2016 Full Year Results

9 March 2017

The co-operative bank

It's good to be different

Agenda

1) Introduction	Dennis Holt
2) Highlights	Liam Coleman
3) Financials	John Worth
4) Conclusion	Liam Coleman

Q&A

It's good to be different

Section 1

Introduction

Dennis Holt

Considerable progress since 2013

Improved franchise strength

- £3.1bn of mortgage completions in 2016 compared to £1.1bn in 2014
- Maintained Top 4 current account NPS

Significant deleverage

- £8.3bn reduction in Legacy Portfolio and Optimum assets since 2013

Managed reduction in liquidity

- £3.8bn primary liquidity at the end of 2016 compared to £7.0bn at end of2013

Reduction in operating cost base

- Branch network of 95[1]. Reduced from 291 at end of 2013
- 22 % decrease in operating cost since 2014

Addressing legacy conduct issues

- Substantially progressed conduct redress and remediation programme
- £731m of total conduct charges since 2013 with £25m net charge in 2016. £169m provision remaining

Major re-platform of IT and enhanced digital offering

- Core systems migration to IBM largely complete. Non-compliance with threshold condition removed by FCA
- New and improved online banking platform launched in May 2016
- Apple Pay and refreshed mobile banking app

Reinforced risk function

- Embedding of Risk Management Framework
- Progress in remediating IRB models

1. Including announced branch closures

Strategic update

13 February 2017 announcement – sale process and options to build capital

Background

- Considerable progress since 2013 with removal of significant risks
- Lower for longer interest rates and higher than anticipated transformation / conduct remediation costs constraining organic capital generation
- CET1 ratio expected to fall and remain below 10% over the medium term (26 January 2017 announcement)
- Enhanced regulatory capital requirements expected of all UK banks, including MREL

Strategic Actions

- Upon conclusion of annual planning review, Board commenced sale process for 100% of the Bank's ordinary shares
- Board is considering raising equity capital and a potential liability management exercise
- Engaged BofA Merrill Lynch and UBS Investment Bank
- Ethical heritage and customer proposition will be a central consideration for the Board

Section 2

Highlights

Liam Coleman

Co-operative Bank – snapshot

25 YEARS OF OUR CUSTOMER-LED ETHICAL POLICY

The co-operative bank
It's good to be different

£19 bn net loans

£22 bn customer deposits

11.0% CET1 ratio

4 million loyal customers

1.4 million current accounts

Top 4 current account NPS

3,900 FTE

Differentiated in the market through values and ethics

Data as of 31 December 2016. FTE includes contractors

Our vision

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

1 Differentiated proposition and loyal customer base

- 4 million loyal customers
- Differentiated through values and ethics

2 Choice of distribution channels

- Internet and mobile banking
- 95 branches in UK[1]
- 3 contact centres
- 126 ATMs[2] and full access to Link network

3 Customer-centric product range

- Retail and SME product range
- £3.1bn of mortgage lending in 2016
- 1.4m current accounts

4 Right-sized operating cost base

- In progress – 22 % decrease in operating cost base since 2014

Capital resilience and regulatory compliance

It's good to be different

1. Including announced branch closures
2. As at 31 December 2016

2016 highlights

Differentiated proposition and loyal customer base

- 4 million loyal customers, including a stable current account franchise
- Well-received Everyday Rewards current account launched January 2016
- Competitive £150 current account switching offer launched May 2016
- Return to campaigning, in partnership with Refuge: "My money, my life"

Choice of distribution channels

- New and improved online banking platform launched in May 2016
- Mobile app refreshed in September 2016 - Apple Pay launched in October 2016
- Improved online application functionality for current accounts in October 2016

Customer-centric product range

- Increase in mortgage completions to £3.1bn
- 6 % net growth in mortgage book to £14.1bn
- £0.4bn net growth in current accounts balances
- 8,300 net increase in prime current account holders

2016 highlights

Right-sized operating cost base

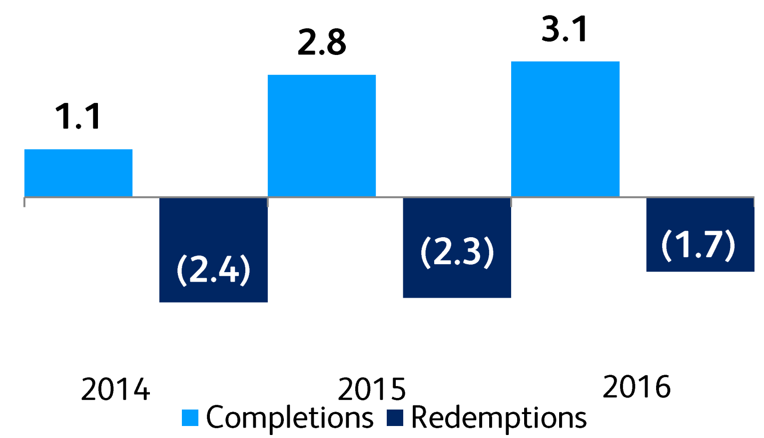
- 10% reduction in operating expenditure to £445m
- 59 branch closures completed in 2016
- FTE headcount reduced by 17% to 3,900

Capital resilience and regulatory compliance

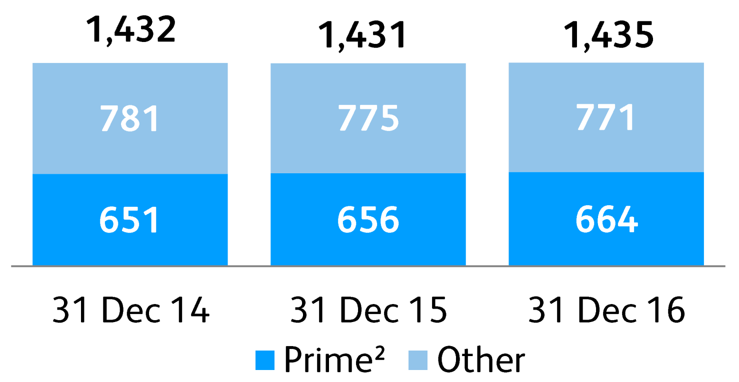
- CET1 ratio of 11.0% at 31 December 2016 (2015: 15.5%)
- Deleveraging continued on track (£0.8bn reduction in Legacy / Optimum assets)
- RWAs decreased to £6.7bn (2015: £7.4bn)
- Continued to embed Risk Management Framework
- Progressed IRB models remediation
- Substantially progressed conduct remediation programme

Strong performance across major retail products

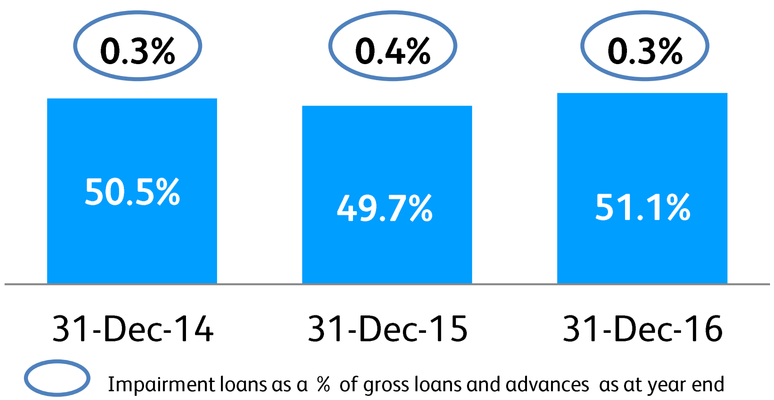
Mortgage flow (£bn)[1]



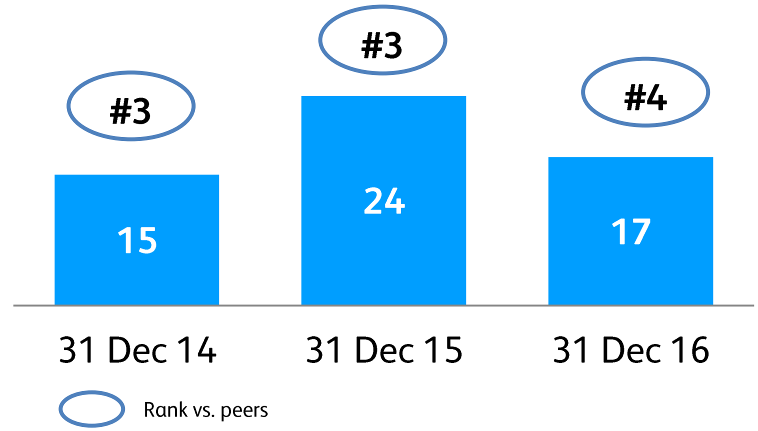
Current Accounts (thousands)



