High quality, low risk loan book-average mortgage LTV 57.2%

Strong capital base CET1 21.9% (*19%)

*2019 in-force full year guidance

Upgraded cost, capital & investment guidance as we remain confident in accelerating delivery of strategic objectives

Tangible evidence of 'fixing the basics' with further progress towards building our future

In H1 we delivered a series of initiatives re-energising our people, re-activating our unique brand and re-engaging our loyal customers

- Continued **award winning customer service** improving NPS scores, growing our customer base and improving retention rates
- Successful **brand campaign** reaching customers across multiple channels
- Embedding **customer first principles** underpinning our values and ethics as a key differentiator
- Optimisation of retail product mix enabling **controlled growth in a subdued market**
- **Following C&I bid success** Q2 saw the **first growth in SME customers since 2013**
- **Extension of free SME 30 month introductory period** makes it **the best-in-market introductory deal**
- **Enhancing our digital offering** including the launch of our new mobile app
- **Progress against key strategic** projects including desktop transformation, separation and mortgage and savings re-platforming

Committed to investing in our future and becoming the ethical digital Bank

Progress in our multi-year transformation plan, enhancing customer experience and driving shareholder value

The transformation plan is broken down into three phases

Fix the Basics 2018/19	Enable the Future 2020/21	Establish Sustainable Advantage 2022+

Fix the Basics (2018/19)

- **Deliver financial performance**
- **Successful issuance of Tier 2**
- **Re-energised our people**
  New performance framework
- **Upskilled IT, change and supplier management**
- **Re-engaged loyal customers**
  Successful multi-media brand campaign and award winning customer service
- **Enhanced digital engagement**
  Mobile app users 384k up from 350k since February migration
- **Tangible progress with key strategic projects and supplier partnerships**
  Desktop transformation near completion, separation and re-platforming progressing to plan

Enable the Future (2020/21)

- Targeted customer segment growth
- Cost savings driven by supplier rationalisation
- Simplified organisation driving lower cost
- Targeted capability enhancements
- Invest BCR funding to enhance SME banking
- Digitisation and IT platform rationalisation

Establish Sustainable Advantage (2022+)

- The ethical digital Bank
- Digital mortgages delivered at low marginal costs
- Flexible digital savings platform
- SME banking North West challenger

Winner of a range of awards including ‘most trusted mainstream Bank’

Continuing to provide award winning customer service

- Most Trusted Mainstream Bank
- Fairer Finance Gold Ribbon status on our Current Accounts
- Best packaged bank accounts
- 5* Rated Standard Current Account and Everyday Extra products
- Worship Savings Account Audit Recognition
- Best Buy Current Account

Embedding our customer first principles

- **Winner of Moneyfacts Branch network of the year**
- **Highly commended** branch service and contact centre (2nd and 3rd respectively)
- **Process simplification** optimising digitisation to reducing the number of clicks by 20%
- **Reduced current account opening time by two days**
- **Product transformation** including successful launch of new Select Access Saver and simplification of mortgage processes

We are the only UK high street Bank with a customer-led ethical policy refusing banking services to organisations conflicting with our customers' values and ethics

25 YEARS OF OUR CUSTOMER-LED ETHICAL POLICY

Our unique ethical policy places us as market leader for **non-customer ethical perception** (Hall & Partners)

Placing values & ethics at the heart of everything we do

thehive. Building better co-operative businesses

Actively supporting co-operative businesses

centre point give homeless young people a future

Ending youth homelessness in partnership with Centrepoint donating c.£1.1m since May 2017

UK FINANCE

My money, my life. A financial guide for victims of domestic violence

Tackling the issue of economic abuse

- Voted the **UKs most trusted mainstream bank** (Moneywise)
- **49% of UK consumers** within our priority top six customer segments due to ethical alignment and commercial opportunity (CACI 2019)
- Sizeable opportunity to **deepen existing customer** relationships. **40% of customers community based with our values and ethics resonating strongly with them**
- **£650k charity donations to charity partners** through Everyday Rewards since launch, £150k in H1 2019

Commitment to environmental sustainability

Reinforced with upgraded targets to building on previous achievements

39%

reduction in carbon emissions 2017 Vs 2018

Zero

waste to landfill by the end of 2020

Refuge For women and children. Against domestic violence.

hospice UK

WOODLAND TRUST

AMNESTY INTERNATIONAL

Oxfam

Finding growth in a competitive market

	The Co-operative Bank	Wider market
Retail Lending	• **£1.1bn mortgage balance growth since 1H 18** • **Margins maximised** through LTV optimisation and controlling new business volumes • **Broadened BTL proposition**, increasing customer channel choice, service and digital enhancements	• **Highly competitive market, intense pricing** forcing **margin compression** • **Lenders** offering **higher LTV/LTI** to support returns • **SVR attrition** forcing pressure on income • **Housing market subdued**
Retail Deposits	• **Continued customer momentum-** increase in new savings and current account customers and strong customer retention rates • **New Select Access Saver product generating £220m** new to bank balances (>100% growth YoY)	• **Current account switching market flat** over past 18 months, spikes driven by switch incentive campaigns • **Term market hit significantly by lower swap rates** • **High Cost of Credit** and **reforms to pricing structures** creating additional challenges
SME and Charities	• **c.85,000** SME customers • **£15m successful C&I bid** supporting ambition to increase market share in key growth segment • **Delivery of enhanced digital capability** increasing customer engagement	• **Fierce competition for SME deposits** placing value on "more than banking" with focus on mobile functionality • **Expectations** to **digitise products and services** growing exponentially • **Challengers and fintechs investing heavily** in improved propositions

Successful £15m C&I bid with further co-investment allows us to target SME customers driving our ambition to increase market share

SME segmentation enables targeting of customers with affinity to our Values and Ethics

SME performance

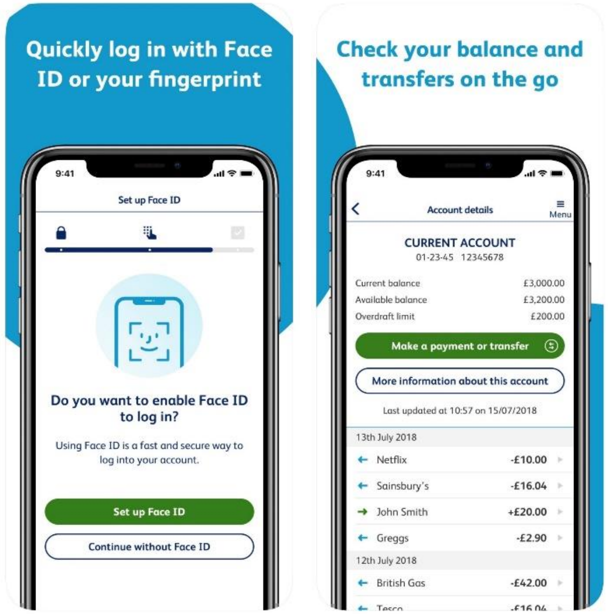
- **Q2** saw the first **growth** in customer numbers since 2013

Investing in our SME Business

- Investing to **enhance core service deliverables and modernise our BCA offering** including:

- **Same day** account **opening**
- **Business credit card** integrated into offering
- **Digital application and online enhancements**
- Top quartile online banking experience
- Developing **'Beyond banking'** services

- On track to **deliver further enhanced product developments** and **digital capability to enable growth**

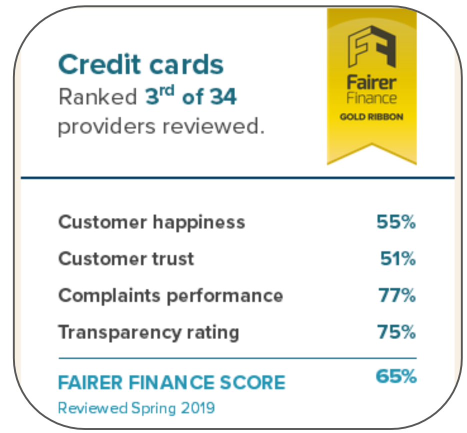


Extension of 30 month free banking period to SME customers makes it the best-in-class introductory deal

Actively seeking opportunities to further extend our credit card offering

Good quality, low risk credit card base generating healthy margins

- **Credit cards ranked 3rd overall** by Fairer Finance and 1st overall for transparency
- **Increased branch credit card sales by 300%** since May from existing customers
- **Digital applications** expected to **improve sales conversion rates**
- **Tactical credit card retention** plan launched



