2020 Interim Results and Progress Update

30 July 2020

The co-operative bank
for people with purpose

Strategic update

Andrew Bester

Chief Executive Officer

The co-operative bank

for people with **purpose**

Responding to COVID-19 with resilience and agility however challenges remain

Resilience

- **Resilient financial performance, strong CET1 ratio & liquidity in unprecedented times**
- **Strong asset quality,** as retail secured lending represents 92% of customer assets
- **Low risk credit profile** resulting from significant de-risking (strong asset quality ratio 12bps)
- **High quality loan book and low corporate exposure**
- **All PPI enquiries and complaints received prior to the time-bar have now been processed** (excluding Official Receiver)

Agility

- **Franchise growth** as deposits increase 8%, mortgage and SME lending up 2% and 74%
- **Increase in volume of customers** as ethical brand attracts consumers
- **16% share of ISS** surpassing expectations (target 6%)
- **Retained 3rd in market current accounts NPS of +25**
- **Adapted working patterns ensuring we are there for customers when they need us most**

Challenges

- **Continued NIM reduction** due to sustained margin pressure
- **Safe, low-risk lending book makes returns challenging**
- **As outlook remains uncertain limited growth expected**
- **Structurally high cost base** coupled with income pressure impacts ability to generate organic profitability
- **Investment plans scaled back as we conserve capital and revised guidance issued**

Supporting customers, colleagues & communities throughout COVID-19

Here for customers when they need us

- **First to market with first £500 of overdraft free**, temporary removal of fees, and full government support measures implemented
- **Approved £166m BBLs and £22m CBILs** (£140m and £10m drawn respectively)
- **>18k** payment deferrals provided across mortgages, loans and credit cards
- **>2.5m reassurance messages** sent with access to financial advice
- **All branches and contact centres open** providing full service

Supporting dedicated colleagues

- **83% of colleagues working from home rated their wellbeing as positive** (June colleague sentiment survey)
- **Enhanced wellbeing measures** including extended leave, flexible policies, additional equipment and mental health support

Living our community values

- **Care packages donated to NHS local hospitals** and headsets provided to GPs
- **Implemented a range of support measures** underpinning our co-operative spirit, imperative at time of national crisis (summarised overleaf please refer to IFR for more detail)

"In 31 years of being in the NHS this is the kindest thing!"

NHS nurses on receiving Co-operative Bank care packages

Leading unique ethical brand resonating with customers at a key time

Championing our ethical difference

- **Retained #1 for ethical perception** (Hall & Partners)
- **Unique brand attracting new customers seeking an ethical Bank**
- **Provided support to SMEs and co-operatives throughout pandemic**
  Launched Hive Assist package launched in partnership with Co-ops UK

Supporting charities throughout pandemic

- **£498k plus facilitation of one-off £650k pledge** to worthy causes during COVID
- **Additional 55 community projects supported** via customer donation fund
- **Partnership with Refuge supporting those impacted by increased domestic violence** during lockdown
- **Ongoing partnership with Amnesty International supporting human rights**

Pioneering sustainable business

- **Beyond carbon neutral since 2007**
- **Zero waste to landfill commitment** on track
- **We don't bank businesses involved in fossil fuel production**

"I would like to offer my heartfelt thanks to The Co-operative Bank for standing alongside us and supporting us for more than two decades. Our partnership has helped to equip, train and support young human rights defenders across the UK and all over the world, and I could not be more proud of what our organisations have achieved"

Kate Allen, Director
Amnesty International

Continued high customer satisfaction and external accreditation in 2020 for our award winning products & services

Award winning Retail products

- **Winner of the 'Best Current Account Provider'** (Moneyfacts)
- **Gold Ribbon status by Fairer Finance for Current Accounts** (silver savings status)
- **5 star rating** for Everyday Rewards Current Account (Moneyfacts)

Best Current Account Provider

Best Charity Banking Provider

Award winning charity & small businesses services

- **Winner of 'Changing Lives in the Community'** award (Card & Payment awards)
- **Voted 'Best Charity Banking Provider'** for fifth consecutive year (Moneyfacts)
- **Awarded 'Best service from a business bank'** for three consecutive years; highly commended in 2020 (Moneyfacts)

Strong customer satisfaction

- **Retained 3rd place in the market in current account NPS of +25**
- **Branch network of the year for the 3rd year running** (Moneyfacts)
- **Uplift in customer retention metrics**

Branch Network of the Year

Growth in our Retail business, however income reduced due to margin pressure

Velocity in our deposit base

- **8% growth in franchise deposits**
- **Observing more conservative customer behaviour** in 2Q driving higher balances
- Continue to grow franchise balances whilst exiting expensive rate-sensitive deposits

Challenging retail lending market

- **2% increase in mortgage lending** despite temporary housing market disruption
- **Increased volumes** post lockdown with an **uptick in margins**
- **Greater retention** from strengthened broker relationships and agile pricing
- **However, market remains challenging** due to sustained low rates and more customers opting for fixed rate products
- **Reduction in credit card balances** as consumers pay off unsecured debt

Growing our loyal customer base

- **10% increase in new to Bank customers** building on increases in 2018 and 2019 (monthly rolling average)
- **11% reduction in exit of high usage customers** highlighting customer loyalty
- **63% reduction in current account net switching outflows** against a broadly flat market

"I just wanted to say a massive thank you for your time, effort and advice... it really made a difference speaking to you. Thank you so so much"

Retail customer feedback

SME growth as we invest in our small business banking and actively pursue further opportunities

Franchise momentum continues

- **25% growth in SME deposit balances, 74% lending growth in 1H 20**
- **Business Current Account openings up 59%** (compared to 1H 19)
- **Approved £166m BBLs and £22m CBILs** (£140m and £10m drawn respectively)
- **16% share of Incentivised Switching Scheme** exceeding estimated 6 %
- **Continue to offer market-leading free banking proposition**

Maximising BCR investment alongside our own investment

- **Additional relationship managers** recruited
  providing personalised advice and support through unprecedented times
- **New product launch with further plans for 2H**
  (1H 35 day notice savings SME account, 2H savings, insurance & credit card)
- **Technological investment**
  with 4 SME releases rolling out enhanced features and functionality
- **Integration with Xero & QuickBooks** providing business software support

Additional BCR funding would accelerate SME plans enabling:

- Tailored product offering;
- Simple, user friendly, value added technology providing convenient real-time transactions; and
- First-class relationship management

"Thank you so much for all your help. You have been quite amazing. We are so glad we bank with the Co-op Bank!"

SME customer feedback

Digital usage accelerates as this becomes the customer channel of choice

Investment key as growth accelerated

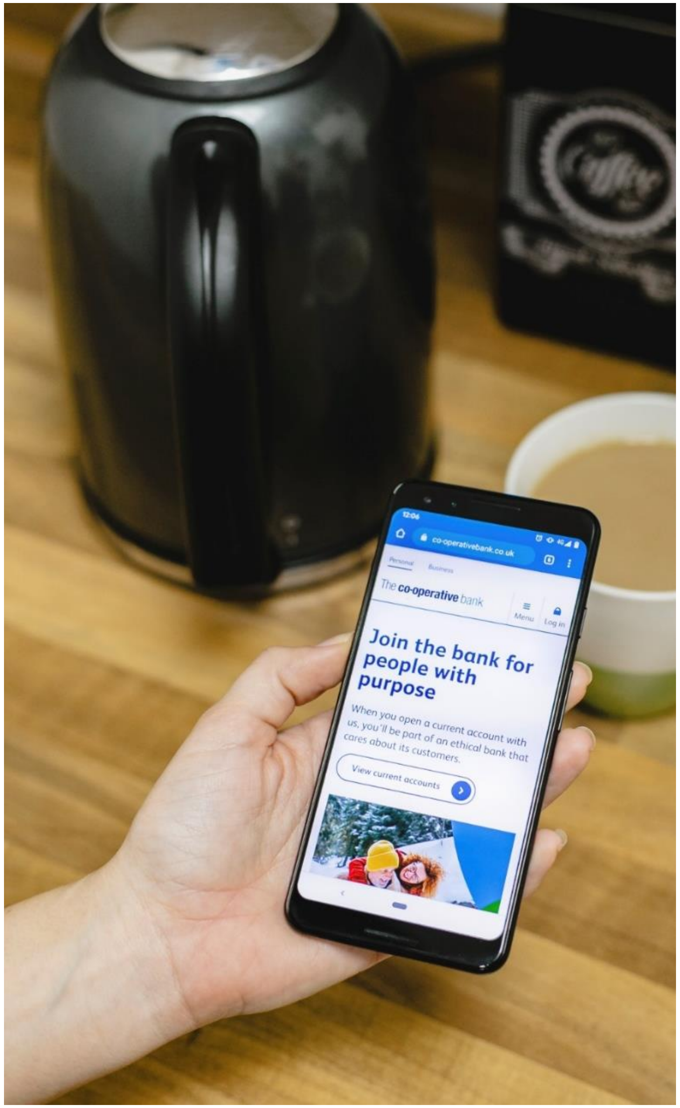
- **Online sales double in 1H** as digital accounts for c.70% of all sales (40% in 2019)
- **Highest number of digitally active current account customers at 62%** (2% uplift in 1H 20)
- **Trebled new releases and straight through processes** (25 vs 8 in 1H 19)
- **Quadrupled new customer journeys** (14 v 3 in 1H 19)

Agile digital delivery in response to COVID

- **CBILs and BBLs, overdraft and payment deferral requests digitised**
- **Online submissions fully automated, removing need for manual intervention** (improving process time to 2 mins)
- **COVID hub developed offering advice and support to customers**
- **SME time to open improved by almost 3 days**

Digital priorities in 2H to keep pace with technology

- **Continued investment required** as we remain committed to improving online banking services and service levels
- **SME mobile app** and soft token authentication
- **Same day SME account opening**
- **Increase straight through application processing**



Focus on simplification with reduced investment as non-essential projects deferred