Average Mortgage LTV[3,4]



Current Account Net Promoter Score[5]



1. Excludes contractual repayments
2. Current account with on average £800+ paid in per month
3. Impaired loans = 90+ days past due, forborne or in default
4. Indexed and weighted by gross loans and advances
5. Source: Gfk FRS

Transformation update

Progress on major transformation and remediation programmes in 2016

Status of Key Transformation Programmes	
Enterprise Services Outsourcing	• Core systems migration to IBM largely complete – now running under IBM management, separated from Co-operative Group and Disaster Recovery capability via secondary IBM data centre • Historical non-compliance with FCA regulatory "Threshold Conditions" for IT now remediated • New Digital platform fully deployed into IBM Cloud Managed Service with all customers migrated
Mortgage outsourcing	• All aspects of contractual dispute with Capita resolved, with agreed revised terms relating to provision of mortgage administration services • Focus on maintaining existing systems with transformation activity not being progressed • £82m expensed in 2016
IRB models	• Model redevelopments are on track and a remediated suite of secured IRB models will be submitted in Q2 2017 to the PRA for permission • Further modelling remediation and improvements in infrastructure and governance have been implemented during 2016 and will continue to be deployed through 2017 • Remediation / compliance targeted by end of 2017

Recent awards

Business Moneyfacts Awards:
- Best Charity Banking Provider

Moneyfacts 5 star Award:
- Current account
- Current Account Plus
- Community Directplus
- Co-operatives Directplus
- FSB[1] Business Banking

Northern Marketing Awards:
- Best CSR Campaign – for 'My money, my life'

Customer Contact Association Excellence Award:
- Team of the year (for financial support)

UK Social Media Communication Awards:
- Best Private Sector campaign – It's Good to be Different

Your Mortgage Awards:
- Intermediary Lender of the Year

Institute of Customer Service:
- Most improved banking brand

The Clicks:
- Most improved email marketing awards

Moneynet Awards:
- Best Current Account Rewards' for Everyday Rewards proposition

1. The Federation of Small Businesses

Section 3

Financials

John Worth

Income statement snapshot

Statutory loss before tax reduced to £477.1m in 2016

	2015	2016	Change
	£m	£m	£m
Net interest income	471.5	394.8	(76.7)
Losses on asset sales	(121.4)	(13.5)	107.9
Non-interest income	69.9	66.7	(3.2)
Operating expenditure & projects	(541.6)	(478.7)	62.9
Impairment gains/(losses)	48.6	(2.3)	(50.9)
Operating result	**(73.0)**	**(33.0)**	**40.0**
Other projects[1]	(224.2)	(297.1)	(72.9)
Conduct/legal risk	(193.7)	(24.9)	168.8
Fair value amortisation	(120.4)	(180.5)	(60.1)
Share of Visa Europe sale/other[2]	0.7	58.4	57.7
Loss before taxation	**(610.6)**	**(477.1)**	**133.5**
Net interest margin	1.42 %	1.39 %	(0.03)

16
16
17,18
19
20
16

Lower asset base, new business price competition and reduction in BoE base rate

Anticipated reduction in Non-core deleverage activity

Reduced income from overdraft fees, lower Link interchange fees partially offset by one off gain following gilt disposal (£16m)

Reduced deleveraging has resulted in fewer write-backs

Acceleration of fair value unwind as a result of the remaining liabilities approaching maturity

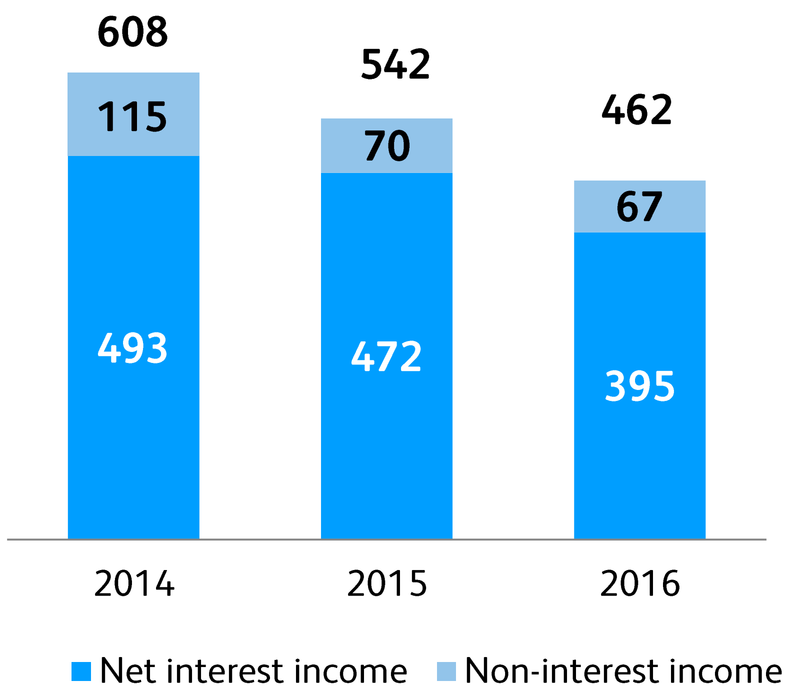
It's good to be different

1. Other projects includes remediation, strategic projects and severance
2. Share of post-tax profits from JV

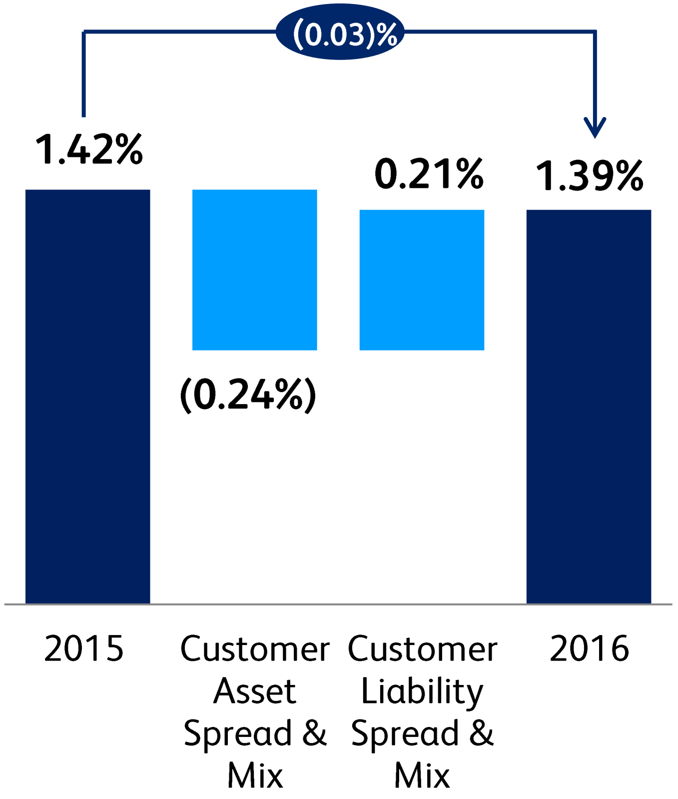
Income and Net interest margin

Reduced income given lower asset base, new business price competition and reduction in base rate. Base rate impact not offset by liability actions

Income (£m)



