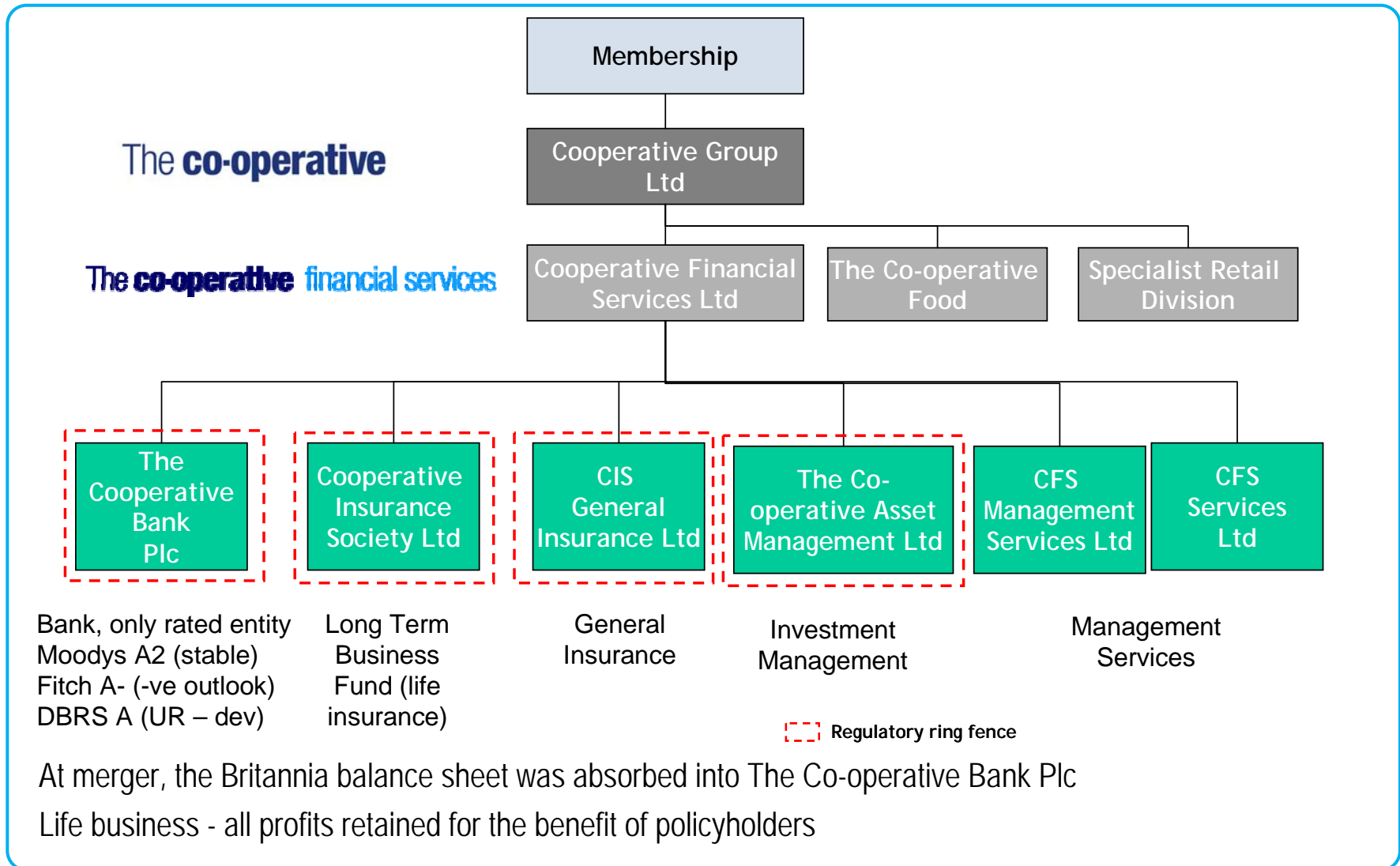


The Co-operative Financial Services Debt Investor Update November 2009

Summary

- Resilient first half results reinforces a 'Merger of strength' between two healthy businesses
- Significant progress on integration, building on excellent track record in both businesses

Group structure



Powerful vision

- Distinctive new force in Financial Services
 - National presence
 - Member owned, customer led, ethically guided
 - Serves customers' best interests with a full product range
 - Serves members' interests by retaining mutual status
 - Integration costs covered from obvious synergies