Transforming our services

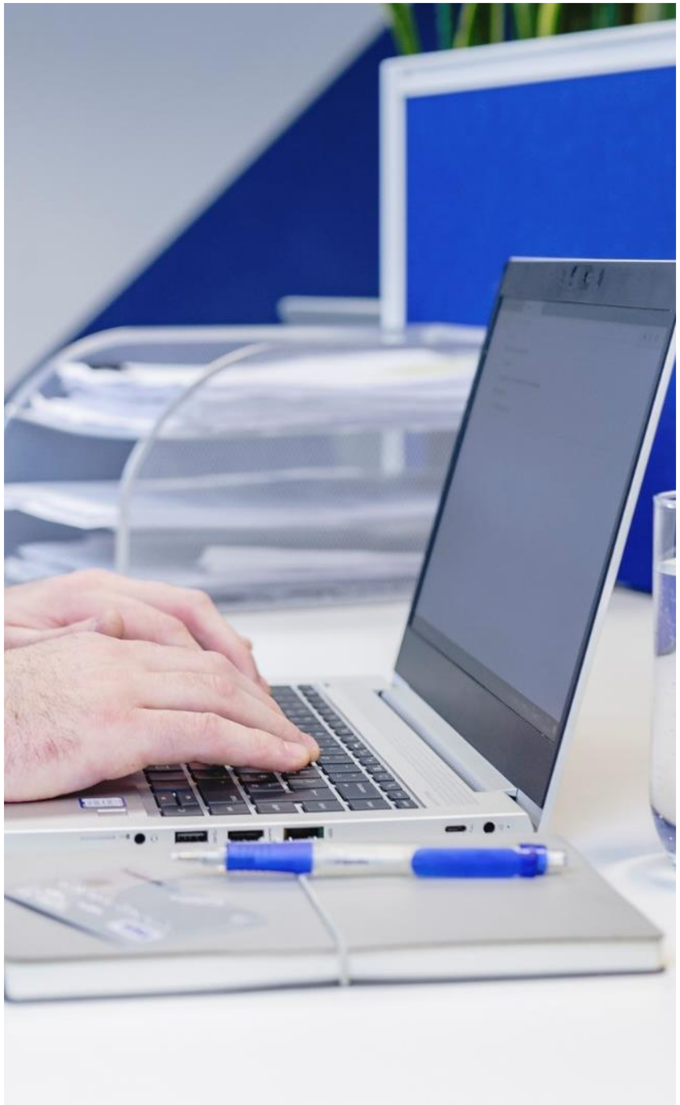
- **Mobile statements live**
- **Credit card applications fully digitised**
- **Mortgage platform upgrade** reducing reliance on costly legacy infrastructure

Streamlining our processes

- **Foreign payment correspondent banks reduced from 16 to 2**
- 70 % improvement in Faster Payment processing times (20 to 6 minutes)
- **Rationalised telephony infrastructure and legacy apps** 25 % and 15 % respectively
- **Solidified key strategic partnerships as we rationalise supplier base**
- Moving to cloud hosted model

Deferral of non-essential projects

- **2020 investment portfolio reduces c.£35m** to £40-45m following review of updated cost / benefit profiles in light of new environment
- **Planned investment in new mortgage and savings IT platform paused**
- **Alternative simplification options** utilising in-house resource underway



Franchise growth and resilience encouraging, however further uncertainty and challenges lie ahead

Challenges

- **Historic low interest rates, economic uncertainty and structurally high cost base** delays profitability expectations
- **Lower level of strategic spend** affects longer term plans to **grow revenue and simplification objectives**
- Market conditions make **MREL issuance challenging**
- **Revised guidance issued in light of COVID**

Opportunities

- **Committed to growing SME business,** actively pursuing further BCR investment
- **Targeted mortgage growth** focusing on agile pricing to drive income
- **Operational resilience** demonstrated, continued focus on costs and efficiencies
- **New student account** due to launch in 2H, targeting new customer segments

Strong franchise

- **Market leading ethical brand** resonates with our customers at this time
- **Attracting new customers** and maintaining high satisfaction
- **Dedicated colleagues** ensure we are here for customers when they need us
- **High quality loan book** and strong asset quality ratio

Low risk balance sheet

Gareth Jones

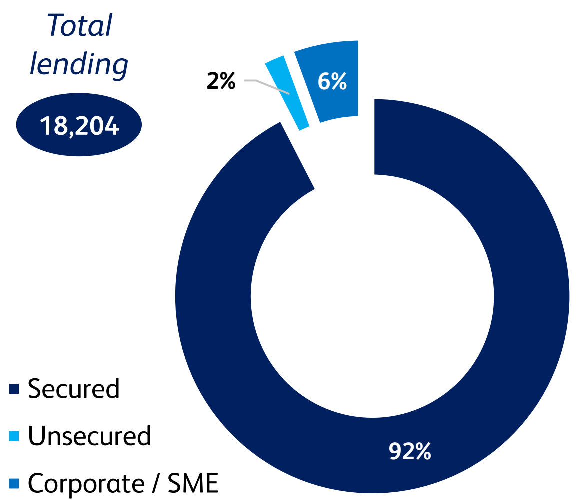
Chief Risk Officer Designate

The co-operative bank

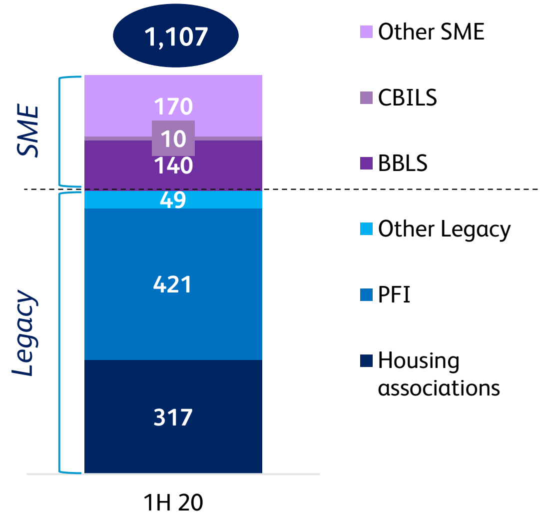
for people with purpose

Low risk portfolios reduce ECL impact compared to peer group

Lending mix (£m)



SME / Corporate portfolio split (£m)



Secured lending – increased defaults are unlikely to drive material credit losses due to relatively low LTV's on existing balances meaning that collateral would be sufficient to offset losses in most cases, assuming limited deterioration in HPI

- 92 % of customer assets are secured; 91 % core and 1 % Optimum
- Over 16,000 payment deferrals granted in phase 1 (c.11 % of retail and c.22.6 % of Optimum customers); of these requests 98 % were up to date with payments[1] at a blended LTV of c.60 %
- c.15 % of phase 1 deferrals have requested a second payment deferral[2]; 1.8 % of the portfolio now on a payment deferral. LTV similar to previous blend

Unsecured lending – low balance levels mean that it is unlikely that material losses would be incurred unless there was a severe sustained economic downturn

- c.2,700 payment deferrals granted (c.6.8 % of loan book and c.0.5 % of credit card book)

SME / Corporate – low risk segments; c.86% of total corporate lending

- **Housing associations & PFI;** (c.67 % of total corporate lending) low risk sectors (NHS and schools in PFI) with no expectations of increase in ECL
- **CBILS & BBLS**; (c.14 % total corporate lending), primarily government backed
- **CRE**; 44 % of c.£100m balances associated with non-retail properties
- **Renewables**; c.£23m exposure with a strong cash flow covenant

SME / Corporate – at risk segments; c.14% of total corporate lending

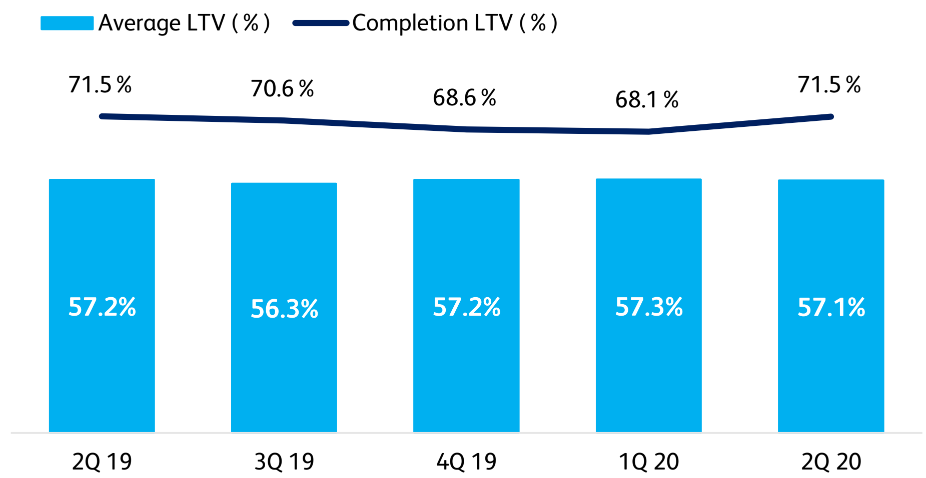
- **CRE;** remaining 56 % of c.£100m is secured by properties with tenants from retail sector. This portfolio has an average LTV of c.47 % and is considered to be higher risk of tenant default
- **Hospitality[3] & Retail;** less than c.£45m drawn exposure; increased risk due to lockdown
- Other sectors include **Charities, Education and Care;** c.£50m exposure