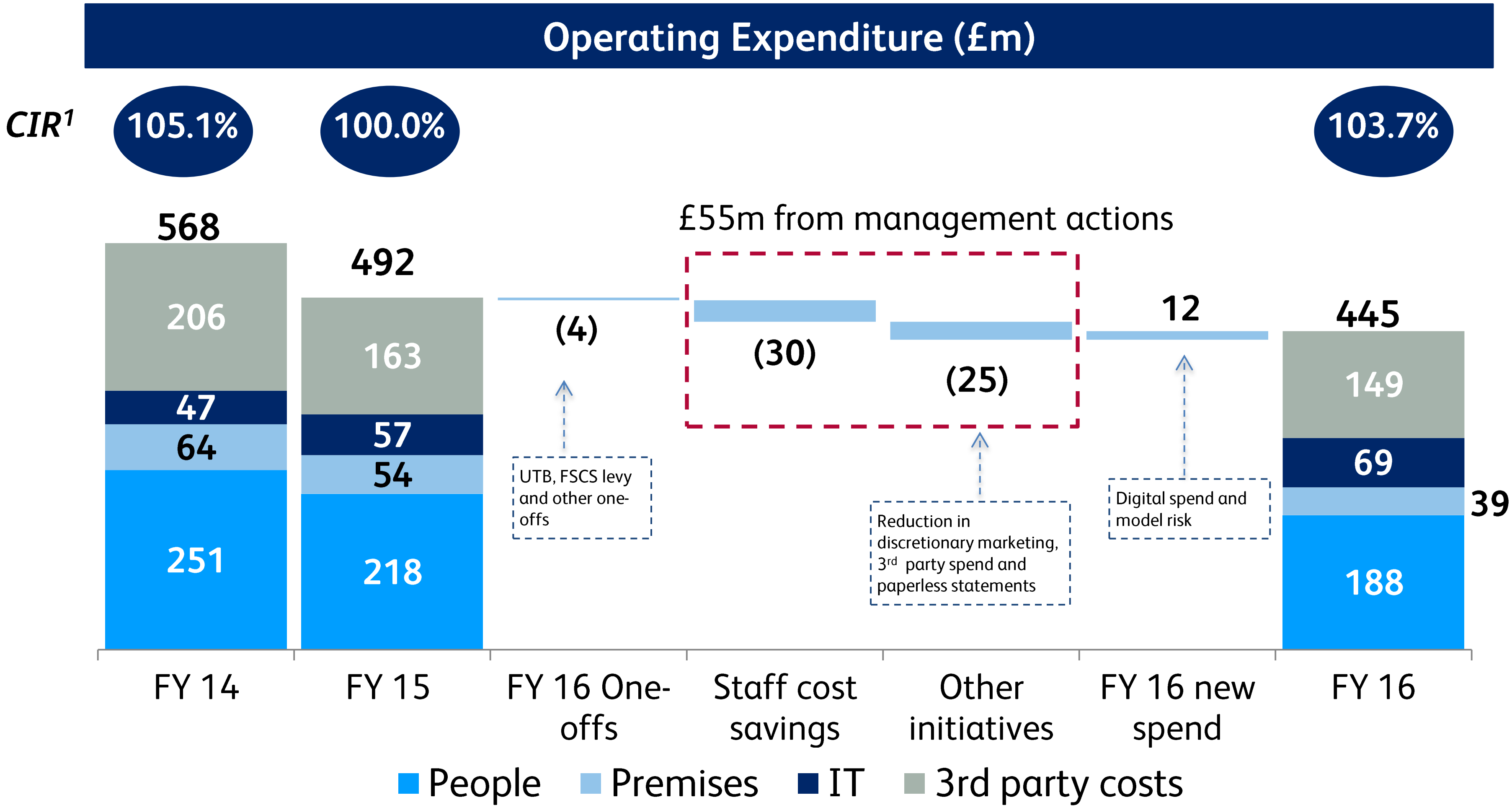
Net Interest Margin



It's good to be different

Operating expenditure bridge

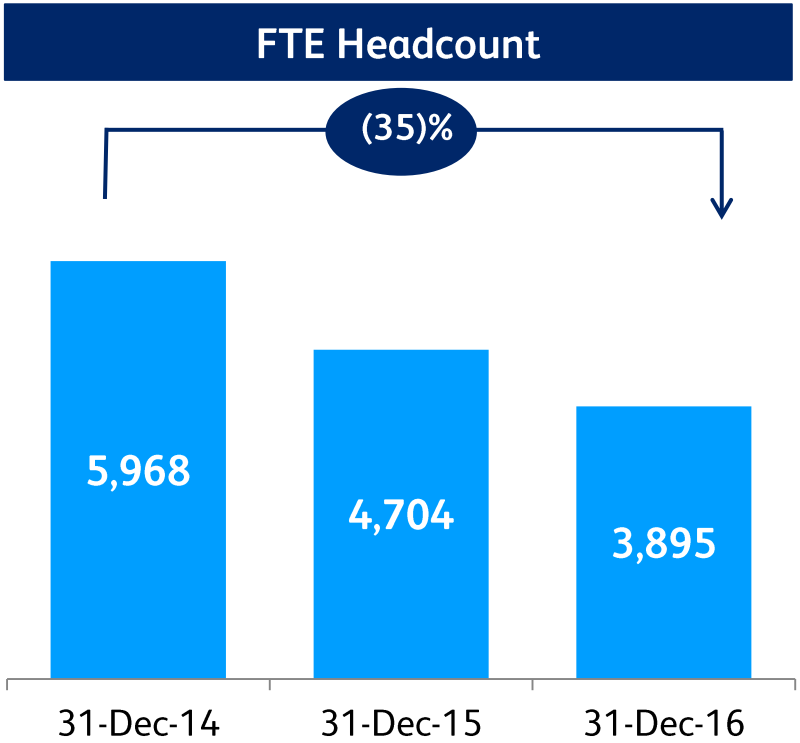
10% reduction in operating expenditure in 2016

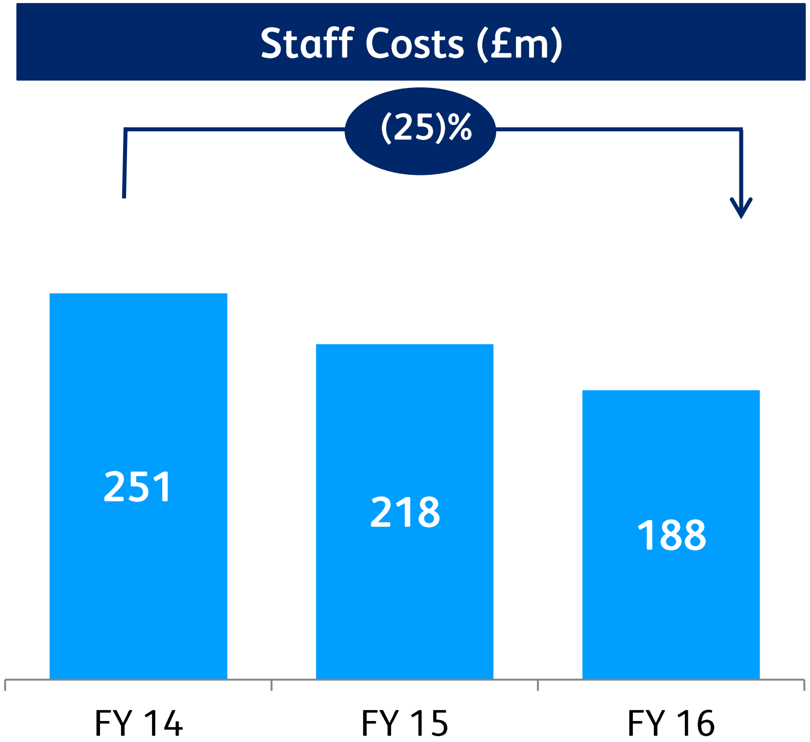


1. Cost to income ratio (CIR) defined as operating expenditure and operating project spend (including associated depreciation and amortisation) divided by operating income excluding losses on asset sales

Operating expenditure – staff

Further reduction in FTE headcount in 2016





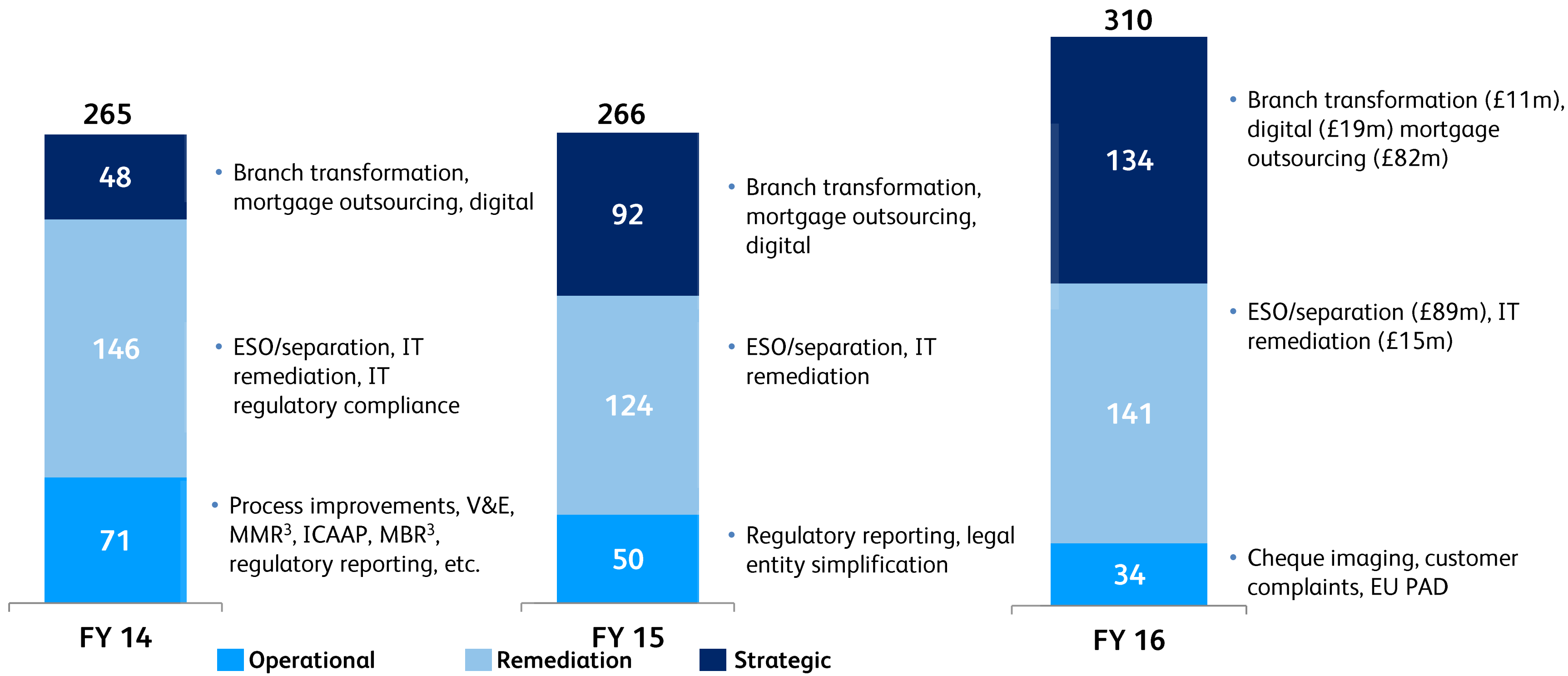
- Staff costs reduced by average of 13 % per annum over the last two years
- Contractor costs fallen to £18m in 2016 (£34m in 2014)
- Cost per average FTE increased by 7 % in 2016 with headcount reductions reflecting lower unit cost employees