Cross-selling opportunities and change in eligibility will enable further growth

Re-energise our brand and re-engage our loyal customer base

Successful brand re-launch reaching customers across multi-channels

- **Appealing to customers** seeking a **bank differentiated by co-operative heritage and values and ethics**
- **Reconnecting** with existing customers-campaign execution phase 1 complete **further phase 2 launch in H2**
- **Enhanced segmentation** enabling **targeted acquisition and retention campaigns**
- Current Account **NPS increased to +23** regaining 3rd position in the market
- **Brand spend low** in comparison to competitors

Snapshot of results

Current account NPS

+19 → +23

Apr-19
4th in market

Jun-19
3rd in-market

AV channels

Web traffic

TV: reached 21m ABC1 adults
Sky adsmart: 4m views
Catch up TV: 9.1m views


Creating The Ethical Digital Bank-
Our Transformation Blueprint

Chris Davis

Chief Operating Officer

The co-operative bank
for people with purpose

Focus on "Fixing the Basics" simplifying our IT estate enabling cost reduction and enhanced customer service whilst remaining safe and secure

Our Context

- **468 Business Applications**
- **3 Mortgage Platforms**
- **2 Savings Platforms**
- **Refreshed Online & Mobile Platform**
- **12 Data Centres**
- **>100 IT Suppliers**

Market Context

- Traditional **customer** segments **redefined**
- **Technology** deployed to **accelerate growth**
- **Collaboration,** partnerships and supplier consolidation
- Regulatory **divergence** and challenges to sustained **profitability**

Creating the Ethical Digital Bank

Fix the Basics (2018-19)

- **Launch of new mobile app**
- **Tackle IT legacy inhibitors** through completion of Desktop and Separation from Group
- Align colleagues through **change in operating model**

Enable the Future (2020-21)

- **Delivery of platforms to enable SME growth**
- **Rationalise and modernise** mortgage and savings platform
- **Simplification** of the wider **IT landscape**

Establish Sustainable Advantage (2022+)

- **Expansion of digital** products and services
- Further **automation** and **simplification** of back-office services

Focus on "Fixing the Basics" simplifying our IT estate enabling cost reduction and enhanced customer service whilst remaining safe and secure

Mobile Re-Platform
- 350k customers migrated to the new platform
- Legacy Monetise platform exited
- Regular customer improvements: 6 releases in H1, 12 scheduled for H2

Desktop Transformation
- Migration from Lotus Notes to Outlook
- 50% of colleagues deployed
- 67 out of 68 branches deployed

Successful Deliveries
- 3m cardholders migrated to a strategic service with First Data
- Regulatory changes for cheque imaging delivered ahead of industry
- Swift payments compliance upgrades completed

Separation
- 75% complete
- End of year final separation event
- Exit Co-op Group data centres

Cyber security
- 3 year cyber strategy launched
- Strategy aligned with NIST framework
- Security maturity aligned with peers

Preparing plans and designs for platform modernisation, consolidating our suppliers and selecting future delivery partners

Customer

- Continued **Customer First** investment in Digital solutions
- **SME** capability enhancements and **mobile** application
- Addressing friction in **customer journeys**

Ethics

- Reduced **data centre footprint** and positive **environmental** impact
- Recruitment campaign driven by **diversity and inclusion**
- **Customer led** prototyping

Simplification

- **3** mortgage platforms to **1**
- **2** savings platforms to **1**
- Data centre **rationalisation**
- Simplified **payments** landscape
- **Automation** efficiencies

Execution

- Recruitment campaign launched for **100 IT roles**
- New **leadership capability** in place
- Embedded **competency model**
- Emerging **Agile DevOps** model

Risk

- Reduced **reliance on legacy**
- **Technical debt** remediation
- 3-year **cyber strategy**
- Positive impact on **capital risk provisioning**

Partners

- Advanced negotiations with future **delivery partners**
- **Consolidation** of IT sourcing providers
- Streamlined **IT delivery model**

Making the complex simple, and the simple compelling….

Financial Results

Nick Slape

Chief Financial Officer

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Financial performance ahead of expectations with CET1 ratio at 21.9%

£m	1H 19	1H 18	Change
Retail	140.5	146.8	(4%)
SME	27.9	28.0	(0%)
Core Customer income	**168.4**	**174.8**	**(4%)**
Treasury	21.0	12.1	74%
Total Core income	**189.4**	**186.9**	**1%**
Legacy/other	1.8	6.0	(70%)
Total income	**191.2**	**192.9**	**(1%)**
Operating costs	(185.0)	(175.2)	(6%)
Continuous improvement spend	(8.2)	(9.4)	13%
Operating expenditure	(193.2)	(184.6)	(5%)
Impairment (loss)/gain	(0.8)	2.9	<(100%)
Underlying (loss)/profit	**(2.8)**	**11.2**	**<(100%)**
Loss before tax	**(38.5)**	**(39.5)**	**3%**
Ratios			
Customer NIM[1]	1.83%	2.08%	(25)bps
Underlying cost:income ratio[2]	101.0%	95.7%	(5.3)pp
Cost of Risk[3]	1bp	(2bps)[4]	(3)bps
CET1 ratio %	21.9%	22.3%[4]	(0.4)pp

Underlying loss of £2.8m with core income 1% higher

Income broadly in line at £191.2m

- Retail down £6.3m through sustained mortgage margin pressure leads to NIM compression
- Treasury optimisation/revaluations drives £8.9m improvement
- Continued Legacy run-off reduces income by £4.2m

Expenditure increases 5% to £193.2m

- Renewed focus on brand and people investment offsets management actions
- C:I ratio tracking ahead at 101% (guidance c.115%)

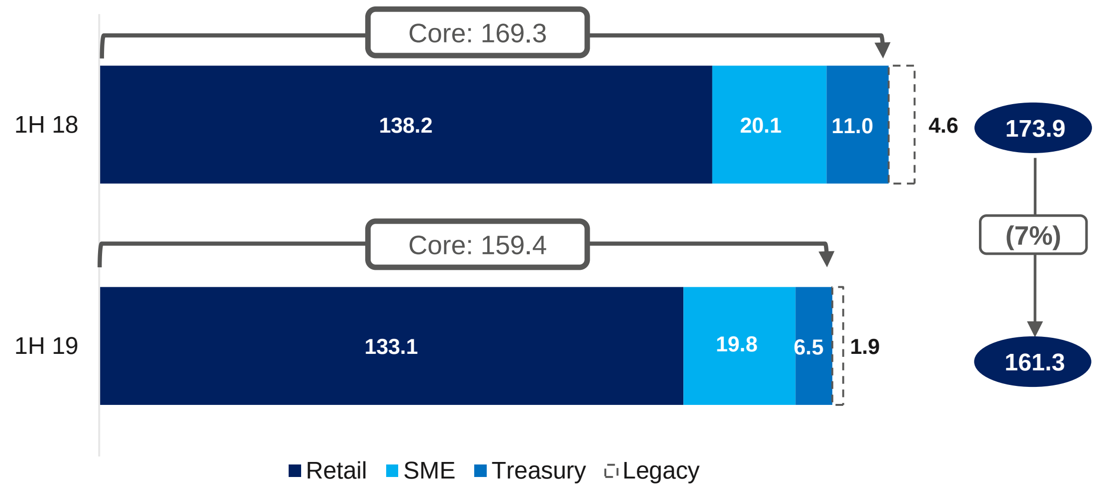
Credit quality remains strong with net cost of risk of 1bp

Loss before tax improves 3% to £38.5m including strategic investments of £52.7m

1. NIM calculated as total net interest income over average gross customer assets
2. Underlying cost:income ratio is calculated as operating expenditure over total income (excl losses on asset sales)
3. Cost of Risk is calculated as impairment divided by average total customer assets
4. Balance sheet ratios show FY 18 as comparative in place of 1H 18