1. As at end-February
2. As at 26 July 2020
3. Hospitality sector includes hotels, food and leisure

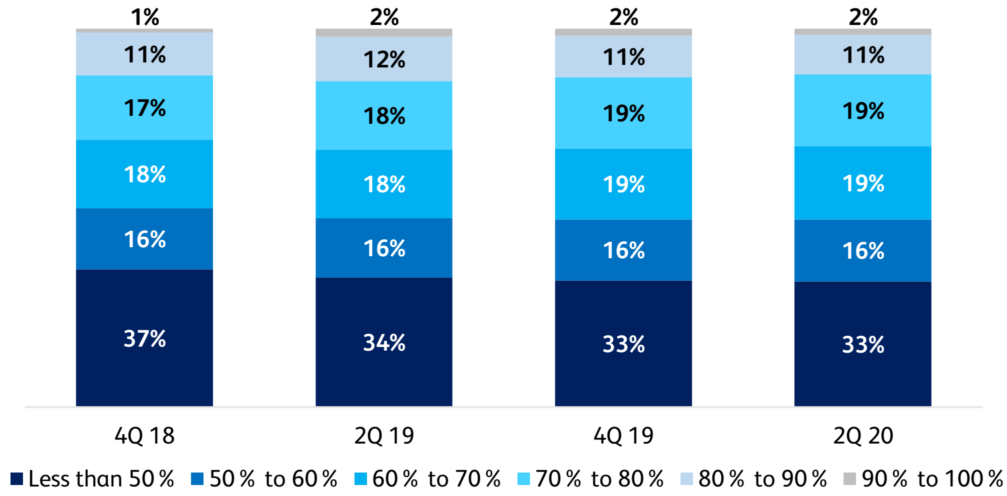
The co-operative bank
for people with purpose

Well diversified mortgage book with low levels of arrears

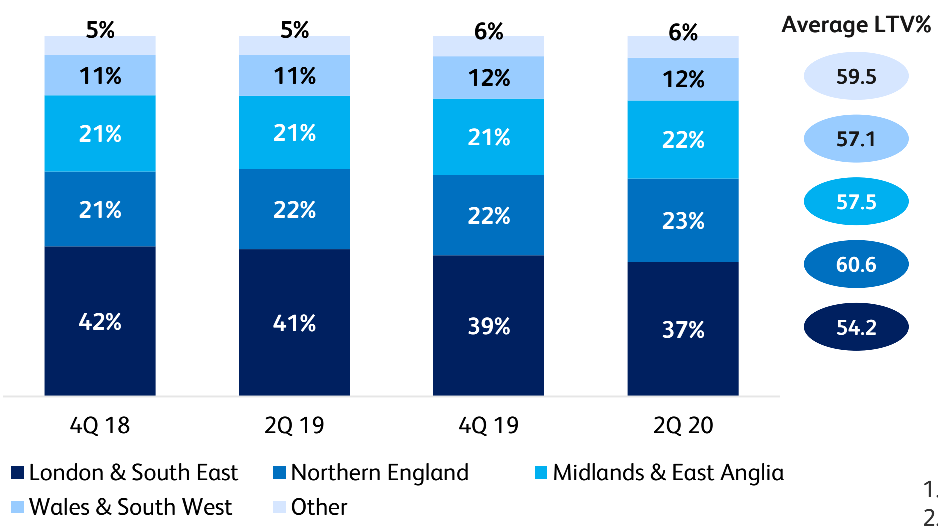
Average core mortgage LTV (%) [1]



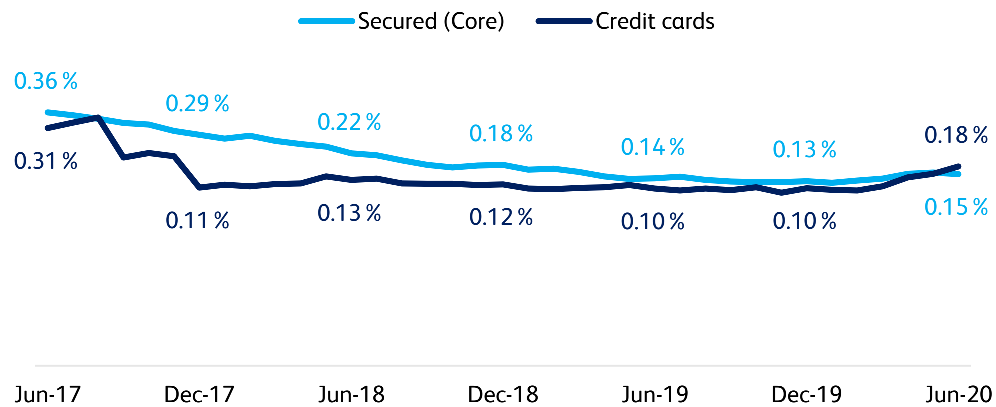
LTV split by band



Core mortgage book by geographical split



Accounts >3 month in arrears [2]



1. LTV's shown are indexed and balance-weighted
2. Volume of accounts in arrears over total volume of accounts

The co-operative bank
for people with purpose

Updated economic scenarios post COVID-19 drive £5.5m increase in ECL

Mild Upside = Shallow V shaped recovery

- Smaller GDP shock, declining 6.6 % in 2020
- Unemployment uplift is limited, rising to 6 % by end of 2020
- House price declines are both slower and smaller, with prices falling 1.5 % YoY in 2020

Base Case = Sharp V shaped recovery

- UK enters recession in 2Q 20, before rebounding strongly in 3Q 20. GDP declines 14.3 % in 2020, followed by 15.1 % growth in 2021
- Unemployment rises to 9 % by end of 2020, declining quickly to 6 % by the end of 2021
- House prices fall 8 % YoY in 2020, with modest growth thereafter

Mild Downside = U shaped recovery

- 2H 20 GDP recovery is half that in the base, resulting in growth rebound of 6.9 % in 2021
- Unemployment rises to 10 % by end of 2020, with a modest decline to 8.5 % by end of 2021
- House prices fall 16 % YoY in 2020

Downside = L shaped recovery

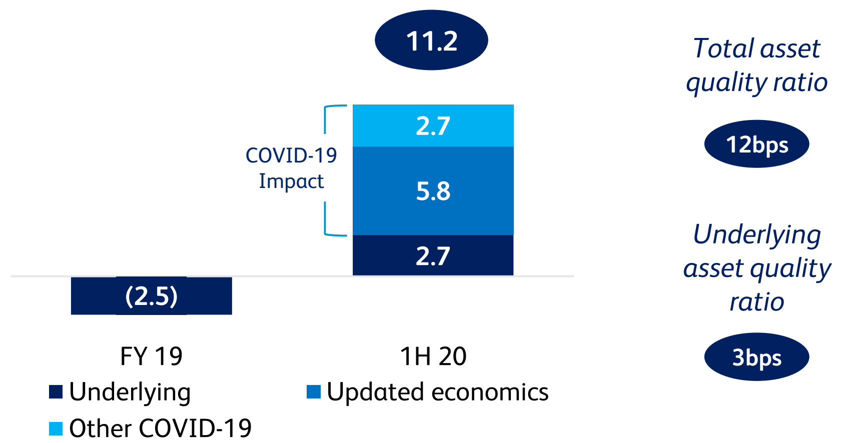
- 2H 20 GDP recovery is a quarter of that in the base, resulting in growth of 0.4 % in 2021
- Unemployment rises to 10 % by end of 2020, with a slow decline to 9.2 % by end of 2021
- House prices fall 16 % YoY in 2020, and continue to decline in 2021 by 17.3 %

	Probability weighting (%)		2020	2021
Mild upside	30 %	GDP	(6.6%)	4.5%
		HPI	(1.5%)	(1.4%)
		Unemployment rate	6.0%	5.0%
		Base rate	0.10%	0.25%
Base case	40 %	GDP	(14.3%)	15.1%
		HPI	(8.0%)	2.0%
		Unemployment rate	9.0%	6.0%
		Base rate	0.10%	0.10%
Mild downside	25 %	GDP	(17.7%)	6.9%
		HPI	(16.0%)	2.0%
		Unemployment rate	10.0%	8.5%
		Base rate	0.10%	0.10%
Downside	5 %	GDP	(19.4%)	0.4%
		HPI	(16.0%)	(17.3%)
		Unemployment rate	10.0%	9.2%
		Base rate	0.00%	0.00%

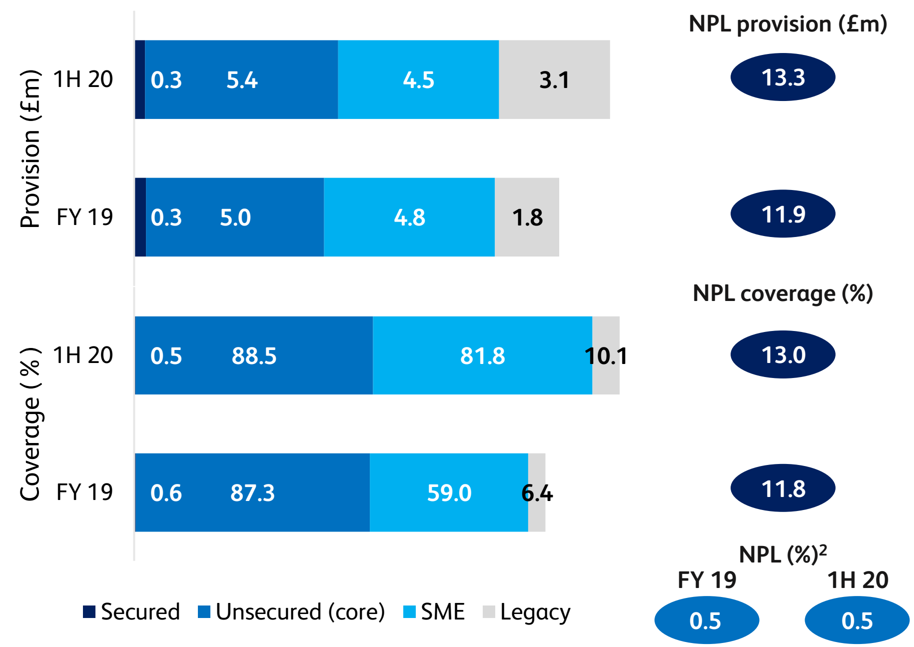
Basis of Prep	GDP	(Annual Average YoY%)
	HPI	4Q YoY%
	Unemployment rate	4Q %
	Base rate	4Q %

