

THE CO-OPERATIVE BANK PLC MATTERS RESERVED TO THE BOARD

Role of the Board

The Board has collective responsibility for the long-term success of the Bank.

The Board's role is to provide entrepreneurial leadership of the Bank within a framework of prudent and effective controls which enables risk and customer outcomes to be assessed and managed.

The Board sets the Bank's values and standards and ensures that its obligations to its shareholders and others are understood and met.

Subject to the articles of association of the Bank (the "**Articles**"), the Board sets the Bank's strategy and approves plans presented by management for the achievement of the strategic objectives it has set.

The Board determines the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and is responsible for ensuring maintenance of sound risk management and internal control systems.

Implementation of the strategy set by the Board and the management and day-to-day running of the Bank is delegated to the Chief Executive Officer with the exception of the matters reserved to the Board listed below and, as set out in the Articles, the matters reserved to the Bank's sole member and its ultimate shareholders via its sole shareholder.

MATTERS RESERVED TO THE BOARD

(as approved by the B shareholders of The Co-operative Bank Holdings Limited on 18 December 2017 and ratified by the Boards of The Co-operative Bank plc and The Co-operative Bank Holdings Limited on 23 January 2018)

1. STRUCTURE AND CAPITAL

- 1.1 Approval of changes relating to the Bank's capital structure (both shares and debt) including reduction of capital, share issues (except under employee share plans) and share buy backs.
- 1.2 Any changes to the listing of the Bank's debt or a recommendation to change the Bank's status as a plc.
- 1.3 Approval of acquisitions and disposals of Special Purpose Vehicles used in structured transactions, and related guarantees and indemnities.
- 1.4 Changes to the Bank's corporate structure (excluding dormant entities).

2. FINANCIAL REPORTING AND CONTROLS

- 2.1 Approval of the half-yearly report, interim management statements and any preliminary announcement of the final results (on the recommendation of the Audit Committee).
- 2.2 Approval of the annual report and accounts, including the corporate governance statement and other statutory requirements (on recommendation from the Audit Committee) and the Directors' Remuneration report (on recommendation from the Remuneration Committee).
- 2.3 Declaration of the interim dividend and recommendation of the final dividend.
- 2.4 Approval of any significant changes in accounting policies or practices (on the recommendation of the Audit Committee).
- 2.5 Recommendation to shareholders of the appointment, re-appointment or removal of the external auditors (on the recommendation of the Audit Committee).

3. STRATEGY AND MANAGEMENT

- 3.1 Approval of the Bank's strategy and long-term objectives, and review of delivery of the strategy.
- 3.2 Approval of the medium term business plan and the annual budget, and review of performance against plan.
- 3.3 Extension of the Bank's activities into new business or geographic areas, including approval of new products (or significant changes to existing products) that exceed the delegated authority of the Chief Executive Officer under the Product Risk Policy.
- 3.4 Approval of any activity which would require a change to regulatory permissions.
- 3.5 Any decision to cease to operate all or any material part of the Bank's business, including the response to any approach regarding a bid for the Bank.
- 3.6 Approval of acquisitions, disposals, funding arrangements and any other transactions with a value in excess of £25m but less than the member reserved matters threshold set in the Articles or which are material strategically (except where required by law).
- 3.7 Approval of capital expenditure in excess of £25m but less than the member reserved matters threshold set in the Articles.
- 3.8 Approval of new (and extension of existing) contracts where the cost impact of the lifetime value exceeds £25m but less than the member reserved matters threshold set in the Articles.

- 3.9 Approval of the Bank's Ethical Policy (on the recommendation of the Values & Ethics Committee) and the approval of any reporting on the Ethical Policy which is to be published outside of the half yearly report, interim management statements, preliminary announcements and the annual report and accounts.

4. COMMUNICATION

- 4.1 Approval of all circulars to shareholders, prospectuses and listing particulars.
- 4.2 Approval of announcements or press releases concerning matters reserved to the Board.
- 4.3 Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.