Net interest income down 7% with anticipated NIM contraction

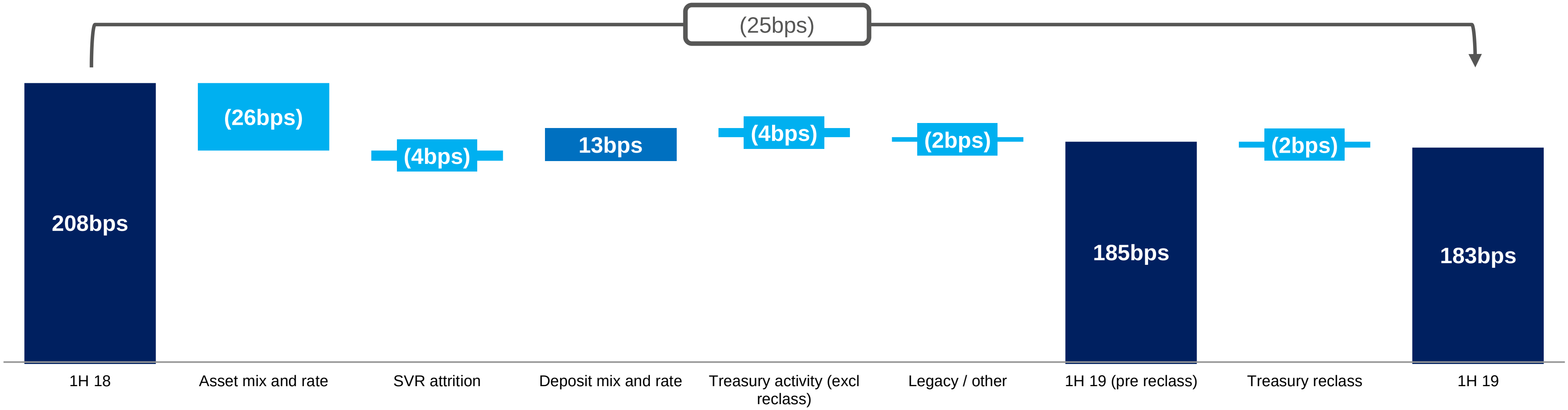
Net interest income (£m)



NII of £161.3m with SME stable

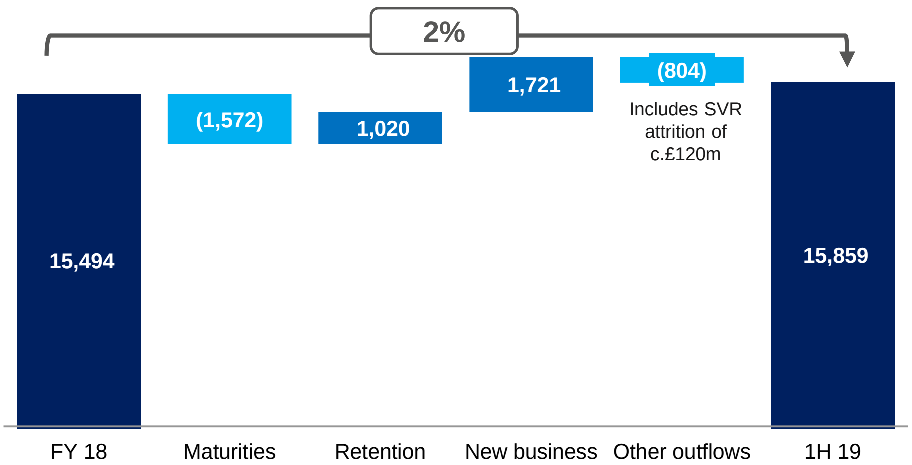
- Retail NII down 4% as competitive mortgage margins and SVR mix is partially offset by improving deposit costs
- Treasury NII down due to Tier 2 and lower MBS balances. Hedging adjustments offset in non-interest income
- Legacy NII represents only 1% of interest income, down from 3% in 1H 18
- Underlying NIM reduces to 185bps. Now expect 2019 NIM of c.170bps reflecting lower external rate expectations

Customer net interest margin

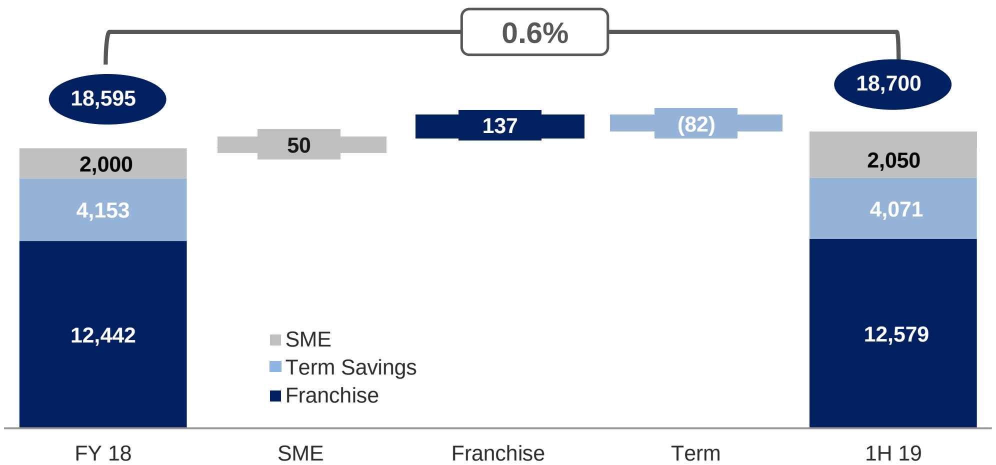


Controlled growth in core customer balance sheet, cost of deposits remains low

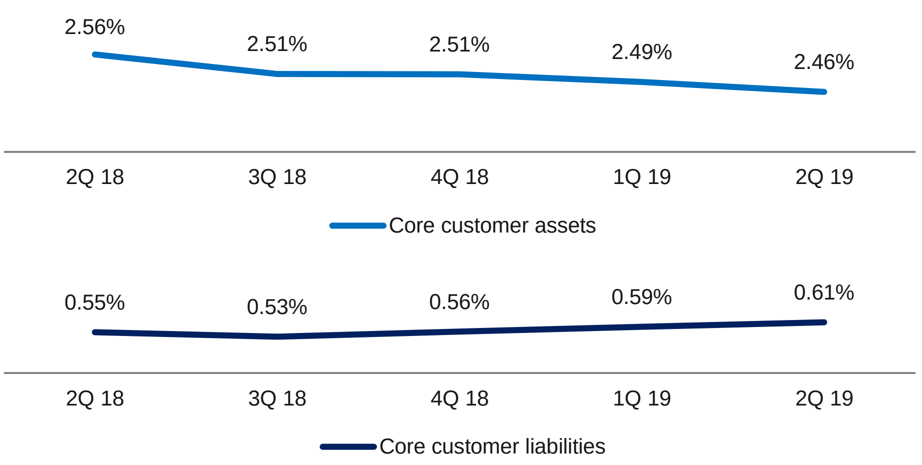
Mortgage flows (£m)



Core customer deposit flows (£m)



Gross customer deposit and lending rates[1]



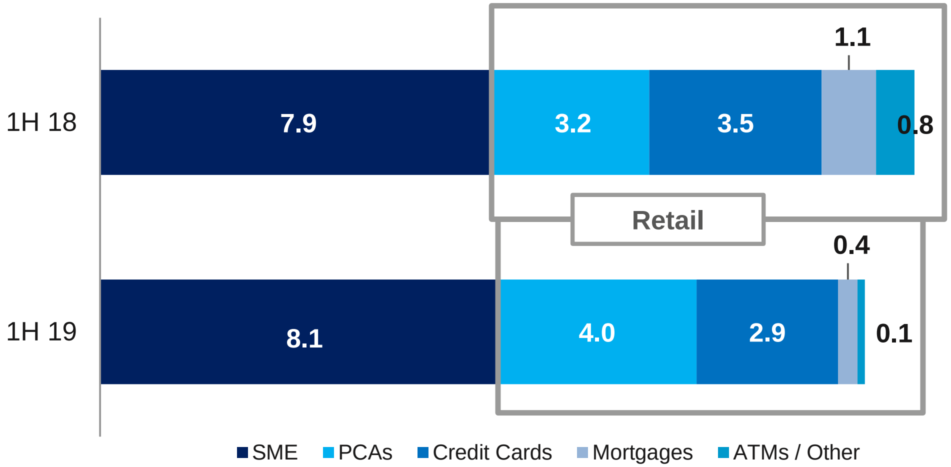
- 2% growth in mortgages through Platform new business, improved retention and propositions
- 1.3% growth in lower cost Retail franchise and SME deposits with 2% reduction in term funding
- Sustained mortgage margin pressure drives 10bps reduction in core asset rates, however cost of deposits remains low at 61bps, 14bps below base rate
- Revising down customer asset and liability growth in 2019