Asset quality ratio of 12bps driven by COVID-19

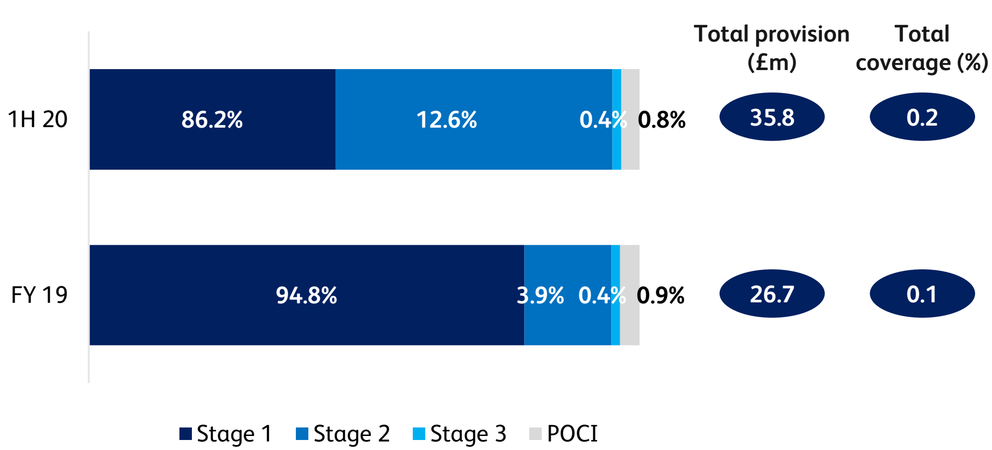
Impairment charge split (£m)



NPL coverage [1]



Exposure by stage [3]



Net impairment charge of £11.2m reflects strong credit quality and an asset quality ratio of 12bps

- Revised IFRS 9 scenarios and weighting drives COVID-19 charge of £5.5m in 2Q 20 (£0.3m in 1Q 20) following significant review
- Other COVID-19 charges include model overlay / staging movements for payment deferral risk and review of corporate sectors deemed more at risk
- Underlying charge relates primarily to one legacy corporate case unrelated to COVID-19

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

Financial results

Nick Slape

Chief Financial Officer

The co-operative bank
for people with **purpose**

Cost efficiencies are more than offset by lower income and increased impairments

£m	1H 20	1H 19	Change
Net interest income	127.4	167.9	(24 %)
Other operating income	21.0	23.1	(9 %)
Total income	**148.4**	**191.0**	**(22%)**
Operating costs	(168.1)	(185.0)	9 %
Continuous improvement spend	(3.0)	(8.2)	63 %
Operating expenditure	(171.1)	(193.2)	11 %
Impairment	(11.2)	(0.1)	>(100 %)
Underlying (loss)	**(33.9)**	**(2.3)**	**>(100%)**
Strategic change	(15.0)	(52.7)	72 %
Net customer redress charge	-	(2.5)	N/A
Non-operating income	4.3	19.0	77 %
Loss before tax	**(44.6)**	**(38.5)**	**(16%)**

Ratios			
Customer NIM (bps) [1]	141	189	(48)
Underlying cost:income ratio (%) [2]	115	101	14
Asset quality ratio (bps) [3, 4]	12	(1)	13
CET1 ratio (%) [4]	18.2	19.6	(1.4)

1. Calculated as annualised net interest income over average customer assets
2. Calculated as operating expenditure over total income
3. Calculated as annualised impairment charge over average customer assets
4. Comparative shown as at FY 19

Loss before tax in line with expectations despite COVID-19 impacts; £44.6m loss increases 16%, as increased underlying loss is partially offset by a reduction in strategic spend

Total income reduces by 22% to £148.4m

- EIR adjustment and lower lending margins impact Retail NII in 1H 20. Treasury impacts include costs of Tier 2, asset mix and lower rates
- Other operating income reduction driven by lower Treasury gilt sales offset by benefits from renewed strategic partnerships

Operating expenditure reduces by 11% to £171.1m

- Benefits from strategic contract renegotiations, completion of IT separation and lower staff costs

Impairment of £11.2m arises largely from the effect of COVID-19, as well as one significant Legacy Corporate case unrelated to COVID-19.

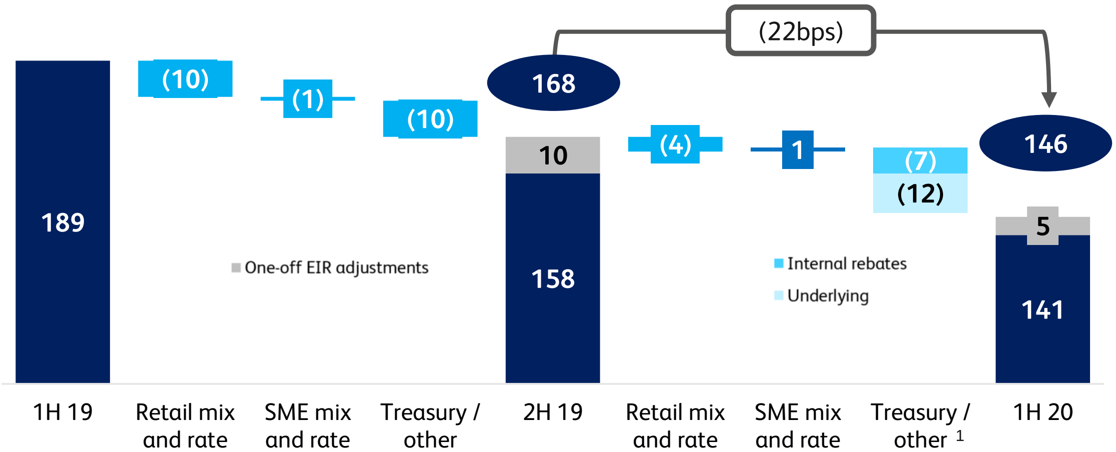
Strategic change reduces 72 % , principally the result of concluding the 'fix the basics' stage of the strategic plan and conserving capital during uncertain times

Non-operating income includes gains on Visa inc. preference shares, which have increased £4.2m this year

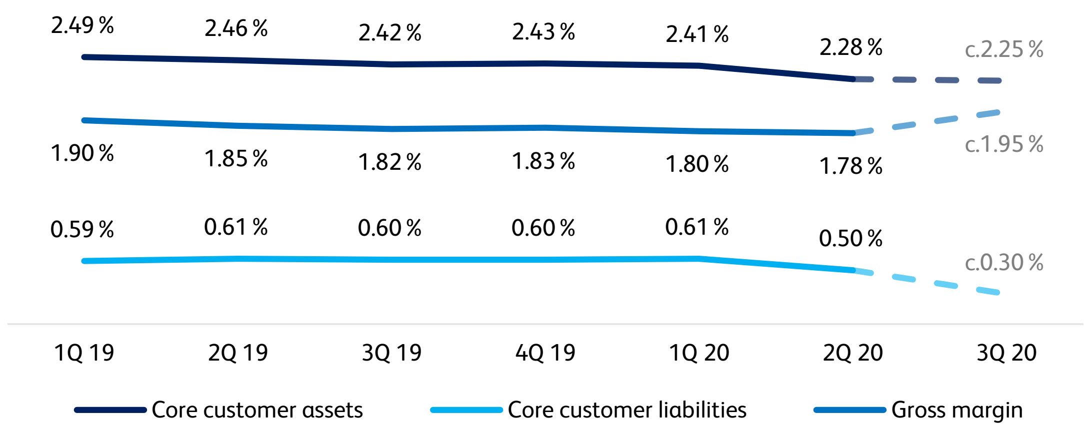
CET1 ratio down to 18.2%; down 1.4pp since FY 19; 0.1pp in 2Q

NIM impacted by base rate reduction and compressing asset margins

Customer net interest margin (bps)[1]



Customer rate corridor[2]



£m	1H 20	1H 19	Change
Retail	117.0	132.8	(12 %)
SME	20.5	19.6	5 %
Core customer interest income	**137.5**	**152.4**	**(10%)**
Treasury	(8.4)	15.2	>(100 %)
Total core interest income	**129.1**	**167.6**	**(23%)**
Legacy or unallocated	(1.7)	0.3	>(100 %)
Total net interest income	**127.4**	**167.9**	**(24%)**

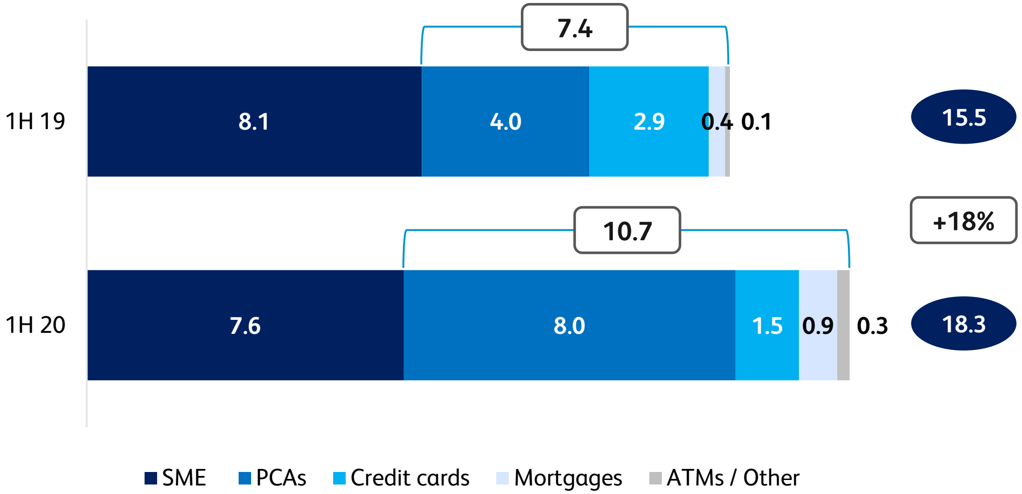
- NIM reduced throughout 2019 following Tier 2 issuance and sustained mortgage margin pressure
- EIR impacts due to customer behaviour (4Q 19) and base rate change (1Q 20)
- Retail impacted by lower asset margins and timing lag on deposit repricing following the base rate change
- Customer corridor to widen in 3Q 20 once deposit repricing actions are in-force
- Treasury impacted by lower base rate and changing asset mix
- NIM expected to remain stable in the year at 140 - 145bps as pricing actions offset lower base rate