It's good to be different

Project costs

Elevated levels of project spend continued into 2016

Project Costs[1,2] (£m)



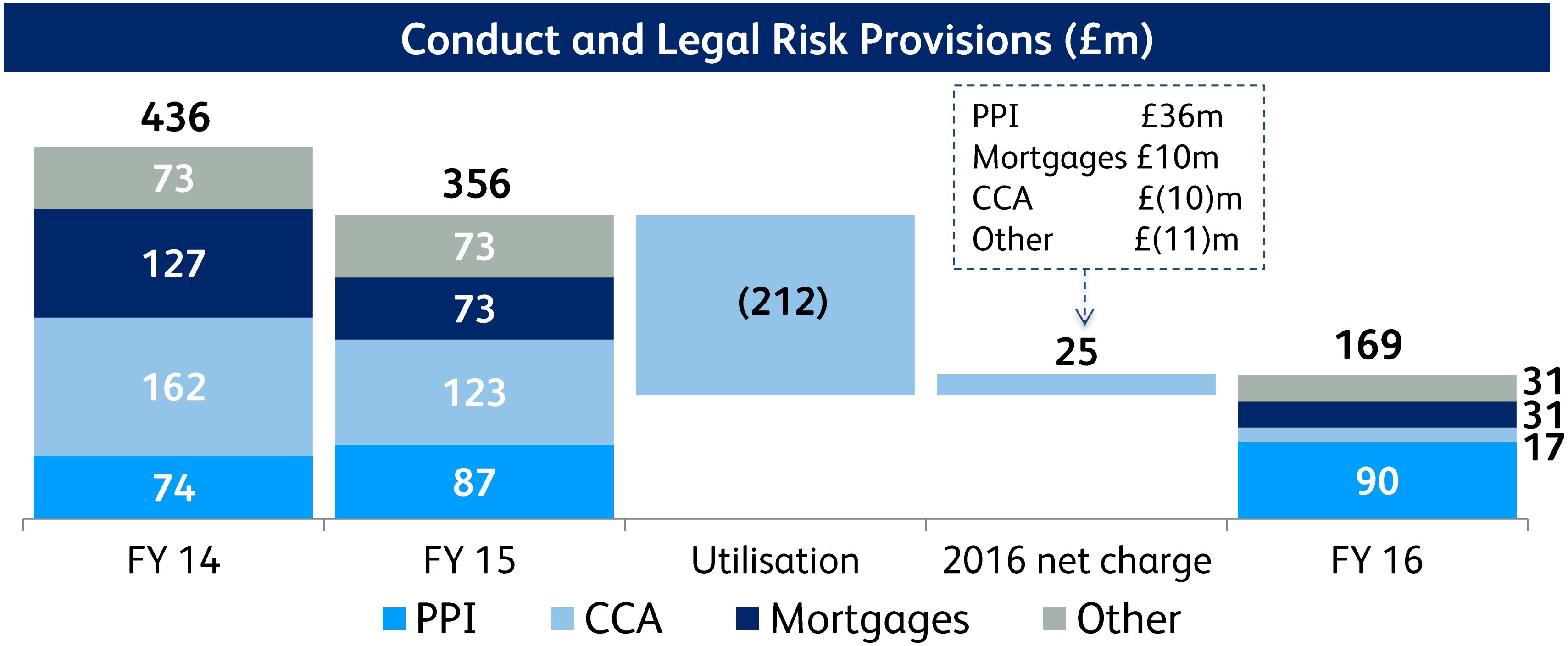
- ***Operational*** - 32% decrease as regulatory reporting programme completed in 2015 and lower depreciation as assets were transferred to The Co-operative Group
- ***Remediation*** - 14% increase driven by additional spend on ESO as programme neared completion
- ***Strategic*** - 46% increase driven by mortgage processing outsourcing

It's good to be different

1. Includes Strategic projects depreciation (2014: £11m, 2015: £8m, 2016: £7m), Remediation projects depreciation (2014: £6m, 2015: £4m, 2016: £10m), Operational projects depreciation (2014: £34m, 2015: £23m, 2016: £14m)
2. Excludes severance (2014: £12m, 2015: £8m, 2016: £22m)
3. Mortgage Market Review (MMR), Mortgage business review (MBR)

Conduct

Substantially progressed conduct redress and remediation programme

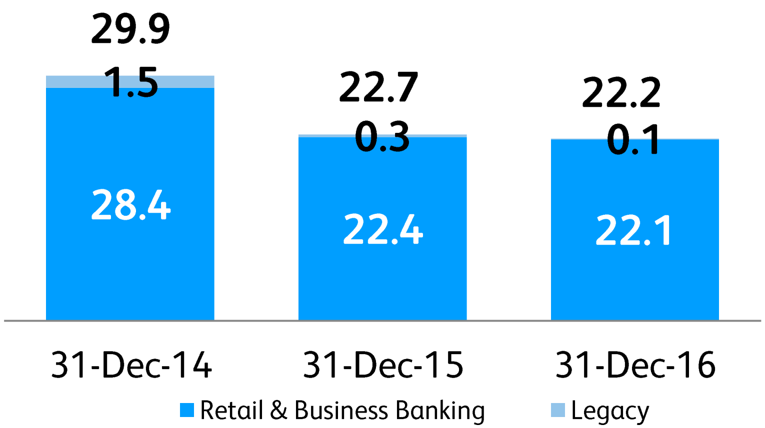


- ***PPI:*** £36m net charge in 2016 reflecting FCA time bar
- ***Mortgages:*** £10m net charge in 2016, reflecting new provision for historical issues with mortgage systems partially offset by provision release on known remediation programmes

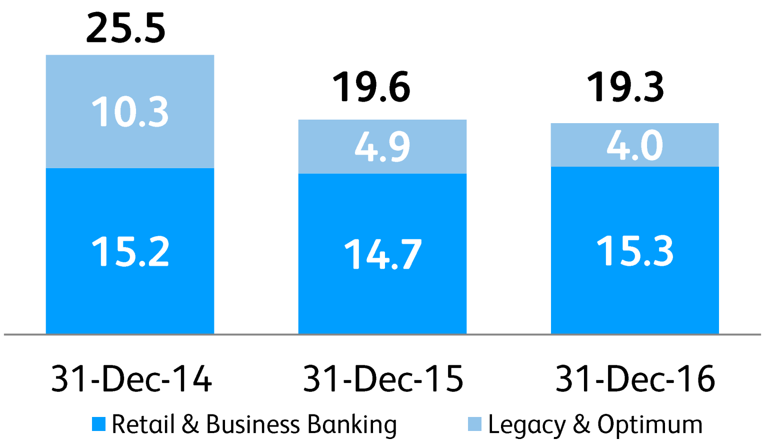
Balance sheet snapshot

Retail mortgage book growth in 2016. Stable customer deposits

Customer Deposits (£bn)



Net Customer Loans (£bn)