1. Calculated as blended core gross rates over the core average balance for the three month period

Growth in core other operating income driven by Treasury

£m	1H 19	1H 18	Change
Retail	7.4	8.6	(14%)
SME	8.1	7.9	3%
Core customer fee income	**15.5**	**16.5**	**(6%)**
Treasury	14.5	1.1	>100%
Total core other operating income	**30.0**	**17.6**	**70%**
Legacy/other	(0.1)	1.4	(<100%)
Total other operating income	**29.9**	**19.0**	**57%**

Core customer fee income split (£m)



Core customer fee income down £1m

- PCA fee income higher due to improved supplier arrangements; SME 3% higher driven by re-pricing
- Other Retail fee income impacted by balance mix and product changes

Treasury up £13.4m

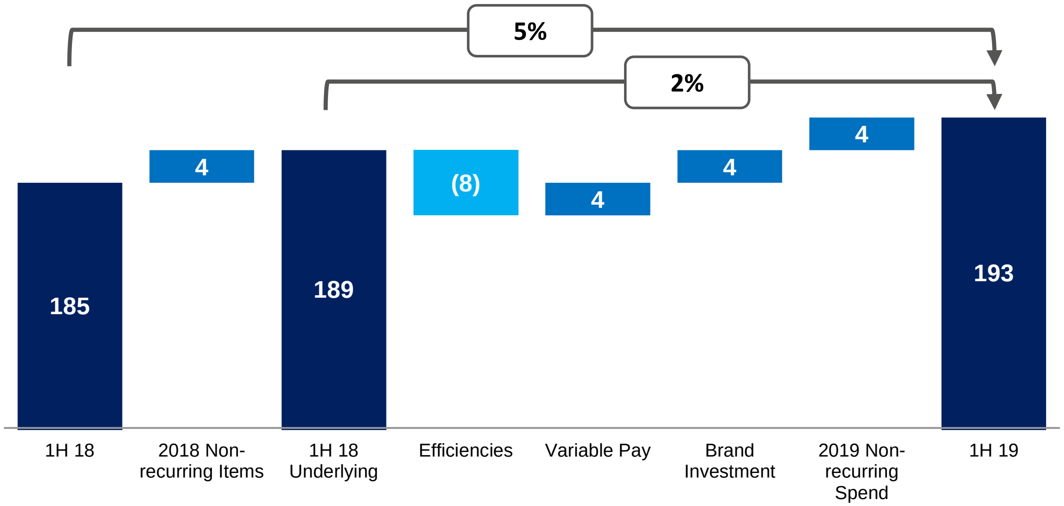
- Gilts/MBS sales £4.4m
- Visa preference share valuation increases by £3.6m (£34m book value)
- £3m hedging adjustment contra from NII

Legacy/other down £1.5m

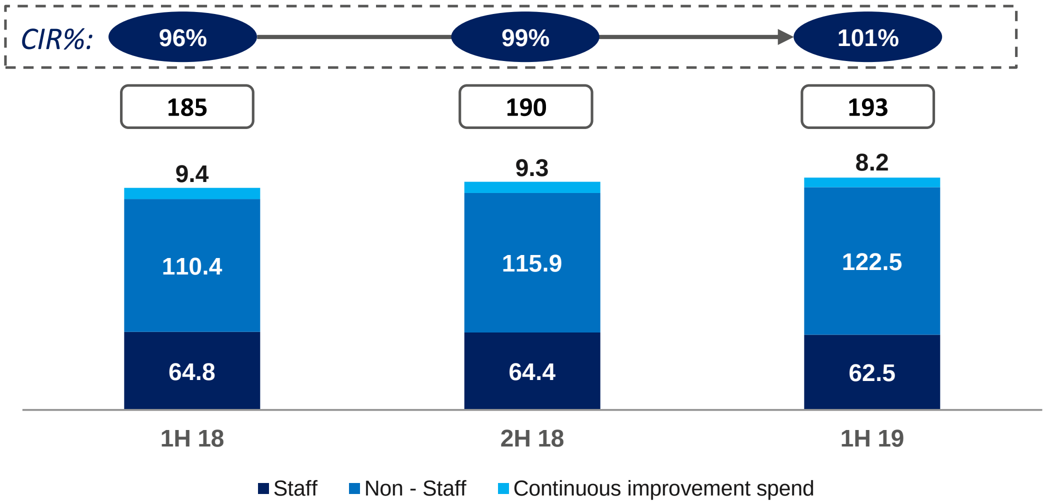
- Reduction relating to IFRS 16, effective 1 January 2019

Underlying operating expenditure increased 2% as efficiencies are offset by brand investment and other costs

Operating expenditure (£m)



Operating expenditure breakdown[1] (£m)



1. Project staff expense is incurred in strategic change

Operating expenditure up 5% to £193m

£4m non-recurring items from 2018

- One-off benefits in 2018 include an FSCS provision release, gains from property sales and other balance sheet releases

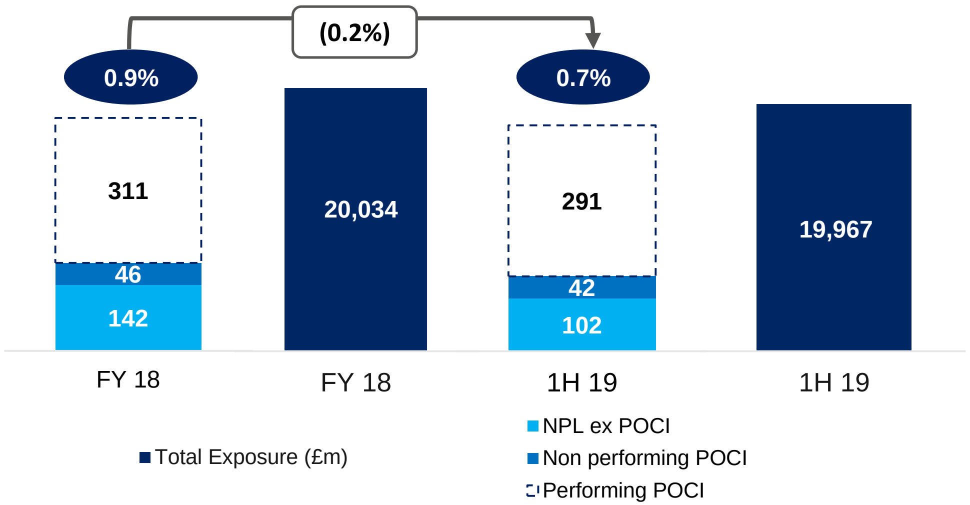
Underlying operating expenditure up £4m (2%)

- £8m of efficiencies including headcount reduction and 2018 branch closures
- £4m reintroduction of variable pay
- £4m increase in marketing spend including costs of brand relaunch
- £4m costs to drive future benefits including C&I fund bid and 3rd party spend

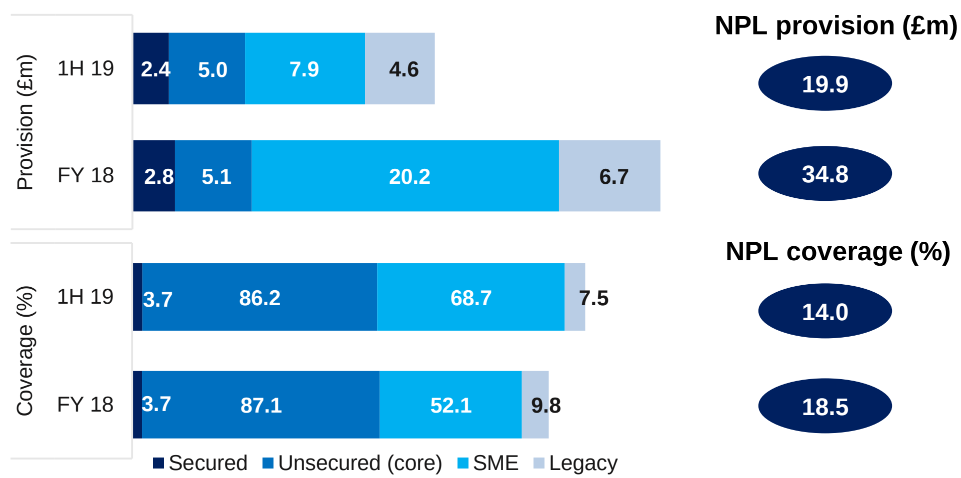
Cost:income ratio of 101% is ahead of guidance. Guidance FY 19 revised <110%