1. Calculated as annualised net interest income over average customer assets; 7bps of Treasury impact driven from greater pass back to Retail and SME reflecting longer behavioural life of deposits - net nil Bank impact
2. Calculated as annualised core customer income over the core customer average balances for the 3-month period

Other operating income benefits from renewed supplier partnerships

£m	1H 20	1H 19	Change
Retail	10.7	7.4	45 %
SME	7.6	8.1	(6 %)
Core customer fee income	**18.3**	**15.5**	**18%**
Treasury	2.9	6.4	(55 %)
Total core other operating income	**21.2**	**21.9**	**(3%)**
Legacy or unallocated	(0.2)	1.2	>(100 %)
Total other operating income	**21.0**	**23.1**	**(9%)**

Core customer fee income split (£m)



Core customer fee income increases 18%

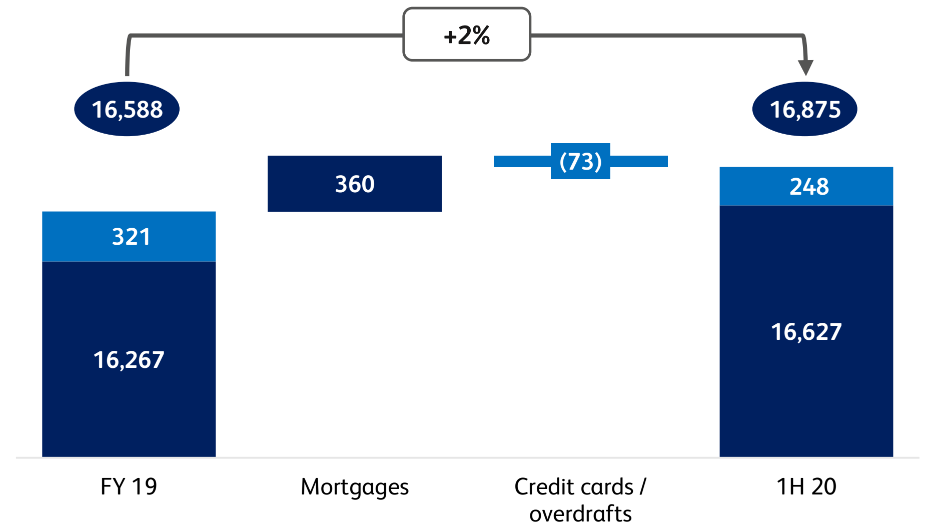
- Retail income increases due to renewed supplier partnerships
- Reduced customer activity during COVID-19 has impacted underlying PCA and credit card income with lower transaction related commission
- SME fee income down 6 % due to COVID-19 impact on businesses, primarily reduced levels of transactional commission income
- Fee income has started to recover through June as lockdown measures have eased

Treasury other operating income reduces by 55%

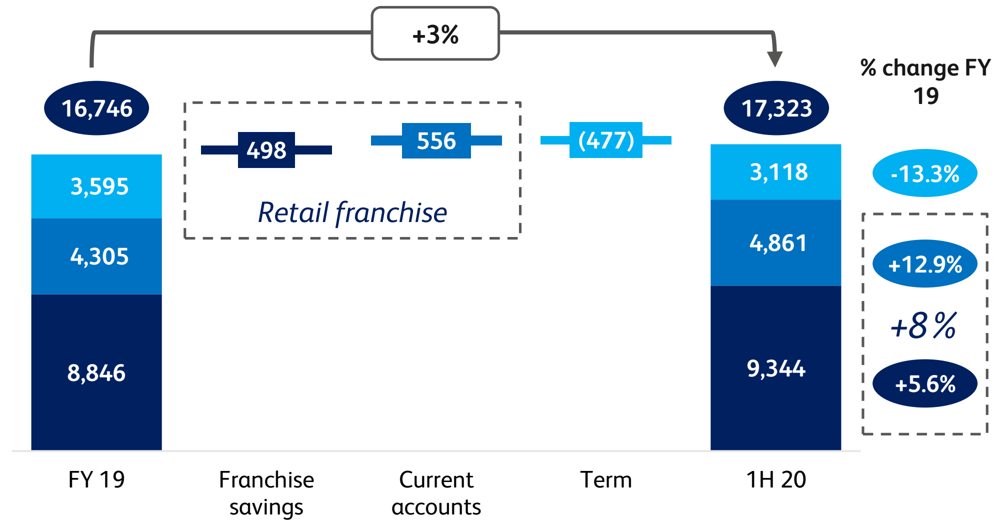
- Lower volumes of gilt sale gains recorded in 2020
- COVID-19 driven volatility reported in 1Q 20 has materially unwound by the end of June

Retail: growth in low cost deposits and low risk mortgages

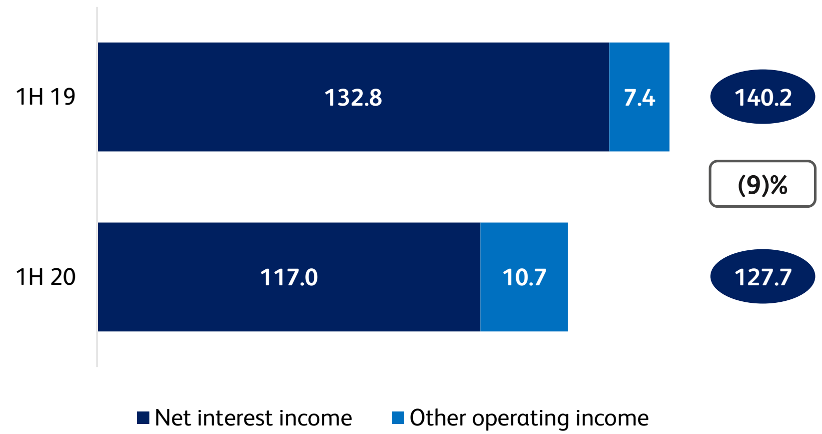
Retail assets flow (£m)



Retail deposits flow (£m)



Retail income (£m)

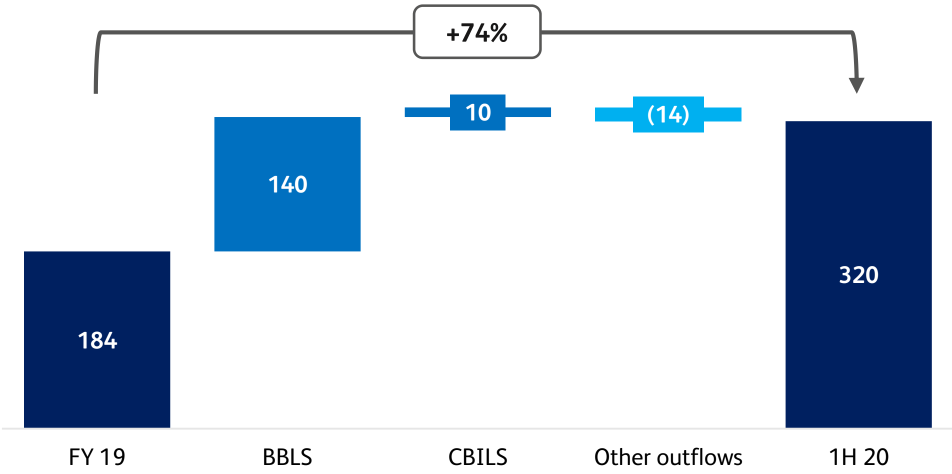


- 2 % net growth in mortgages with new business of £1.6bn. Improved retention supports net lending growth. Subdued applications in 2Q although positive signs emerging as we enter 3Q. New business margins have increased 27bps YoY
- Credit card balances reduce as customers pay down unsecured debt during COVID-19
- Franchise deposits increase 8 % primarily through reduced customer spending. Reducing term balances coupled with franchise deposit growth supports reducing cost of deposits

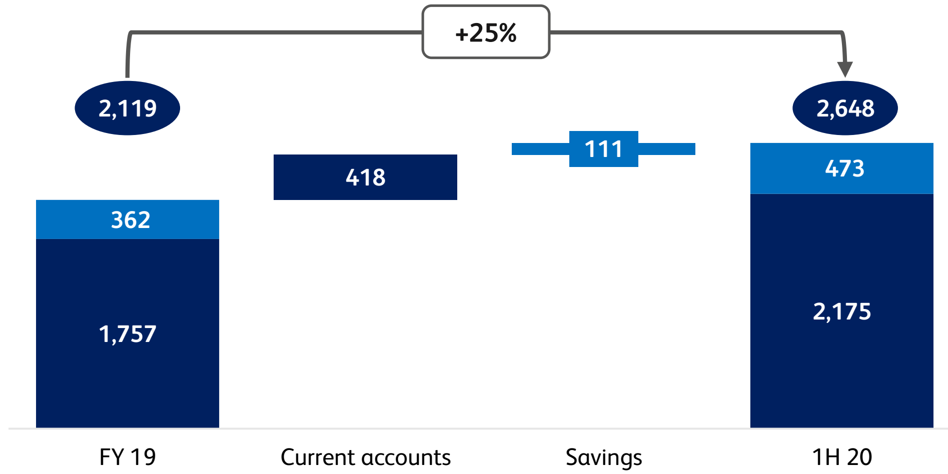
The co-operative bank
for people with purpose

SME: significant growth in both assets and deposits

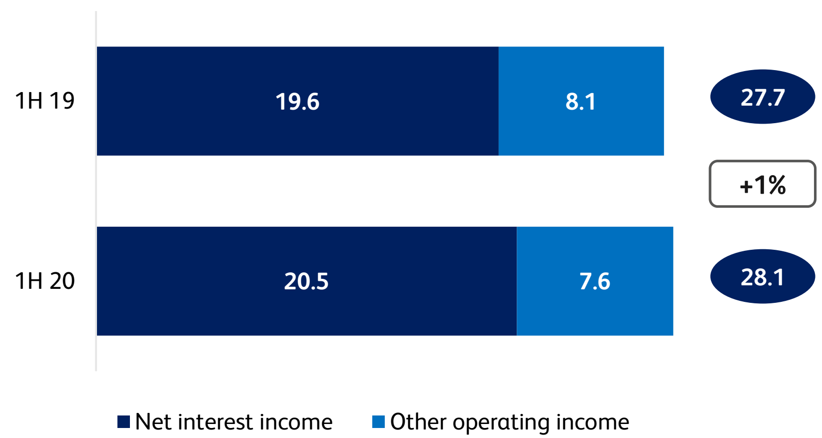
SME assets flow (£m)