Other Selected Balance Sheet Data

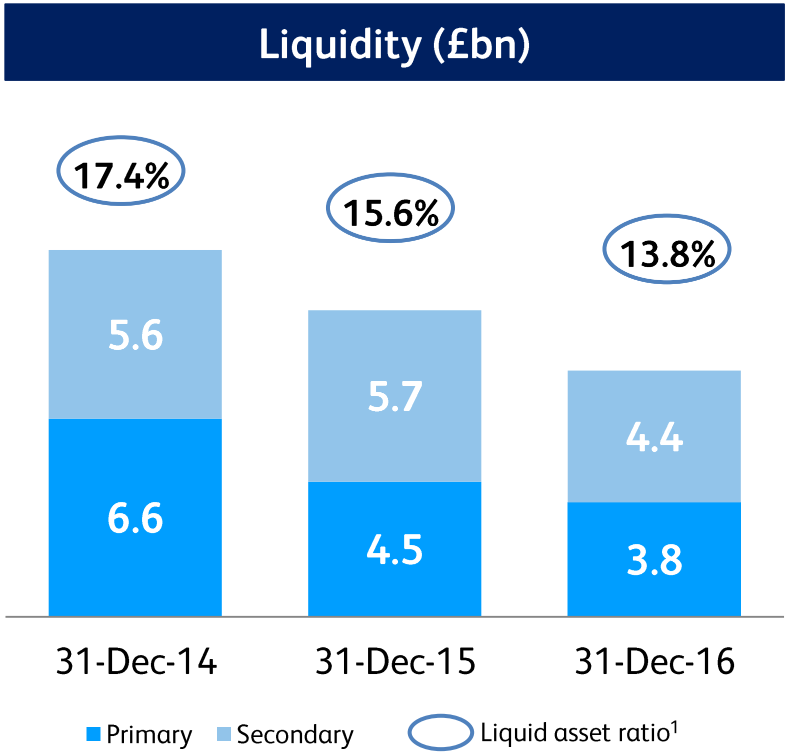
	31 Dec 14	31 Dec 15	31 Dec 16	*Δ 15-16*	
Equity (£m)	2,015	1,363	959	*(404)*	• Ongoing losses
LTD ratio[1]	84.9 %	86.3 %	86.7 %	*0.4pp*	• Deposits managed in line with assets
NPL ratio[2]	10.0 %	5.2 %	3.7 %	*(1.5)pp*	• Reflecting deleverage in Legacy portfolio
NPL coverage ratio[3]	26.8 %	25.5 %	19.0 %	*(6.5)pp*	• Reflecting increased weighting to lower coverage retail book

It's good to be different

1. LTD ratio calculated as net customer loans including fair value adjustments for hedged risk divided by customer deposits (including capital bonds)
2. Calculated as impaired customer balances (inc. watchlist) divided by gross customer balances
3. Calculated as allowance for losses (exc. losses for hedging risk) on customer balances divided by impaired customer balances (inc. watchlist)

Liquidity

Liquidity normalising



- Liquidity coverage ratio (LCR) was 214 % as at 31 December 2016 (2015: 246 %) – surplus to regulatory requirements

Primary liquidity

- Primary liquidity of £3.8bn – reduced by £0.7bn
- Reduction y-o-y reflects active management of customer deposits and repayment of long term wholesale funding to offset corporate asset deleverage

Secondary liquidity

- Secondary liquidity of £4.4bn – reduced by £1.3bn
- Reduction y-o-y reflects:
  - £100m secondary market sale of retained Warwick RMBS notes
  - Amortisation of RMBS notes and other contingent assets
  - Encumbrance of RMBS notes within secured funding and other collateral arrangements

It's good to be different

1. Calculated as primary liquidity divided by total assets

Pension update

Bank has two pension schemes

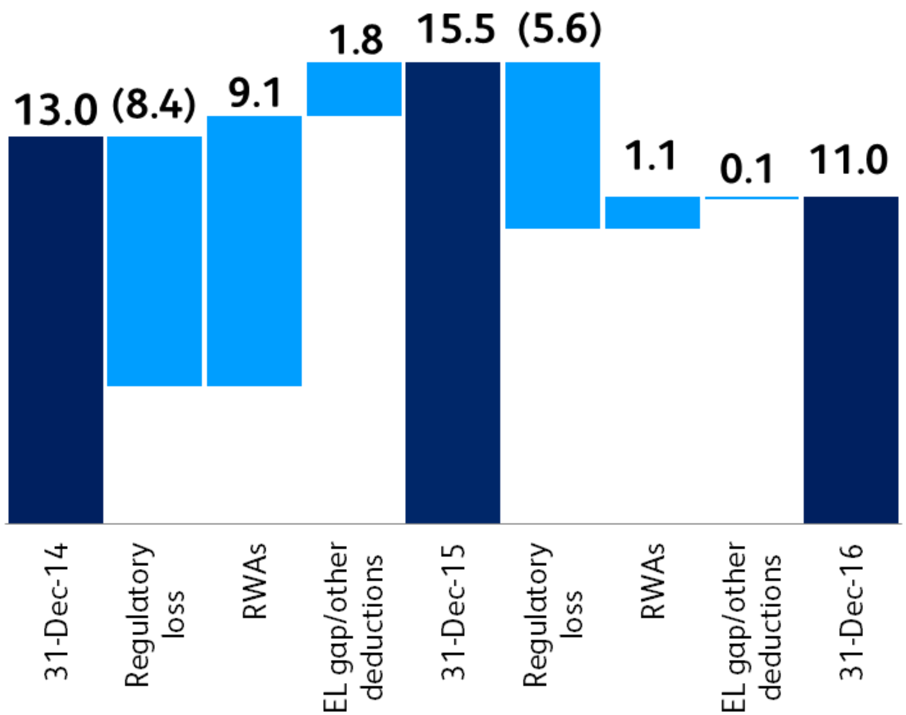
Britannia	Pace
• Closed defined benefit scheme • Triennial actuarial valuation as at 5 April 2014 • Schedule of contributions totals £50m over 7 years with pledge of £165m of RMBS notes • IAS 19 surplus of £20m recognised as at 31 December 2016, in line with IFRIC 14	• Closed defined benefit / active defined contribution • Triennial valuation as at 5 April 2013. Valuation as at 5 April 2016 to be finalised in July 2017 • £5m p.a. non-contractual contribution (reviewed annually) • Two issues for the Bank: (1) ‘last man standing’ cross provision; (2) uncertainty around ‘orphan liabilities’ • Bank in active negotiations with The Co-operative Group (principal employer) and Trustee regarding separation of Pace obligations through either sectionalisation or Flexible Apportionment Arrangement (FAA) • Limited ability to provide updates given commercially sensitive negotiations under way

Conclusion of Pace negotiations is a top priority

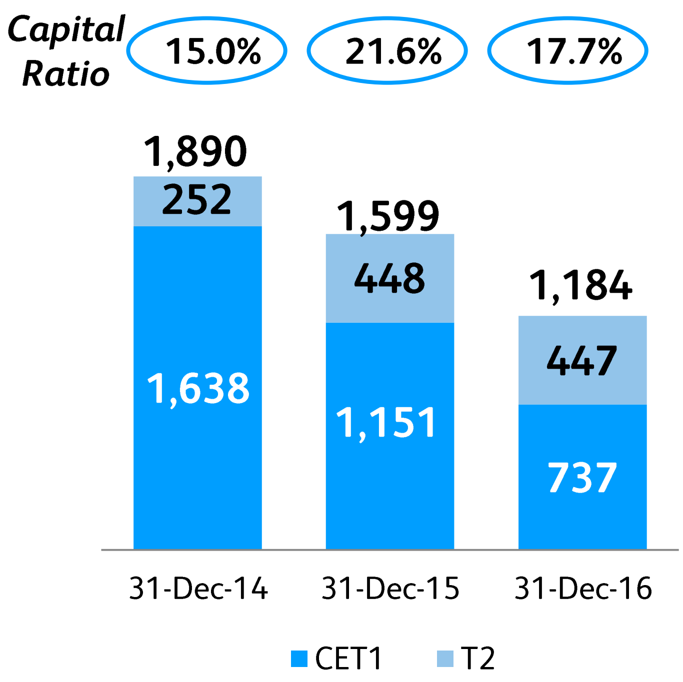
Capital position

Reducing capital ratios in 2016 due to losses and slower pace of RWA reduction

CET1 Ratio Development (%)