5. RISK MANAGEMENT AND INTERNAL CONTROLS

- 5.1 Approval of the Bank's Risk Appetite (on the recommendation of the Risk Committee).
- 5.2 Approval of the Bank's Risk Management Framework (on the recommendation of the Risk Committee).
- 5.3 Approval of the Internal Capital Adequacy Assessment Process (ICAAP) and the Individual Liquidity Adequacy Assessment Process (ILAAP) (on the recommendation of the Risk Committee) and such other submissions to competent authorities which regulation requires are to be approved by resolution of the Board
- 5.4 Prosecution, commencement, defence or settlement of, or appeal against the outcome of, litigation, an alternative dispute resolution mechanism or regulatory proceedings that are material i.e. involving or likely to involve sums of over £25 million (except in the case of claims brought by employees or former employees, in which case over £1 million) or are not in the ordinary course of business of the Bank.
- 5.5 Approval of any undertaking not in the ordinary course of business under which a material contingent liability is assumed by the Bank eg guarantee or letter of comfort or support which is less than the member reserved matters threshold set in the Articles.

6. BOARD MEMBERSHIP AND OTHER APPOINTMENTS

- 6.1 Recommending to shareholders changes to the structure, size and composition of the Board (on the recommendation of the Nomination Committee).
- 6.2 Appointments to the Board to fill a casual vacancy (on the recommendation of the Nomination Committee).
- 6.3 Recommending to shareholders (and thus the B shareholders of Bank's sole shareholder) the appointment and removal of the Chief Executive Officer.

- 6.4 Appointment and removal of the Chairman of the Board.
- 6.5 Approval of the division of responsibilities between the Chairman and Chief Executive Officer.
- 6.6 Appointment of the Senior Independent Director (on the recommendation of the Nomination Committee).
- 6.7 Recommending the establishment of Board Committees and setting their terms of reference.
- 6.8 Appointments to membership of the Board Committees and appointment of their Chairmen (on the recommendation of the Nomination Committee).
- 6.9 Determination of the independence of non-executive directors and recommendations for their continuation in office when they are due to be re-elected by shareholders at the AGM and otherwise as appropriate (on the recommendation of the Nomination Committee).
- 6.10 Appointment and removal of the Company Secretary (on the recommendation of the Nomination Committee).
- 6.11 Approval of the appointment or dismissal of the Chief Risk Officer (CRO) (on the recommendation of the Risk Committee and the Nomination Committee).

7. REMUNERATION

- 7.1 Determination of the remuneration policy for the directors, CRO, Executive Committee members and Senior Management Function role holders (on the recommendation of the Remuneration Committee).
- 7.2 Determining the remuneration of the non-executive directors subject to the Articles and shareholder approval as appropriate.
- 7.3 The introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval (on the recommendation of the Remuneration Committee).
- 7.4 The establishment or cessation of Bank pension schemes and material changes to the rules, funding or management arrangements of any such pension schemes

8. CORPORATE GOVERNANCE

- 8.1 Considering and making recommendations in respect of the Bank's corporate governance arrangements.
- 8.2 Approval of the process for the performance evaluation of the Board and Board Committees and review of findings.
- 8.3 Authorising conflicts of interest where they are permitted by the Articles.

- 8.4 Approval of the Code of Conduct (on the recommendation of the Risk Committee) and any other policies that the Board from time to time determines.
- 8.5 Annual approval of the Senior Manager Regime Responsibilities Map on the recommendation of the Risk Committee.
- 8.6 Assist the Senior Management Function (SMF) role holders in fulfilling their prescribed responsibilities.
- 8.7 Where matters are being discussed in relation to a prescribed responsibility, the relevant SMF role holder should attend and participate in the discussion, or if they are unable to attend, to ensure that they are suitably represented.
- 9. **OTHER**
- 9.1 The making of political donations.
- 9.2 Approval of the appointment of the Bank's principal investment banking professional advisers.
- 9.3 Approval of the overall levels of insurance for the Bank including directors' & officers' liability insurance and indemnification of directors.