SME deposits flow (£m)



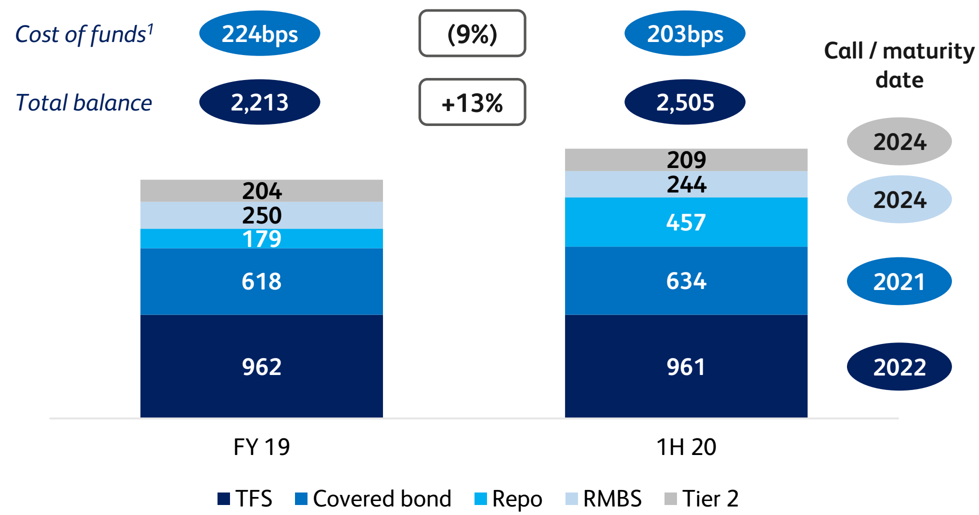
SME income (£m)



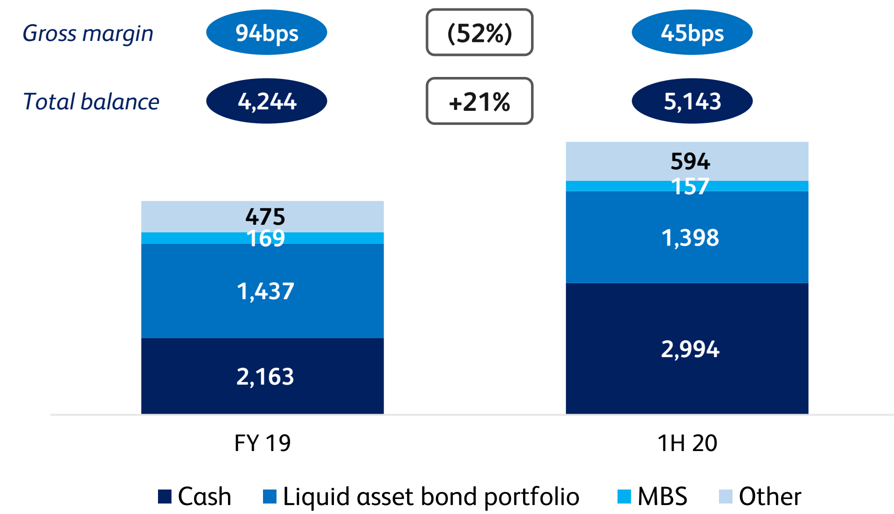
- 74 % SME asset growth driven by BBLS drawdown; levels expected to plateau in 3Q
- Strong growth in SME deposits, primarily through current accounts
- Attracted 16 % of ISS volumes; higher than planned share
- Velocity of deposit growth expected to stabilise in 2H as lockdown restrictions ease
- Lower fees driven by subdued transactional activity during COVID-19
- NIM reflects value of SME deposits funding other areas of the balance sheet

Treasury: income risks from lower rate profile

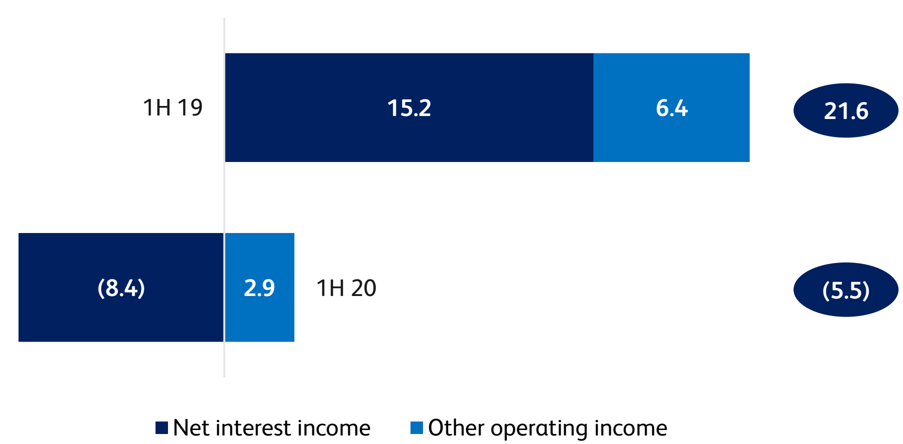
Wholesale funding (£m)[1]



Treasury assets (£m)[1]



Treasury income (£m)

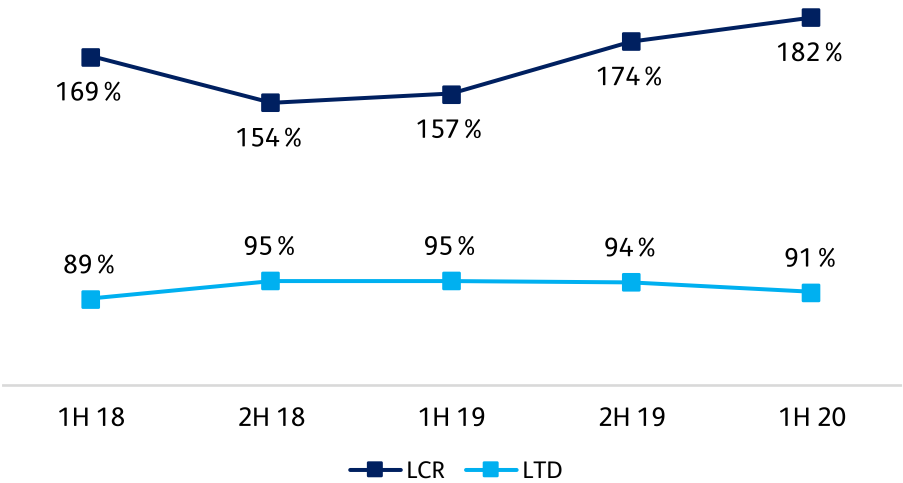


- Low levels of wholesale funding; comprises only 11 % of funding base with significant maturities in 2021 and 2022
- TFSME initial allowance of £1.76bn with estimated £1.0bn additional available, which presents an opportunity to grow lending and optimise the balance sheet. Drawdown anticipated in 2H 20
- Cost of wholesale funding is more expensive than customer deposits due to Tier 2; reduced following base rate change
- Asset mix concentrated to lower yielding cash and bond portfolios; returns reduce with lower rate profile

1. Excludes derivative balance sheet position and FVAHR; other assets primarily includes balances encumbered with other banks

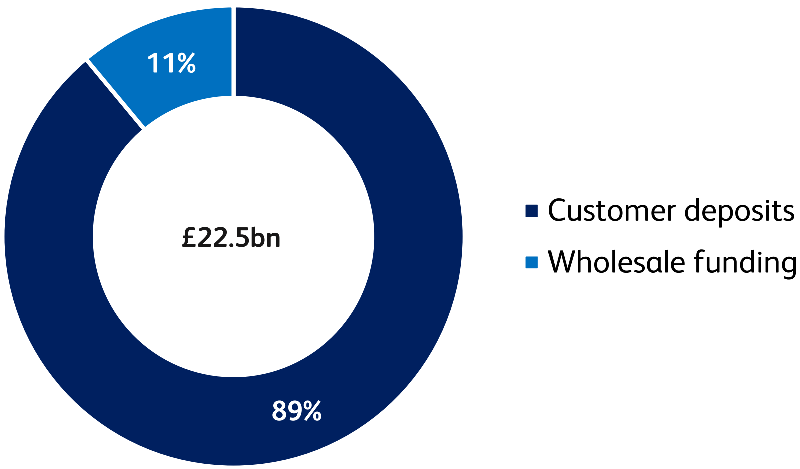
Healthy liquidity position; options available to deploy TFSME

Loan to deposit / liquidity coverage ratios

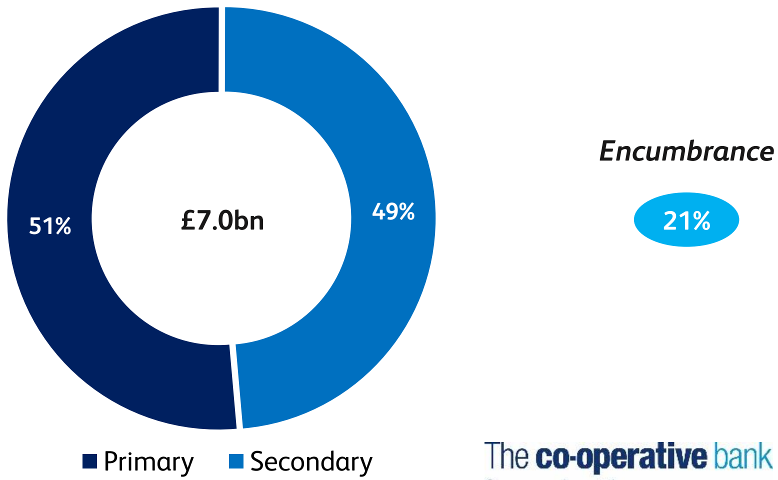


- LCR has increased to 182 % due to an increase in customer deposits and reducing asset origination through COVID-19; LTD ratio reduces to 91 %
- Funding mix weighted towards customer deposits; significant wholesale funding maturities in 2021 (covered bond) and early 2022 (TFS)
- Encumbrance levels low at 21 %; headroom provides opportunity if required
- Options to deploy any TFSME drawing under review; incremental asset lending impacted by 2021 leverage requirement