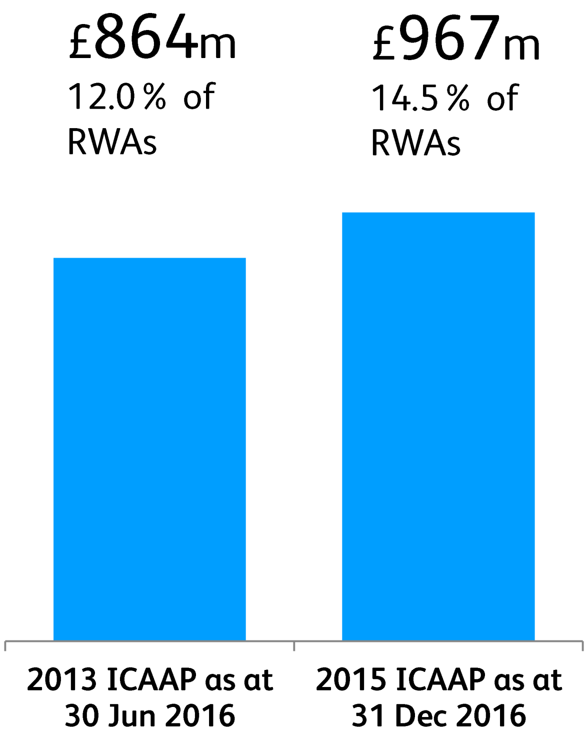


Total Capital Position (£m)



Pillar 2a

Pillar 2a addresses risks which are not captured under Pillar 1 – latest ICG received from the PRA in November 2016



Pillar 2a developments in 2016

Operational risk

- Add-on increased as a percentage of RWAs as the operational risks in the Bank have remained relatively unchanged despite the significant reduction in RWAs

Pension

- Move to IAS 19 baseline measure reduced add-on
- Add-ons for both Pace and Britannia pension schemes

Model Risk

- Fixed add-on introduced in 2016 relating to IRB models

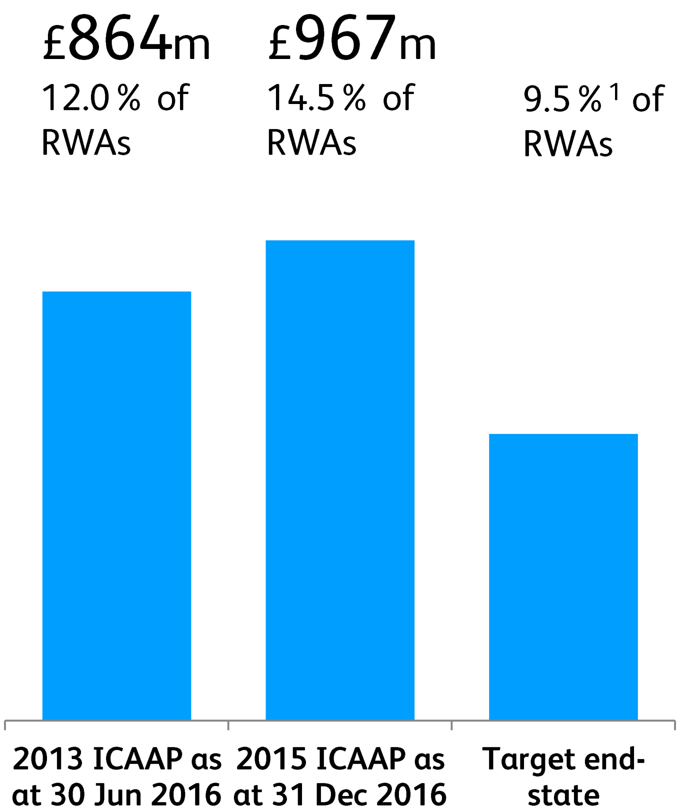
Other

- Includes execution, IRRBB[1], concentration and credit-risk add-ons
- IRRBB now incorporates credit spread risk from retained Warwick notes

1. Interest rate risk in the banking book

Pillar 2a development

Pillar 2a addresses risks which are not captured under Pillar 1



Pension

- Add-on dependent upon eventual Pace separation outcome

Operational risk

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

Other

- Execution risk expected to decrease as Bank completes transformation
- IRRBB expected to decrease as retained Warwick notes expected to mature in June 2020

Model Risk

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

It's good to be different

1. Based on the Bank's internal assessment – subject to future SREPs

Latest on strategic actions

Bank progressing sale process and LME / capital raise options

Sale Process[1]

- 13 February announcement commenced formal offer period under the Takeover Code
- Strict limitations on ability to provide updates

LME / Capital Raise[1]

- The Bank's Plan, accepted by the PRA, aims to meet regulatory requirements:
  - CET1[2] ICG[3] compliant from 2017 onwards
  - Fully ICG[3] compliant from 2018 onwards
  - Meet all capital / interim MREL requirements in 2019[4]
- £700m–£750m increase in CET1 resources[1]; potential exchange of debt securities to equity (taking into account creditor hierarchy) alongside an additional primary equity capital raise of approximately £300m
- 2018 c.£250m Tier 2 issuance[5]
- MREL qualifying issuances in 2020/2021[5]

1. Subject to shareholder, bondholder and other approvals. For significant execution risks and material uncertainties regarding successful completion of a sale of the Bank or capital raising, which may not be completed on acceptable terms, or at all, see "Principal Risks and Uncertainties" in the Bank's 2016 Annual Report and Accounts
2. Equivalent to 75% of Pillar 1 and Pillar 2a as 19% AT1 requirement to be met with CET1
3. Based on the Bank's internal assessment – subject to future SREPs
4. Applicable capital requirements at that time and interim MREL requirement equal to 18% RWAs per statement of policy on the Bank of England's approach to setting MREL (November 2016). 2022 end-state MREL requirement likely to be higher
5 Tier 2 and MREL issuances assumes successful capital raising, Bank credit rating improvement and conducive capital markets. Issuances may not be completed, when required, on acceptable terms, or at all

2017 outlook & longer term targets

	2016 reported	Assuming completion of capital raising[1] 2017 outlook[2]	Longer term targets[2]
Balance sheet			
Retail & Business Banking customer assets	£15.3bn	Broadly flat	c.£1bn net growth p.a.
Other assets	£12.3bn	c.£10bn	Reduce with Legacy Portfolio run-off
Income statement			
NIM[3]	1.39 %	-	Increasing from 2018, with increasing base rates, up to 10bps p.a.
Non-interest income	£67m	-	c. £40m p.a.
Operating costs	£445m	c.£410m	c. £350m p.a. targeted from 2018
Project costs	£310m	c.£160m	Run rate of c.£50m p.a. over the medium term
FV unwind	£181m	£60m final unwind	-
RoE[4]	n.m.	n.m.	Strong single digit in 2021[5] with material progress by 2019
Capital			
RWAs	£6.7bn	c.£6.0bn	Broadly stable
CET1 ratio	11.0 %	-	22-23 % to comply with all regulatory requirements
Pillar 2a & ICG	14.5 %	CET1 ICG[6] compliance	Full ICG[7] compliance with c.£250m Tier 2 issuance[8] in 2018
Excess capital	n.m.	n.m.	PRA Buffer[7] compliance in 2019, potential for 2020 dividend[9]
MREL	n.m.	n.m.	MREL[10] issuance[8] in 2020/21

1. For significant execution risks and material uncertainties regarding successful completion of the capital raising, which may not be completed on acceptable terms, or at all, see "Principal Risks and Uncertainties" in the Bank's 2016 Annual Report and Accounts
2. This replaces all previous guidance
3. Calculated based on average total assets
4. Profit after tax over average total equity
5. Based on a capital stack that meets all capital requirements
6. Equivalent to 75 % of Pillar 1 and Pillar 2a as 19 % AT1 requirement to be met with CET1
7. Based on the Bank's internal assessment of future Pillar 2a and 2B requirements. Subject to future SREPs
8. Tier 2 and MREL issuances assumes successful capital raising, Bank credit rating improvement and conducive capital markets. Issuances may not be completed, when required, on acceptable terms, or at all
9. Subject to regulatory capital requirements, including CRR Maximum Distributable Amount restrictions on dividends and distributions, PRA approval and the availability of distributable reserves, which is expected to require shareholder and court approved reduction of share capital
10. Per statement of policy on the Bank of England's approach to setting MREL (November 2016)

Section 4

Conclusion

Liam Coleman

2017 key focus items

Differentiated proposition and loyal customer base	• Continued differentiation in the market through value and ethics • Celebrate 25 years of our customer-led ethical policy
Choice of distribution channels	• Maintain market position with extensive coverage of brokers • Enhanced Platform retention capability • Roll-out of online Mortgage In Principle (MIP) tool
Customer-centric product range	• Build on £3.1bn mortgage lending in 2016 • Maintain competitive current account switching offer • Simplify overall SME proposition
Right-sized operating cost base	• Continued focus on costs • 10 branch closures announced for 2017
Capital resilience and regulatory compliance	• Conclusion of Pace pension scheme negotiations • Manage potential sale process and LME / equity raise options • Substantially complete transformation programme