Creating a real alternative in the banking sector – Mutual, Ethical, Co-operative

	2008	CFS (excl bank)	Co-operative Bank	Britannia
– Merger builds potential for significantly increased future profitability	Assets	£23.8 bn	£15.0bn	£37.2 bn
	Pre tax profit *	£61.4m	£85.6m	£43.0m
	Employees	NA	4,108	4,893
	Branches/Outlets	NA	128	245
– Provides scale to compete in an increasingly consolidated market	Customers	c. 3m	c. 2m	c. 3m

As published, inc UTB (CFS), excl JV profits (Britannia)
 * before distribution, significant items, FSCS levy and short term investment fluctuations

Strong position despite challenging times

- Tough conditions:
 - Economic downturn: worst recession for decades
 - Low interest rate environment, putting pressure on margin
- Opportunities for the merged business:
 - Customers turning to trusted names
 - Trusted, admired and valued financial services company, leveraging our joint brand heritage and leadership position in social responsibility
 - Member rewards proposition linked to membership of the Co-operative Group, one of the world's largest consumer co-operatives
 - Current strength of both businesses allow scope to capitalise on these opportunities

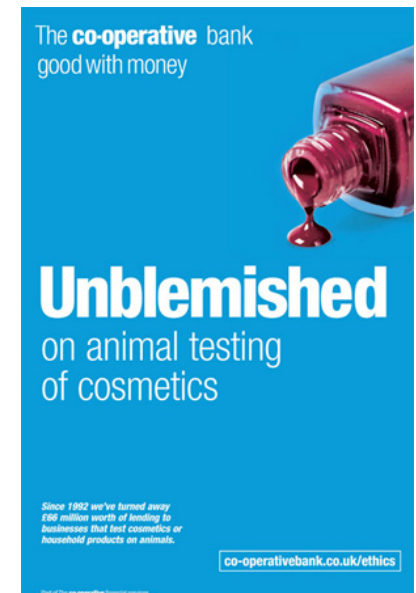


Merger combines investment and capability

- Growth potential via:
 - Brands/combined franchise
 - Complementary product ranges:
 - Britannia: mortgages, savings/guaranteed equity bonds
 - The Co-operative Bank: mortgages, current accounts, credit cards, personal loans
 - Offering new, full range of products to both sets of members and customers
- Complementary channels – branches, internet, direct
- Making better use of significant future investments
 - Distribution channels, e.g. branches, internet
 - The Co-operative Bank banking system being upgraded
 - Savings on infrastructure and regulatory costs
- Combining core capabilities for greater impact
 - Change management experience and methods; process improvement
 - Customer service

Major presence in sector

- Unique position
- Enlarged size:
 - Britannia: total assets £37.2 bn (end 2008)
 - The Co-operative Bank: £15.0 bn assets (end 2008)
 - CFS: total assets £38.8 bn (end 2008)
- High level of combined customer deposits:
 - Britannia: £20.8 bn (end 2008)
 - The Co-operative Bank: £11.9 bn, including corporate/SMEs (end 2008)
- Co-operative nature and significant number of members
- Clear differentiation via ethical positioning
- Clearing bank status
- FSA/tripartite strongly supportive of merger



Well positioned for future growth

- Robust capital position
- Pro forma core tier 1 ratio at merger of 8.8% (unaudited)
- Net impact of fair value adjustments on total capital ratio not material
- Future capital strength from robust profits

Excellent liquidity and funding

- Liquidity and funding position remains strong
- Customer loans to customer deposits ratio approaching 100%

Prudent capitalisation

- Strong underlying profits
- Good cost control
- Synergy benefits expected
- Fair value adjustments of Britannia shelter against credit losses

Resilient underlying profits

Positive response from Rating Agencies

Previous Ratings	Moodys	Fitch	DBRS
<u>Co-operative Bank</u>			
Long term	A2 (review for possible downgrade)	A (negative watch)	Unrated
Short term	P-1 (review for possible downgrade)	F1 (negative watch)	Unrated
<u>Britannia</u>			
Long term	A2 (review for possible downgrade)	A- (negative outlook)	A (UR-Dev)
Short term	P-1 (review for possible downgrade)	F2	R-1(middle)*

Current Ratings	Moodys	Fitch	DBRS
Long term	A2 (stable outlook)	A- (negative outlook)	A (UR-Dev)
Short term	P-1 (stable outlook)	F2	R-1(middle)*