Funding mix

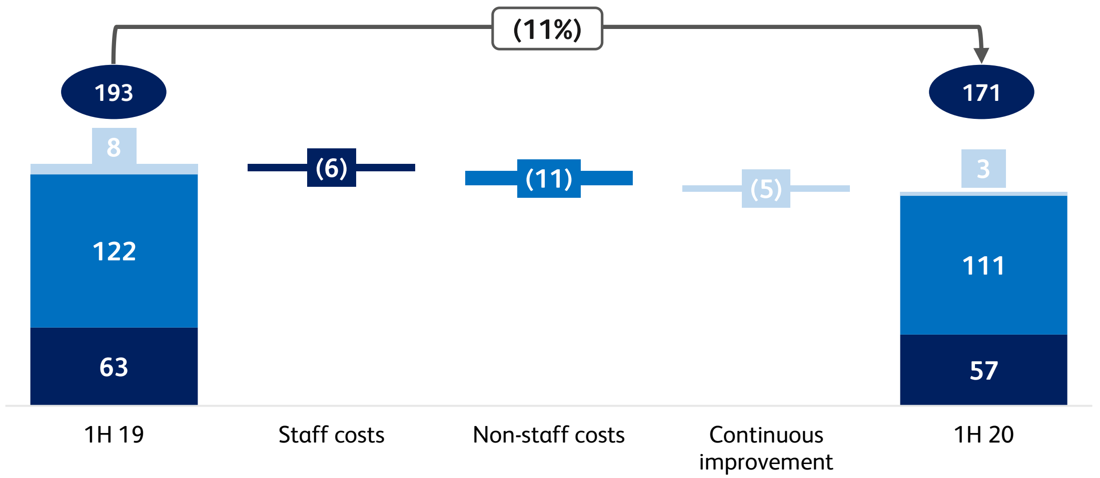


Liquidity profile (£bn)

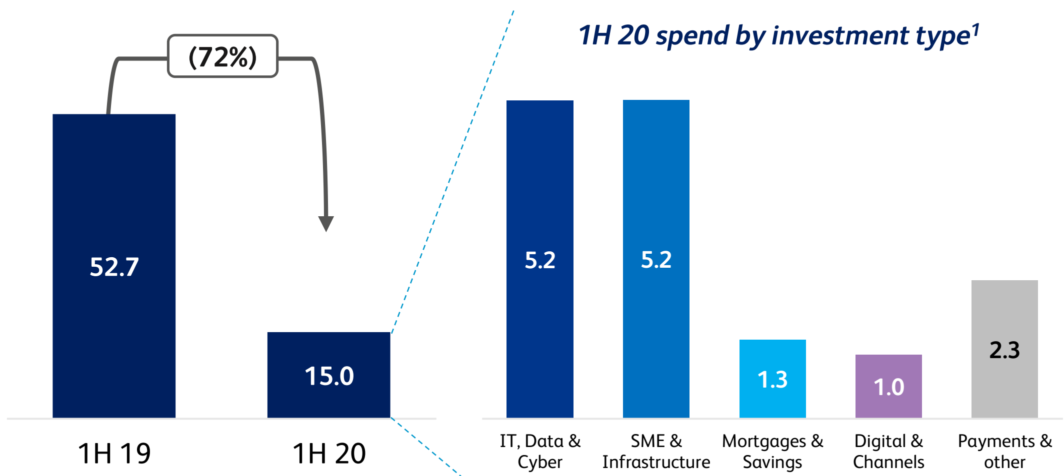


Cost reductions driven by management action

Operating expenditure (£m)



Strategic project costs (£m)



Operating expenditure has reduced by £22m as a result of:

- Staff costs reduce due to the decision not to offer variable pay this year. This decision remains under review and will be revisited later in 2020 if conditions allow
- Non-staff costs lower due to benefits from the completion of Separation, strategic contract renewals and reduced levels of marketing spend
- We have reduced the number of suppliers we use by 23 % in 1H; focusing on better partnerships with fewer suppliers
- Further cost actions in 2H to offset income risks; 2020 cost:income guidance of 110 - 115 %

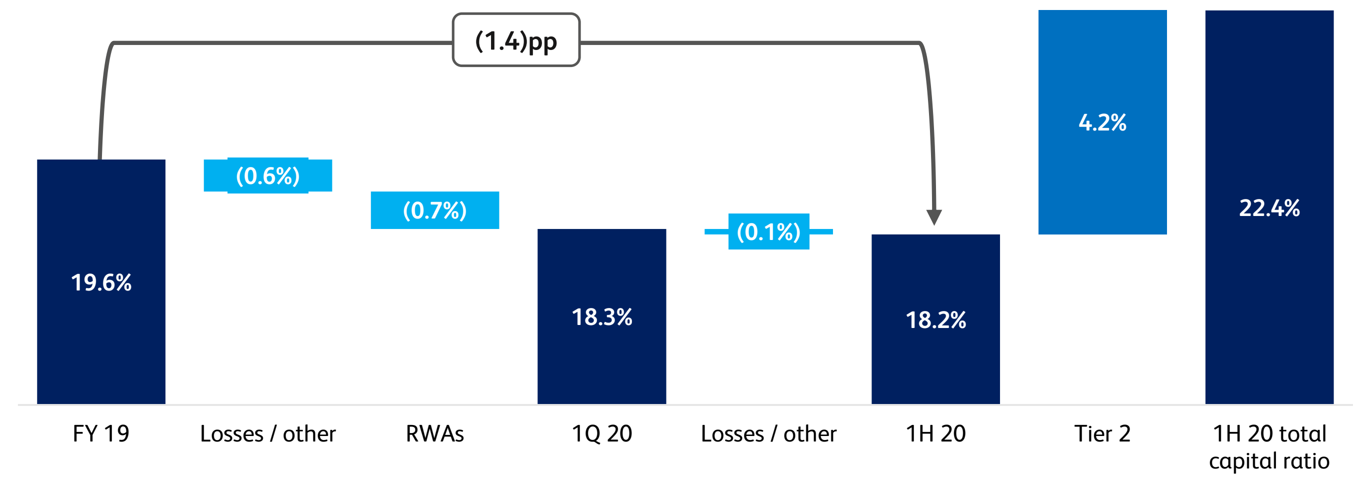
Strategic project costs reduce by 72% following conclusion of key initiatives in 2019

- 2020 spend has so far focused on delivering our SME C&I commitments and final separation related expenses
- Reduced investment spend to conserve capital; full year cash spend of £40 - 45m anticipated

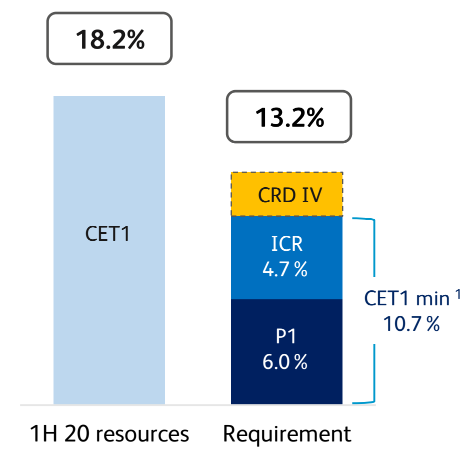
1. Other includes severance and associated costs

Anticipated CET1 ratio reduction driven by RWA growth and losses

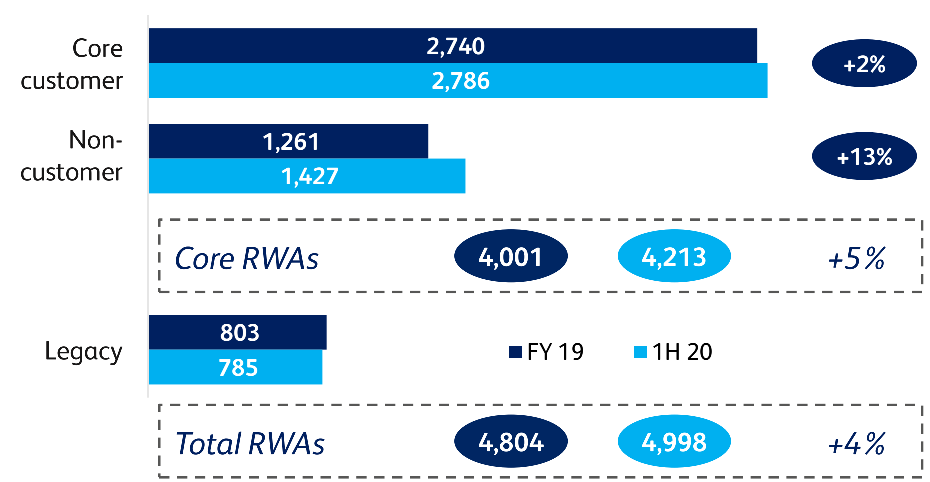
CET1 ratio development | Total capital ratio



CET1 minimum



RWA split (£m)