High quality loan book with low levels of non-performing loans

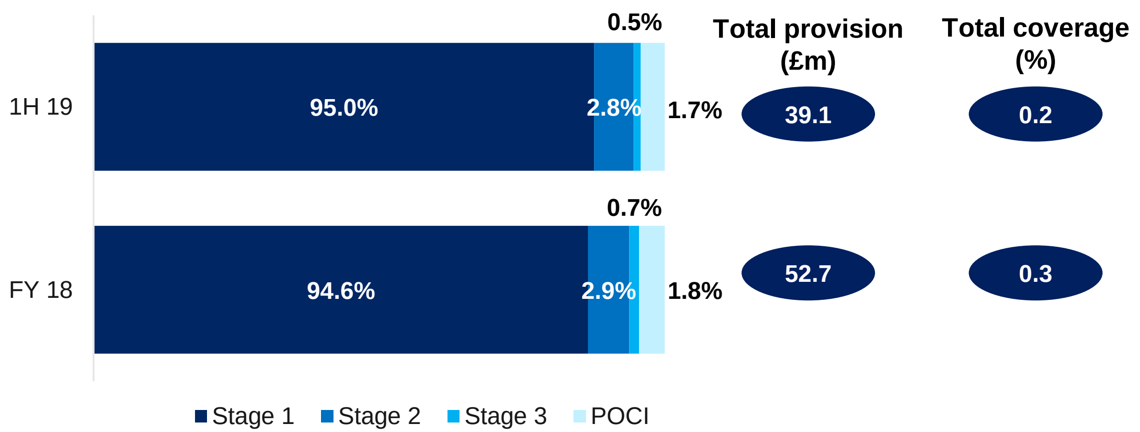
Non-performing loans[1]



NPL Coverage[2]



Exposure by stage[3]

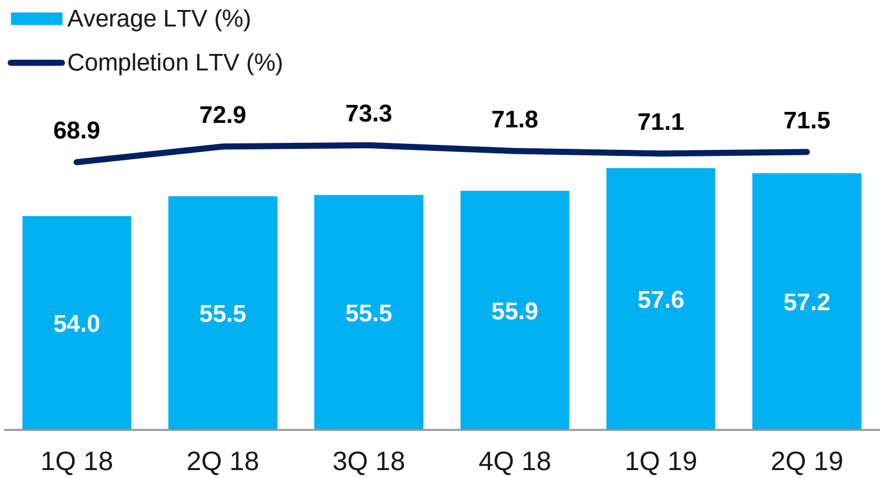


- £144m of NPL is 0.7% of total exposure
- NPL coverage ratio reduces to 14% due to change in SME mix following releases
- Unsecured coverage of 86% in line with industry
- Total provision of £39.1m, £19.9m against NPL and £19.2m against performing
- Impairment charge of £0.8m includes £3.4m of SME releases. Underlying cost of risk (excluding releases) of 5bps

1. NPL% calculated as non-performing exposure (excluding performing POCI) over total exposure
2. NPL Coverage ratio calculated as NPL provision over NPL balance (all excluding performing POCI)
3. Excludes balances relating to FVTPL

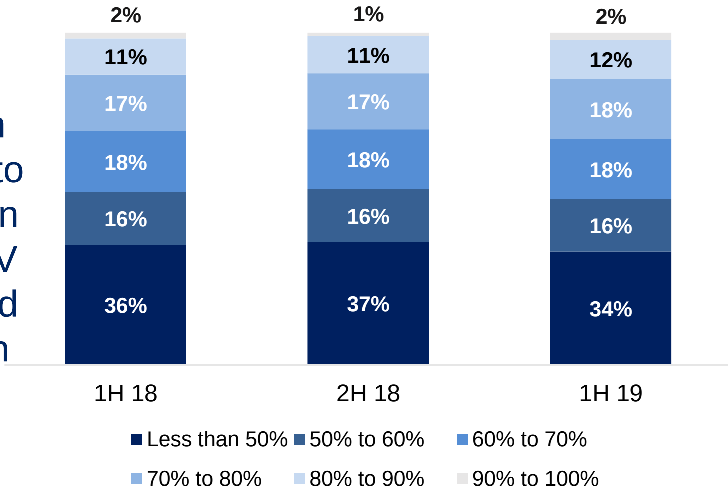
Well diversified and low LTV mortgage book

Average retail mortgage LTV (%)

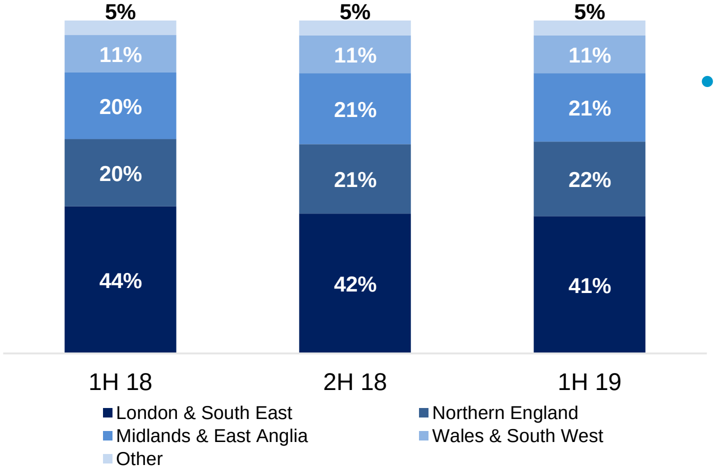


LTV split by band

- Marginal increase in LTVs due to introduction of 95% LTV lending and pressure in HPI

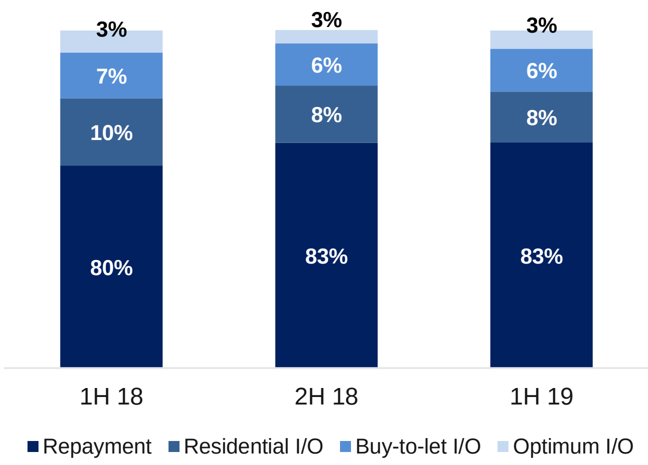


Core mortgage book by geographic split



- Exposure to London and South East continues to reduce

Mortgage repayment type



- Interest only exposure reduces from 20% to 17% of book

Loss before tax driven by investment in key strategic projects

£m	1H 19	1H 18	Change
Underlying (loss)/profit	(2.8)	11.2	<(100%)
Fix the Basics	*(38.6)*	*(29.5)*	*(31%)*
Enable the Future	*(10.2)*	*(4.3)*	*<(100%)*
Cost to achieve	*(3.9)*	*(11.6)*	*66%*
Strategic project costs	(52.7)	(45.4)	(16%)
Net customer redress charge	(2.5)	(11.0)	*77%*
Non-operating income	19.5	5.7	>100%
Loss before tax	**(38.5)**	**(39.5)**	**3%**
Tax	2.5	80.9	(97%)
(Loss)/profit after taxation	**(36.0)**	**41.4**	**<(100%)**