* Britannia Commercial paper

Positive response from Rating Agencies (continued)

Moody's

- Strengths:
 - Increased systemic importance
 - Growth in market shares and expanded national franchise
 - Strong funding profile
 - Limited downside risk, reflected in stable outlook
- Challenges:
 - Management of merger of this size
 - Current difficult market conditions

DBRS

- Strengths:
 - Strong franchise of the combined entity, the diversified balance sheet, its sound funding and liquidity profile, solid capitalisation, and noteworthy earning generation ability
- Challenges:
 - Integration risks pose a short-term challenge, deterioration in the U.K. economic environment

Fitch

- Strengths:
 - Diversification of activities
 - Wider range of products for a larger customer base
 - Better profitability
 - Stronger capital ratios
 - Good funding and liquidity levels
- Challenges:
 - Additional risks from integration and from adverse economic climate

Resilient CFS half year results (to 25th July 2009)

- 11% growth in profit
- Strong new business growth:
 - current account sales, 68% higher than in 2008
 - 18% increase in annualised new premiums for life and savings
 - general insurance sales increased by 28% over 2008
- General Insurance claims ratio reduced to 73% (2008: 74%)

	2009 £m	2008 £m	Change £m
Banking	41.7	46.2	(4.5)
General Insurance technical profit	14.6	(1.5)	16.1
Other shareholder activities	25.1	28.7	(3.6)
Result pre investment fluctuations and FSCS levy	81.4	73.4	8.0
FSCS Levy	(2.2)	-	(2.2)
Short Term Investment Fluctuations (STIF)	(6.4)	7.8	(14.2)
Profit before significant items**	72.8	81.2	(8.4)

FSCS – Financial Services Compensation Scheme, STIF – Short term investment fluctuations

**Profit before significant items and membership dividends. Total shareholder significant items were £22.3m (2008: £43.2m) and cover one off costs of substantial investment made in new technology and systems and merger costs.

Robust underlying Britannia profits to 31st July 2009

- Significant impact on margin from challenging market conditions & low interest rate environment
- Despite this, operating profit to July 2009 higher than full year 2008
- Profits include benefit of sub debt buy back

£m	7m to 31/07/09	12m to 31/12/08
Total income	250.0	399.2
Administrative expenses	(122.5)	(209.9)
Depreciation and amortisation	(16.3)	(31.1)
Operating profit before impairment charges and additional compensation scheme levies	111.2	158.2
Merger costs	(26.9)	0.0
Impairment charges on loans and advances to customers	(45.3)	(57.8)
Impairment charges on balances with counterparties	3.0	(57.4)
Provision for additional compensation scheme levies	1.8	(19.8)
Operating profit	43.8	23.2

Combined Bank Balance Sheet

£m	The Co-operative Bank	Britannia
	25-Jul-09	31-Jul-09
Cash and balances at central banks	167	592
Loans and advances to banks	1,383	973
Loans and advances to customers	10,662	24,123
Debt securities	2,968	6,588
Derivative financial instruments	139	1,087
Other assets	117	630
Total Assets	15,435	33,992
Deposits by banks	1,114	6,118
Customer accounts	12,380	19,903
Debt securities in issue	450	4,962
Derivative financial instruments	78	721
Preference Shares	60	-
Subordinated Debt	299	531
Subscribed Capital	-	319
Other liabilities	150	320
Total Liabilities	14,530	32,874
Total Equity	905	1,118
Total Equity and Liabilities	15,435	33,992

Excellent customer and employee engagement

- High levels of customer and employee satisfaction maintained during merger
 - CFS
 - The Co-operative Bank judged best financial services provider by Which?, in 2009
 - The Co-operative Bank attained 3rd place for customer satisfaction (Watchdog survey), ahead of all the other high street banks
 - voted 'Best Direct Motor Insurer for 2009' by Your Money
 - received Claims Platinum Award for the quality of claims handling at British Insurance Awards for 2009
 - Britannia
 - 87% of customers likely to recommend Britannia, rising to 96% of new mortgage customers – Britannia's highest ever score in this category
 - customer satisfaction with the service they receive stands at 84% - again the highest it has ever been
 - excellent employee engagement at 90%, with high scores for pride in the business and understanding of the need to move forward

Summary

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- Significant progress on integration, building on excellent track record in both businesses

Important

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