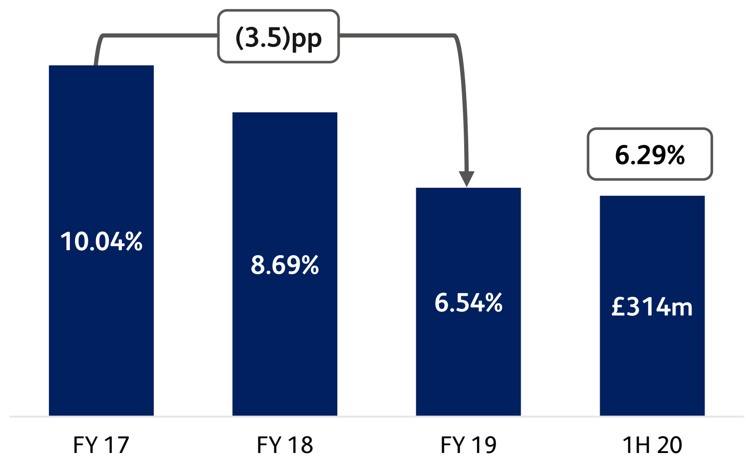


- **CET1% reduces 1.4pp in the year; 0.1pp in 2Q** as the Bank implemented capital conservation measures to mitigate emerging risks
- **£0.2bn RWA growth reduces ratio by 0.7%;** Core customer RWAs increase by 2 % driven by mortgage growth, opportunity from SME supporting factor estimated at £67m from July-20
- Non-customer RWAs impacted by market volatility and new industrywide rules on securitisations
- CET1 minimum reduces 0.2 % due to introduction of static ICR[2]
- **CET1% expected to contract further in 2020;** guidance of 16-17 %; driven by continuing losses and RWA growth, in part due to reducing HPI and impacts of COVID-19

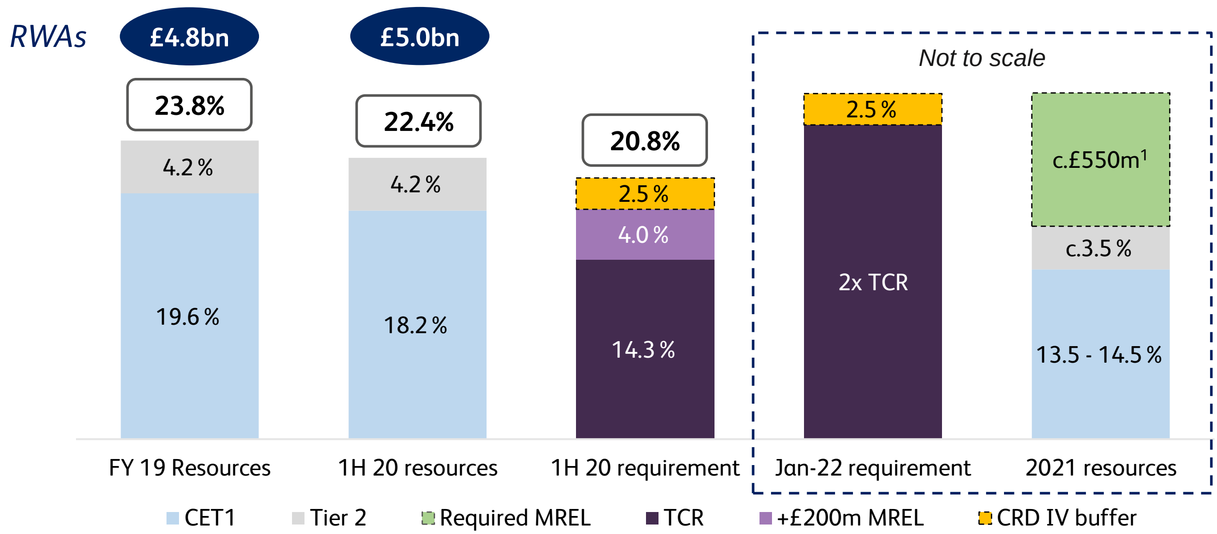
1. The Bank is required to meet AT1 requirements with CET1 as no AT1 is in issue
2. Static ICR equivalent to 6.54 % of RWAs as at 31 December 2019 introduced from June

MREL issuance planned to meet end state requirements

ICR evolution

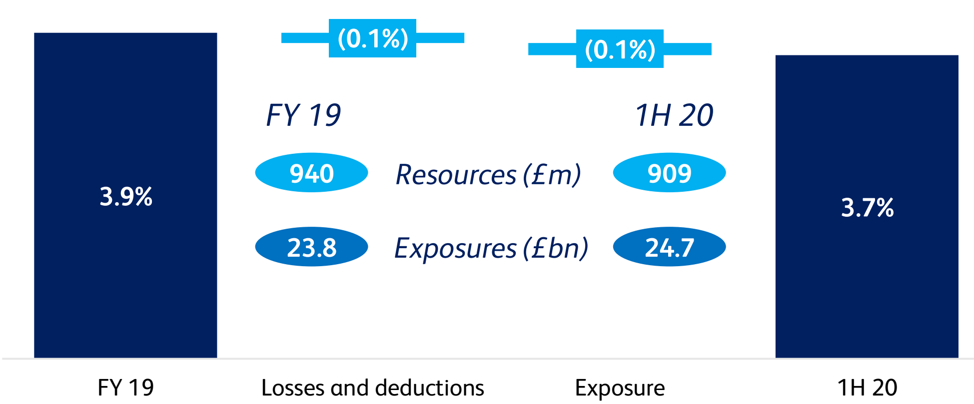


MREL evolution



- ICR reduces to 6.29 % of RWAs due to static ICR. We continue to explore opportunities to drive further efficiencies in ICR
- Targeting c.£550m[1] MREL issuance by the end of 2021 to meet end- state requirements; quantum of issuance required is impacted by economic uncertainty and will be determined by **resources, RWAs** and **capital requirements evolution** which are factored into guidance
- Issuance windows across 2020 and 2021 available, subject to market conditions
- Leverage ratio reduces to 3.7 %; leverage requirements become binding in 2021

Leverage ratio[2]



1. Assumes the base economic assumptions provided on slide 15
2. Leverage ratio calculated on an EBA basis; exposures including Bank of England reserves

The co-operative bank
for people with purpose

Guidance refreshed following COVID-19 impacts[1]

	2020	2021	2024	Key Drivers
Customer NIM (bps)	140 - 145	135 - 140	170 - 180	Increase driven by base rate changes
Cost:income ratio (%)	110 - 115	100 - 105	65 - 75	Income growth and continued cost reduction
Asset quality ratio (bps)	10 - 15	10 - 15	5 - 10	Normalises to low levels post 2021
Franchise investment (£m)	40 - 45	30 - 35	20 - 25	Delivery of mandatory change projects
CET1 ratio (%)	16 - 17	13.5 - 14.5	19 - 20	Increases with profits from 2022
Customer assets (£bn)	18 - 18.5	18.5 - 19	20 - 21	Growth primarily through retail mortgages
Capital metrics	TCR and MREL compliance maintained. PRA buffer compliance targeted by 2023			

Guidance will remain under review until there is more certainty around longer-term COVID-19 impacts. Our strategy drives a return to organic capital generation in 2022; guidance may be adapted if required over the course of the planning period to preserve this aim

Any previous guidance or forward-looking information provided has been withdrawn

1. Assumes the base economic assumptions provided on slide 15

Disclaimer

Caution about Forward Looking Statements

This presentation contains certain forward looking statements with respect to the business, strategy and plans of the Co-operative Bank Holdings Limited and its subsidiaries ("the Group") (including the updated 2020-2024 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, but is not limited to, targets in this presentation, and in the 2020 Interim Financial Report and the Annual Report and Accounts. Forward looking statements sometimes can be identified by the use of words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve', 'predict', 'should' or in each case, by their negative or other variations or comparable terminology, or by discussion of strategy, plans, objectives, goals, future events or intentions.

Examples of such forward-looking statements include, without limitation, statements regarding the future financial position of the Group and its commitment to the Plan and other statements that are not historical facts, including statements about the Group or its directors' and/or management's beliefs and expectations. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements, which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur, will be realised, or are complete or accurate. Past performance is not necessarily indicative of future results. Differences between past performance and actual results may be material and adverse.

For these reasons, recipients should not place reliance on, and are cautioned about relying on, forward–looking statements, as the actual achievements, financial condition, results or performance measures of the Group could differ materially from those contained in the forward- looking statement. By their nature, forward looking statements involve known and unknown risks, uncertainties and contingencies 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, many of which are beyond the Group's, which may result in it 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. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein. Accordingly, undue reliance should not be placed on forward-looking statements. All forward-looking statements herein are qualified by reference to the cautionary statements set forth in this section.

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/or the financial condition of the Group, impact its ability to implement the Plan, affect the accuracy of forward-looking statements or cause its business, strategy, plans, targets and/or results to differ materially from the forward-looking statements. These include, without limitation, the risks and uncertainties associated with the successful execution of the Plan summarised in the 'Principal Risks and Uncertainties' section of the 2019 Annual Report and the 2020 Interim Financial Report. This section includes risks 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; 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 Co-operative Bank p.l.c. 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.

Any forward-looking statements made in this presentation speak only as of the date of this presentation and it should not be assumed that these statements have been or will be revised or updated in the light of new information or future events and circumstances arising after today. The Group expressly disclaims/disclaim any obligation or undertaking to provide or release publicly any updates or revisions to any forward-looking statements contained in this presentation as a result of new information or to reflect any change in the 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.

Important Notice

The information, statements and opinions in this presentation do not constitute or form part of, and should not be construed as, any offer or invitation to sell or issue, or any solicitation of any offer or recommendation or advice to purchase or subscribe for any shares or any other securities nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, any contract or commitment therefore. In particular, this presentation does not constitute an offer for sale of, or solicitation to purchase or subscribe for, any securities in the United States. Furthermore, the information in this presentation is being provided to you solely for your information and may not be reproduced, retransmitted or further distributed to any other person or published (including any distribution or publication in the United States), in whole or in part, for any purpose. No representation or warranty, express or implied, is or will be made and no responsibility, liability or obligation (whether in tort, contract or otherwise) is or will be accepted by any member of the Group or by any of their respective directors, officers, employees, agents or advisers (each an "Identified Person") as to or in relation to the fairness, accuracy, completeness or sufficiency of the information in this presentation or any other written or oral information made available or any errors contained therein or omissions therefrom, and any such liability is expressly disclaimed, provided that this disclaimer will not exclude any liability for, or remedy in respect of, fraud or fraudulent misrepresentation.

No Identified Person undertakes, or is under any obligation, to provide the recipient with access to any additional information, to update, revise or supplement this presentation or any additional information or to remedy any inaccuracies in or omissions from this presentation.