Loss before tax of £38.5m is 3% improvement on 1H 18

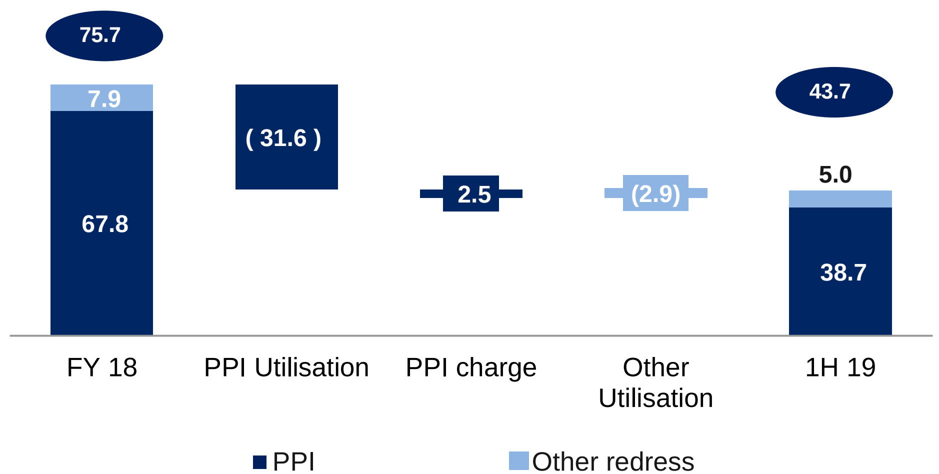
- 16% increase in strategic investment, as we enter the final stage of 'Fix the basics'

£13.8m increase in non-operating income includes:

- £7.8m increase in the surrendered loss debtor (book value £41m, gross value £132m)
- £3.1m deferred consideration from Vocalink
- £8.6m pension discount unwind

Tax credit lower due to Pace sectionalisation in 2018. DTA asset of £375m, unrecognised losses of £2.1bn

Redress Provision (£m)

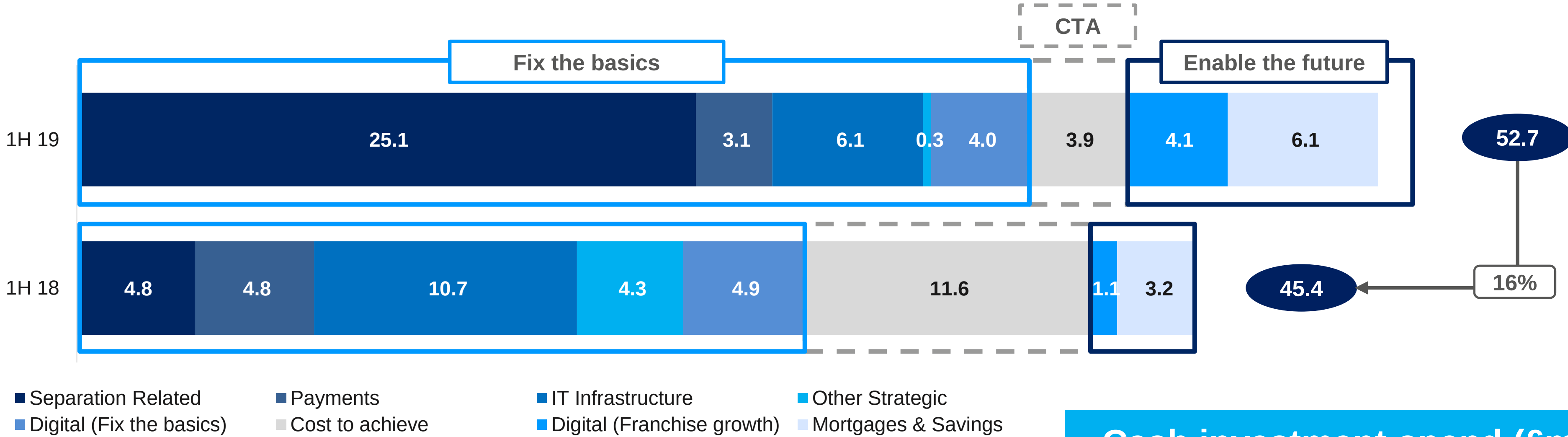


Remaining PPI provision of £38.7m

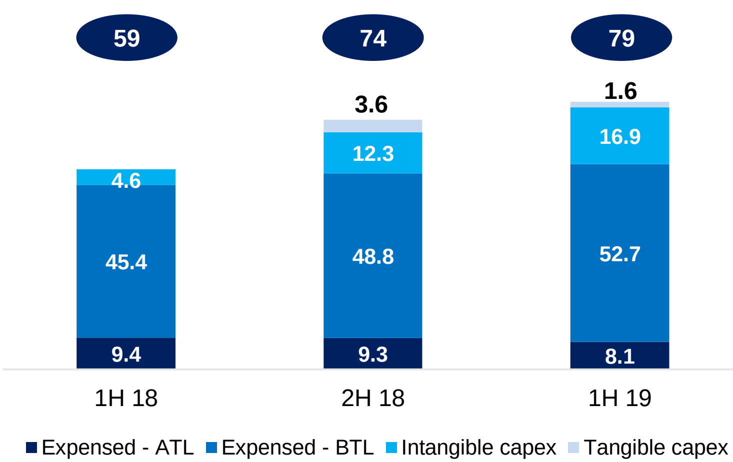
- £2.5m charge reflecting FCA clarification on certain redress timescales
- Recent enquiry volumes have increased but latest conversion rates are lower than previous experience
- Current coverage up to December based on historical run rate and provision stock
- Provision will be reassessed in 2H 19

Fix the basics 2018/19 nearing conclusion

Strategic project costs (£m)