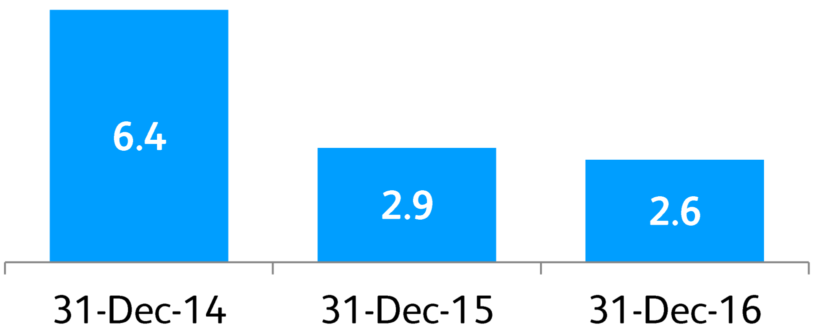
Q&A

Appendix

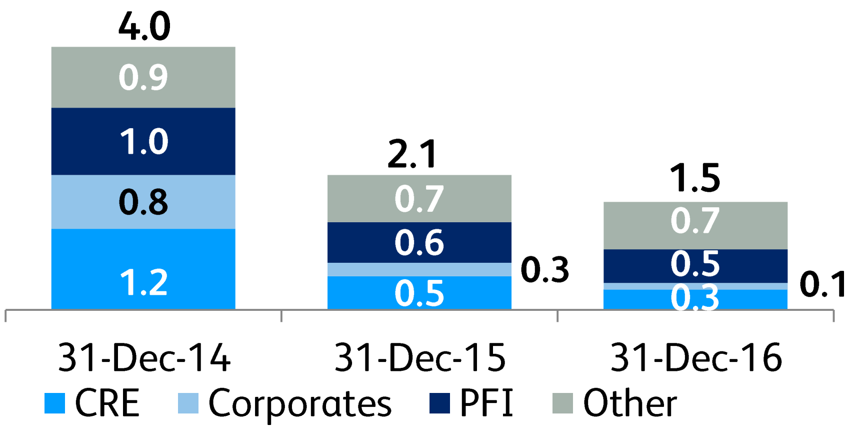
Optimum & Legacy – balance sheet dynamics

£0.8bn asset deleverage in 2016

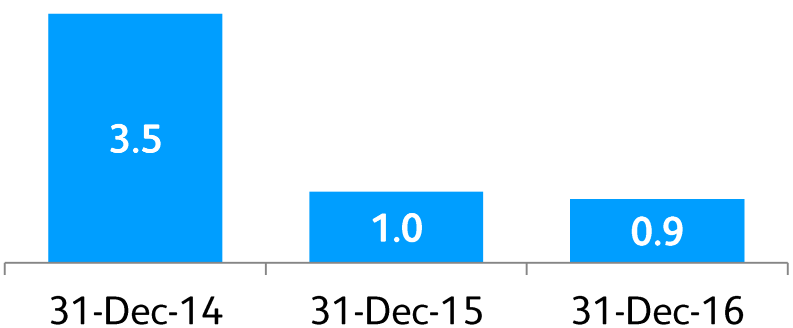
Optimum Net Loans (£bn)



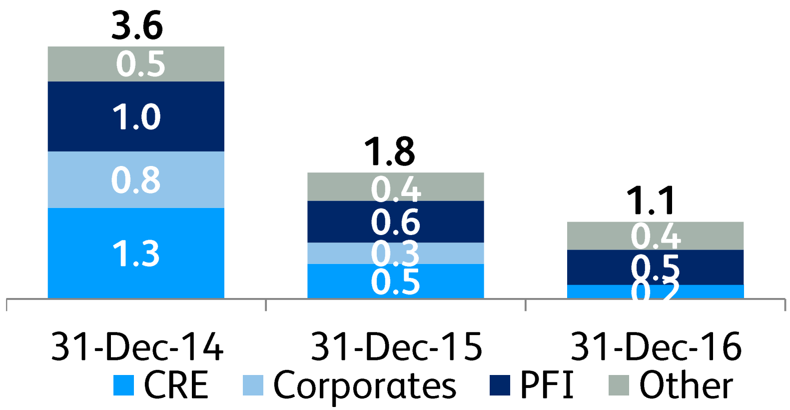
Legacy Portfolio Net Loans[1] (£bn)



Optimum RWAs[2,3] (£bn)



Legacy Portfolio RWAs[2,4] (£bn)



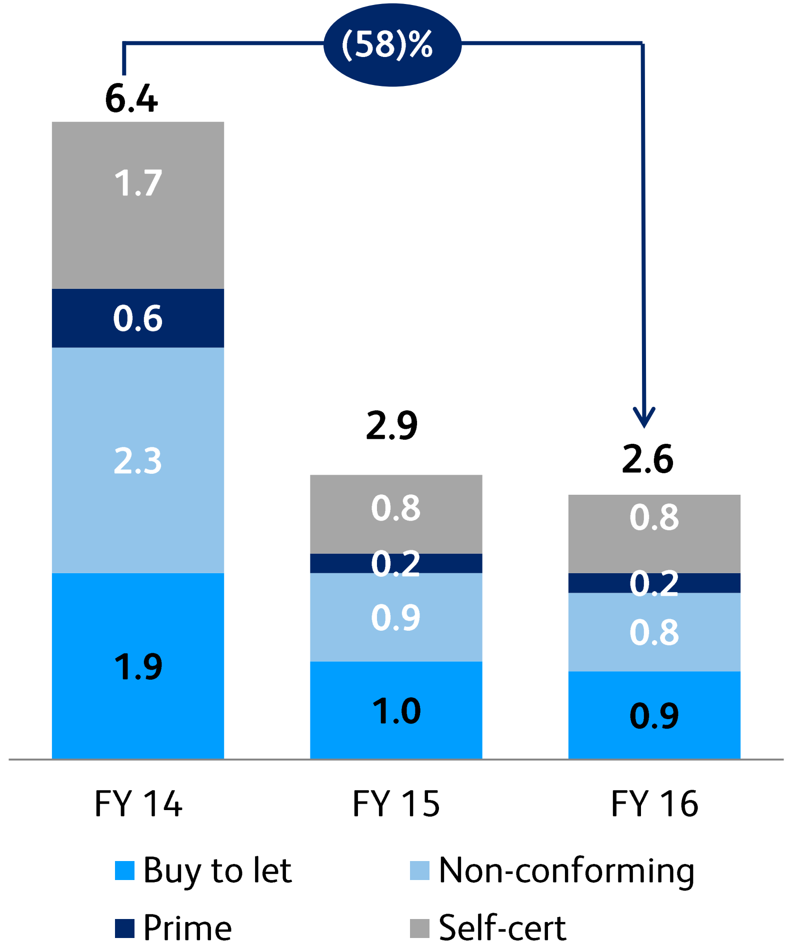
It's good to be different

1. Now presented on a chargeable balances basis. Previously reported numbers included an accounting adjustment
2. CRD IV Credit RWAs
3. Includes a temporary RWA adjustment of £0.3bn
4. PFI and REAF assets transferred back to Non-core in H2 2016

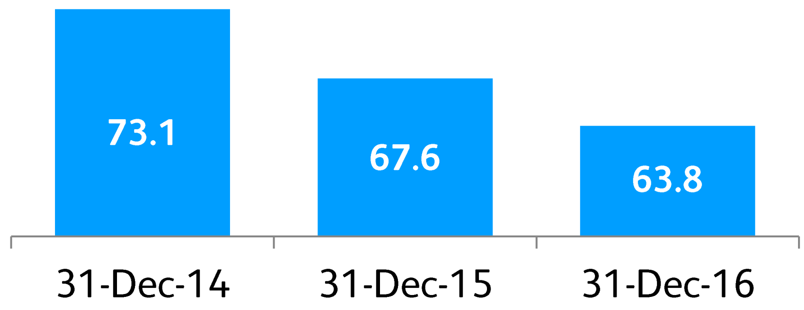
Optimum overview

Closed mortgage book in natural run off following the two securitisations in 2015

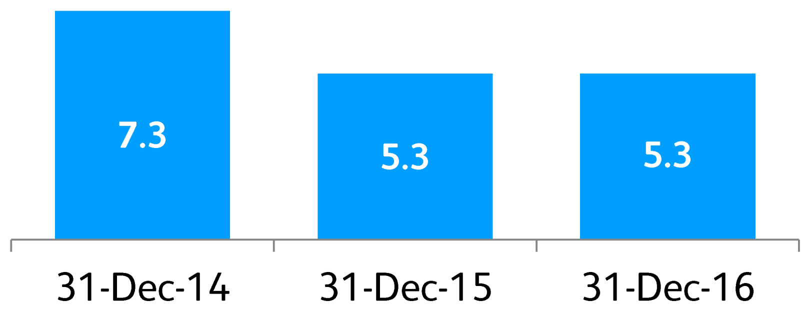
Gross Loans and Advances (£bn)