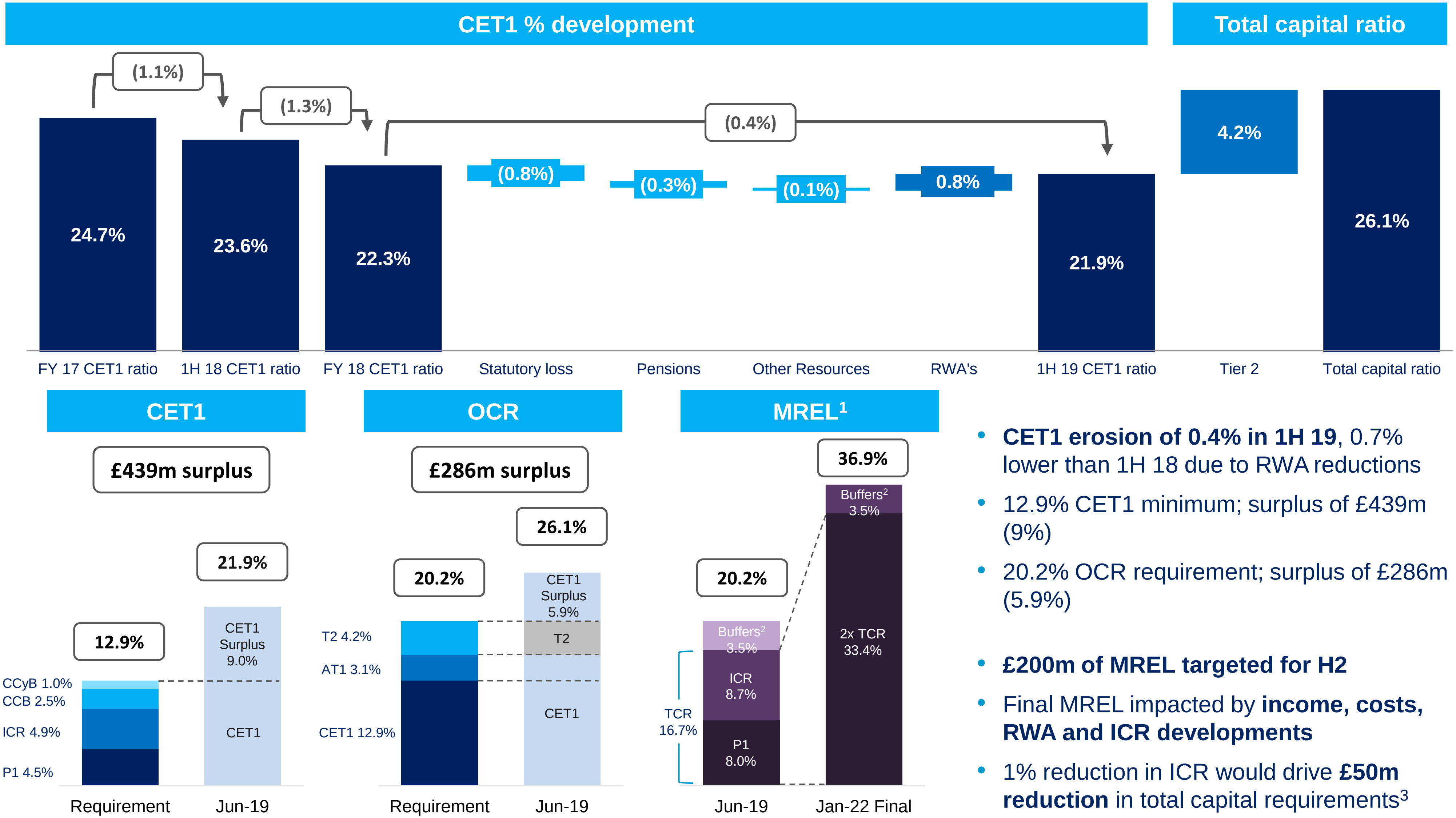


Cash investment spend (£m)



- £25m spend on Separation represents c.50% of total strategic project costs
- As we turn our attention to 'Enable the future' we have increased investment in our digital capability alongside initiating the re-platforming of our mortgage and savings systems
- Cash spend of £79m in 1H 19 with prudent levels of capitalisation. 2019 expectation now £140-150m

CET1 ratio ahead of target due to focus on RWAs. Year end 2019 guidance revised to c.20.5%



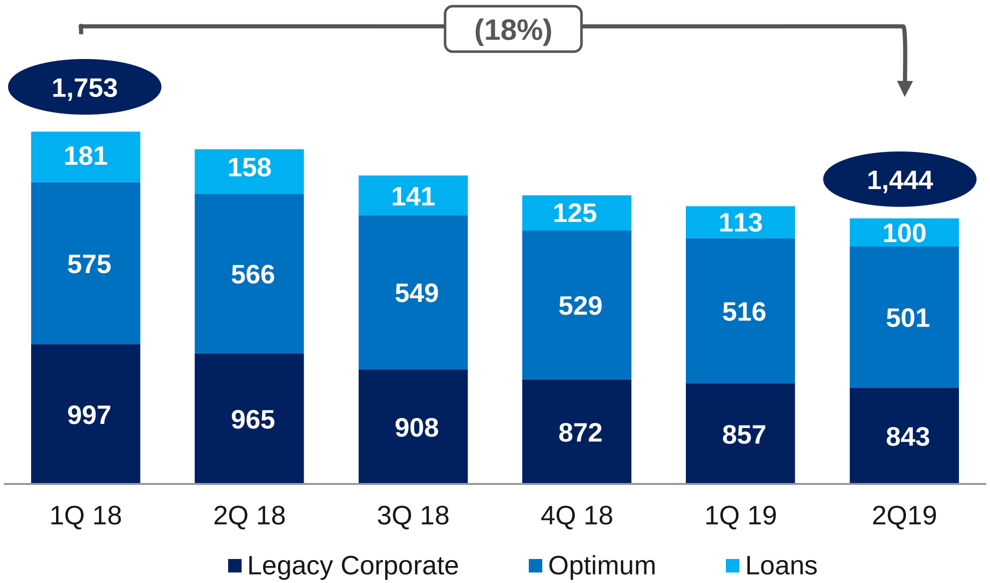
- **CET1 erosion of 0.4% in 1H 19**, 0.7% lower than 1H 18 due to RWA reductions
- 12.9% CET1 minimum; surplus of £439m (9%)
- 20.2% OCR requirement; surplus of £286m (5.9%)

- **£200m of MREL targeted for H2**
- Final MREL impacted by **income, costs, RWA and ICR developments**
- 1% reduction in ICR would drive **£50m reduction** in total capital requirements[3]

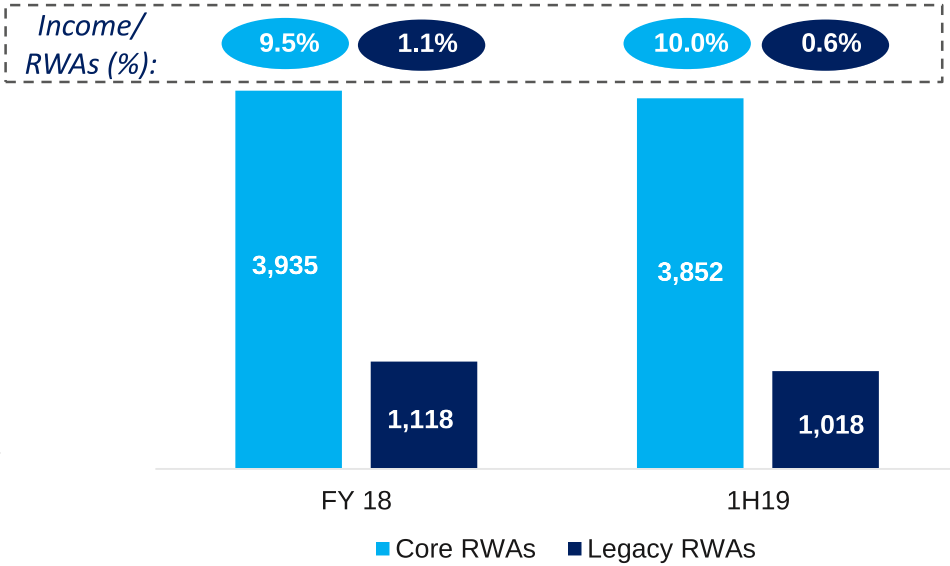
1. Indicative MREL requirements, subject to change. assumes static ICR % for illustrative purposes
2. Buffers include CCB and CCyB
3. Assumes RWAs of £4,870m as at 1H 19

Legacy asset segmentation to drive optimisation

Legacy asset profile (£m)

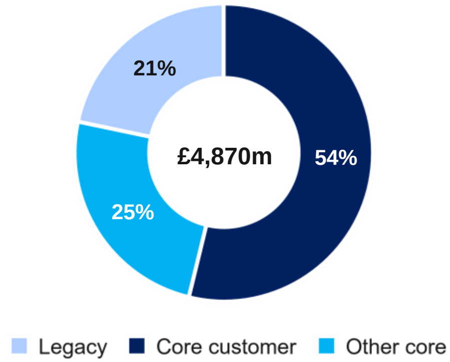


Income/RWAs



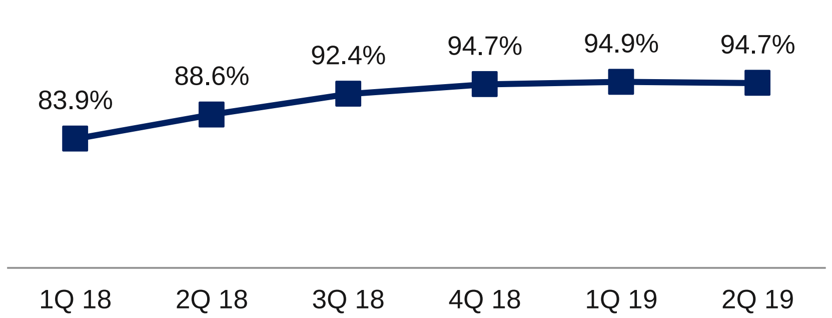
- Legacy assets represent 21% of total RWAs but have a low income to RWAs return of 0.6%
- Management are exploring capital accretive solutions:
- **Corporate -** primarily long dated, low yielding and high credit quality Social Housing and PFI assets
- **Optimum -** higher risk mortgage book. Exploring potential £0.3bn securitisation
- **Loans -** short dated performing unsecured portfolio

RWA mix as at 30 June 2019

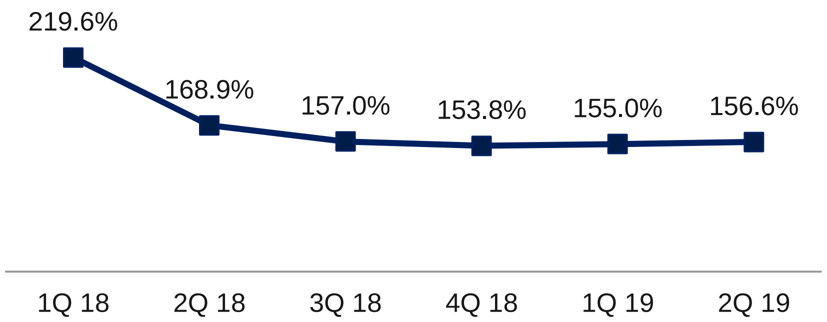


Stable liquidity profile as asset growth is funded through deposits and other asset attrition

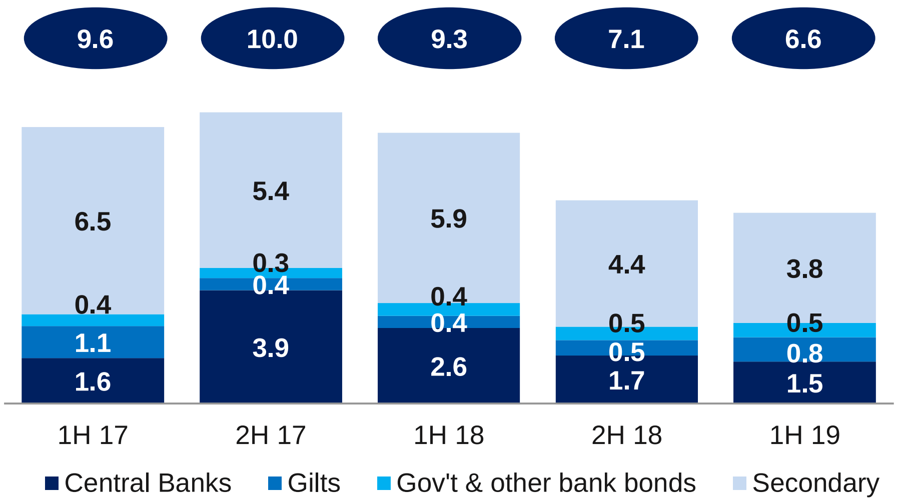
Loan to Deposit (LTD) ratio



Liquidity Coverage Ratio (LCR)



Liquidity by Type (£bn)



- LTD ratio is stable as growth in customer assets continues to be funded through customer deposits
- Primary liquidity[1] and LCR ratio are broadly in line with previous periods
- Secondary liquidity[2] continues to reduce in line with collateral amortisation

1. Primary liquidity consists of liquid assets that are eligible under European Banking Authority (EBA) regulations (high quality liquid assets).
2. Secondary liquidity comprises liquid unencumbered investment securities not included as part of primary liquidity, as well as mortgage and corporate collateral eligible for central bank facilities.

Building Our Future

Andrew Bester

Chief Executive Officer

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2019 guidance revised to reflect strong capital performance and sustained NIM pressures

		2019	2020	2023	Comments
Customer NIM (bps)	Revised	c.170	c.160		Assumes delay in first rate rise to 2020 and an orderly Brexit
	In-force	175 - 180	160 - 165	180 - 185	
Cost:income ratio (%)	Revised	< 110	c.105		Focus will be to drive underlying profits by taking cost action to mitigate NIM compression
	In-force	c.115	105 - 110	c.75	
Franchise investment (£m)	Revised	140 - 150	90 - 110		
	In-force	150 - 170	100 - 120	50 - 70	
CET1 ratio (%)	Revised	c.20.5	c.18	19 - 20	Capital guidance upgraded for each year
	In-force	c.19	16 - 17	18 - 19	
Core[1] customer assets (£bn)	Revised	c.17	c.18	c.23	2019 balance sheet focus is on price/volume
	In-force	c.17.5	c.19.5	c.23	
Core[1] customer liabilities (£bn)	Revised	18.5 - 19	c.19.5	c.24	
	In-force	c.19.5	c.21	c.25	

1. Balance sheet guidance rebased to core customer balance growth following segmentation of legacy, which includes £1.4bn of assets as at 1H 19

Summary

Starting to deliver the transformation Plan

- **Delivering financial performance**
- **Brand re-activated**-at a time when consumers are increasingly seeking ethical choices
- Beginning to deliver **enhanced digital capability**
- BCR funds will support **SME business growth**
- **Tier 2 funding in place**
- **Separation and desktop** well progressed and **on track for delivery**
- **Mortgage and savings transformation** underway

Managing our income, cost and capital levers to optimise resources

Safe lending book provides resilience despite market and economic uncertainty

Looking forward, we will build on our achievements, focusing on cost reduction, franchise growth and investing for the future to deliver a sustainable, profitable Co-operative Bank

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Appendix

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Core balance growth lower than expectations in order to optimise margins across customer assets and deposits

£m	1H 19	FY 18	Change
Retail lending	16,187	15,847	2%
SME	208	291	(29%)
Core customer assets	**16,395**	**16,138**	**2%**
Core Treasury	4,504	4,502	0%
Total core assets	**20,899**	**20,640**	**1%**
Legacy assets	1,444	1,527	(5%)
Other assets	1,061	936	13%
Total assets	**23,404**	**23,103**	**1%**
Retail deposits	16,650	16,595	0%
SME	2,050	2,000	3%
Core customer deposits	**18,700**	**18,595**	**1%**
Core Treasury	2,444	2,309	6%
Total core liabilities	**21,144**	**20,904**	**1%**
Legacy liabilities	149	119	25%
Other liabilities	371	330	12%
Total liabilities	**21,664**	**21,353**	**1%**
Equity	1,740	1,750	(1%)
Total liabilities and equity	**23,404**	**23,103**	**1%**

- Retail lending growth through Platform brand with £1.7bn of completions and increased levels of retention
- Core SME balance reduction as limited new business activity at present
- Legacy assets reduce 5% in line with expectations
- Retail deposits increase marginally due to growth in current account balances
- SME deposit growth driven by growing customer base
- Equity drops £10m as loss is offset by revaluation of pension scheme surplus

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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 Holdings Limited and the Co-operative Bank plc (including its 2019-2023 Financial Plan, 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 the summary section of this document and the "Outlook for 2019" section of the key highlights and outlook in the annual report and accounts. 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 Holdings Limited and The Co-operative Bank plc 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 inherent risks, uncertainties and other factors both external and internal relating to the Plan, strategy or operations, which may result in not being able 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 operating results and financial condition, the ability to implement its Plan and cause the miss of targets or affect the accuracy of forward-looking statements. These include the risks and uncertainties associated with the successful execution of the Plan summarised in the 'Principal Risks and Uncertainties' section of the 2018 Annual Report. These include risks and factors such as: 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 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 ability to successfully deliver important management actions required to implement the strategy and the Plan; whether base rates will increase as soon as and as much as is forecasted in the Plan or whether competitive pressures reduce the market share achieved 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 SVR book will perform as forecasted; whether liquidity and funding can be accessed at an appropriate cost to fund the requisite level of asset origination targeted in the Plan, including the risk that future central bank funding facilities and initiatives may be unavailable dependent on the terms and conditions; changes in the business, such as fee changes result in cash outflows and a lower than expected overall non-interest income; significant changes to existing or new conduct or legal risk provisions during the life of the Plan; whether RWAs are significantly greater than those assumed in the Plan due to worsening economic conditions and the risk that any material increases in RWAs will significantly increase our capital requirements; whether the planned cost reductions are achieved when planned, or at all; operating costs being higher than assumed in the Plan, the cost to income ratio continuing to negatively impact its profitability and its capital position; whether the Bank will be able to achieve all capital requirements and MREL when planned; whether it is possible to complete MREL qualifying debt issuances when planned, on acceptable terms, or at all; whether it is possible to recognise the amount of deferred tax assets stated in the Plan and generates the profits before and after tax targeted in the Plan when expected, or at all. The risks and uncertainties presented above are not an exhaustive list of the risks that could be faced and represent a view based on what is known today.

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