Average Mortgage LTV [1]



Impairments[2] as % of Gross Loans and Advances

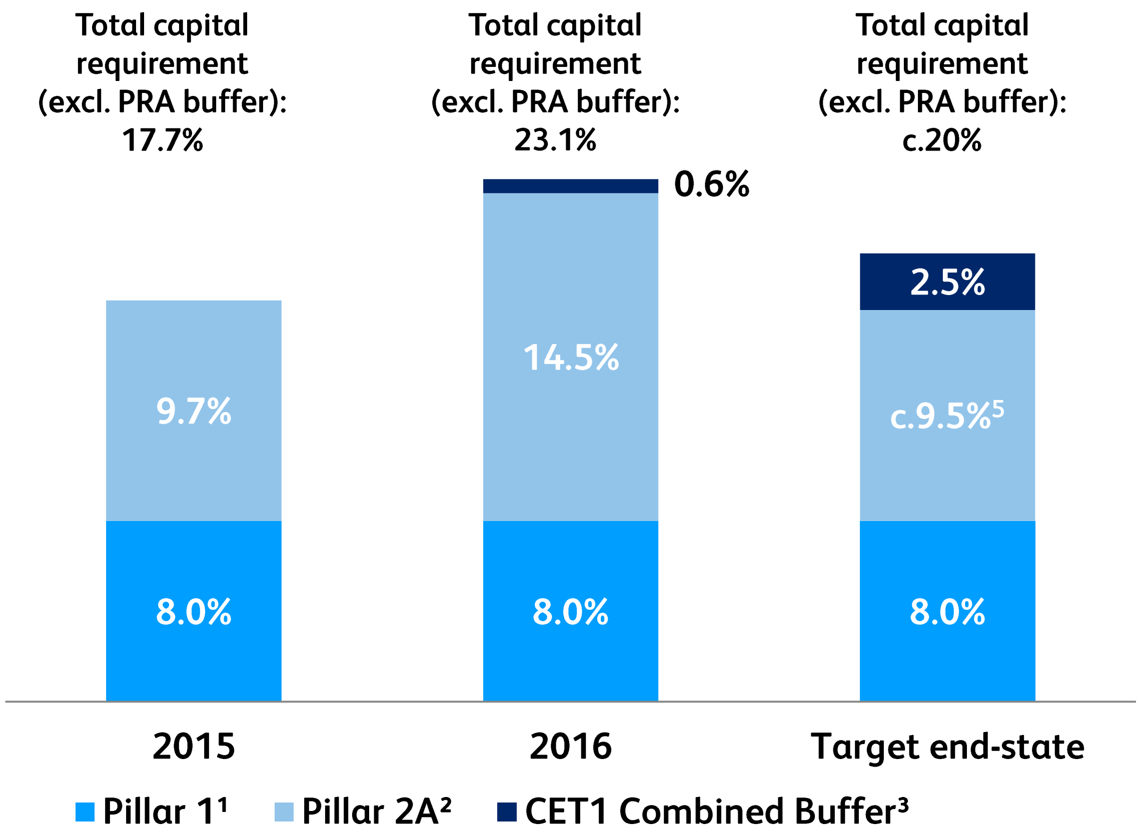


- Highly seasoned book (average 10 years in tenure)
- Self cert/non-conforming is from point of origination

It's good to be different

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

Evolution of capital requirements



MREL[4]

- Prior to 2020, MREL requirement = Pillar 1+ Pillar 2a
- From 1 January 2020, expected interim MREL requirement of 18 % of RWAs
- Most likely to be met through a mix of CET1 and Tier 2
- End state MREL from 1 January 2022 of 2x (Pillar 1+ Pillar 2a)
  - BoE can adjust Pillar 2a recapitalisation amounts
  - 2022 end state requirements will be reviewed in 2020

1. Pillar 1 capital charge can be met with 56 % CET, up to 19 % AT1 and up to 25 % T2. Equivalent to 75 % of Pillar 1 for the Bank as 19 % AT1 requirement to be met with CET1
2. Pillar 2a guidance is a point in time assessment. Aggregate Pillar 2a capital charge can be met with 56 % CET, up to 19 % AT1 and up to 25 % T2. Equivalent to 75 % of Pillar 2a for the Bank as 19 % AT1 requirement to be met with CET1
3. CET1 Combined Buffer refers to the CRD IV Combined Buffer Requirement. Bank is subject to the 2.5 % Capital Conservation Charge (phased in over 4 years from 2016). In future Bank may be subject to the Countercyclical Buffer (currently set at 0 % in the UK). In February 2016 the PRA consulted on systemic charges for UK Banks. Under the consultation, it is not expected Bank will be subject to a systemic charge
4. Per statement of policy on the Bank of England's approach to setting MREL (November 2016)
5. Based on the Bank's internal assessment of future Pillar 2a. Subject to future SREPs

Disclaimer

Caution about Forward Looking Statements

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

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

There are a large number of important factors which could adversely affect the Bank's operating results and financial condition, the Bank's ability to implement its Plan and cause the Bank to miss its targets or affect the accuracy of forward-looking statements. These include the risks and uncertainties summarised in the 'Principal Risks and Uncertainties' section of the Bank's Annual Report and Accounts for the financial year ended 31 December 2016, these include significant risks and factors such as: the Bank's ability to continue as a going concern; whether the Bank's regulators and supervisory authorities will exercise any of their various powers including to impose a special resolution procedure on the Bank under the Banking Act 2009; ability to complete a sale of the Bank or the Capital Raising on acceptable terms, when needed, or at all; whether the Capital Raising will raise the amount of CET1 capital contemplated in the Plan, when needed, on acceptable terms, or at all, following a failure or perceived failure to sell the Bank; the Bank's ability to obtain requisite regulatory, shareholder and bondholder approvals and agree and sign definitive documents on acceptable terms and market conditions to effect the sale of Capital Raising; ability to respond to a change in its business environment and successfully deliver all or part of the Plan and desired strategy when planned or targeted; ability to complete the transformation programme when planned and in line with target costs; whether any deficiencies in appropriate governance and related programme management processes would impede the satisfactory delivery of the transformation programme when planned and in line with targeted costs which would impact associated cost reductions or income generation plans; the extent of the amounts the Bank will be required to pay in pension fund deficits; the effect of uncertainties, including any press speculation, surrounding the sale of the Bank or the Capital Raising and any potential negative impact on the Bank's reputation and business; the Bank's ability to successfully deliver important management actions other than the sale of the Bank or the Capital Raising and parts of it Plan when planned or targeted; whether base rates will increase as soon as and as much as the Bank is forecasting in its Plan or whether competitive pressures reduce the Bank's market share or do not enable net interest margins to increase as envisaged in the Plan or that regulatory pressure constrain the anticipated growth in volumes; whether growth in new mortgage origination is significantly less than assumed in the Plan; whether the Bank can access liquidity and funding at an appropriate cost to fund the requisite level of asset origination targeted in the Plan, including the risk that the Bank may be unable to gain access to current or future central bank funding facilities and initiatives; whether assets in the Bank's Legacy Portfolio can be sold on acceptable terms, or at all; greater than planned losses identified in the Plan on any remaining asset sales; changes in the business, such as fee changes result in cash outflows and a lower than expected overall non-interest income; significant new conduct or legal risk provisions during the life of the Plan; whether RWAs remain significantly greater than those targeted 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 Bank will achieve intended cost reductions when planned, or at all; operating costs being higher than assumed in the Plan, particularly in the latter half of the Plan; the Bank's cost to income ratio continuing to negatively impact its profitability and its capital position; whether the Bank will be able to achieve IGC compliance when planned; whether the Bank will complete a £250 million Tier 2 debt issuance in 2018 and MREL qualifying debt issuances in 2010 and 2021 when planned, on acceptable terms, or at all; the PRA or other regulators exercising their discretion and withdrawing their support for the Bank or its Plan; whether the Bank is able to recognise the amount of deferred tax assets stated in the Plan and generates the profits after tax targeted in the Plan when expected, or at all and the Bank's ability to remedy its regulatory deficiencies and weaknesses in the Bank's Risk Management Framework.

Any forward-looking statements made in this document speak only as of the date of this document and the Bank expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document as a result of new information or to reflect any change in the Bank's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Important Notice

The information, statements and opinions in this document do not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer 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 therefor.