

Co-operative Financial Services



The CO-OPERATIVE BANK

News Release

CUSTOMER SERVICE AND ETHICS DELIVER IMPROVED RESULTS FOR THE CO-OPERATIVE BANK

Outstanding customer service and a distinctive ethical positioning enabled The Co-operative Bank to announce record profits today (7 April 2004) for the tenth year in succession.

The bank reported pre-tax profits of £130.1m for 2003, up 6.2 per cent (£7.6m) on the previous year, yet again demonstrating that ethics, coupled with high standards of service, is a sustainable formula.

The bank's Return on Opening Equity, after tax, was 17.6 per cent. Operating Income increased by 4 per cent to £502.9m and there was a 9.7 per cent reduction in the charge for bad debts from £70.1m in 2002 to £63.3m last year, which was partially offset by higher operating costs.

In 2003, growth in retail customer deposit and lending balances continued to be strong. Average customer retail deposits of £6,158m grew by £680m (12 per cent) and were £1,208m higher than retail lending balances. Average customer retail lending balances increased at a faster rate than deposits and were £4,950m, higher than 2002 by £1005m (25 per cent), with particularly strong growth in the bank's mortgage range.

Chief Executive Mervyn Pedelty said: "We have developed a formula for success over the past decade and everyone associated with The Co-operative Bank should be proud of our achievements."

Mr Pedelty said that the bank's commitment to exceptional levels of customer service was central to the bank's success.

"In independent surveys, The Co-operative Bank is consistently rated as among the very best for customer satisfaction, and we firmly believe that our staff are key to delivering the quality of service our customers have come to expect."

smile, the bank's full service internet bank, continues to excel and attract new customers with its distinctive on-line offering. During the year **smilemore**, an added benefit current account, and a "best buy" credit card were introduced to **smile's** portfolio of products.

During 2003, the bank enjoyed a considerable expansion of its position within the residential mortgage market with growth aided by Co-operative Insurance Society (CIS) financial advisers who were particularly successful in introducing an expanded mortgage product range to CIS customers.

In June 2003, the bank acquired Northern Rock's credit card balances. The acquisition resulted in Northern Rock transferring its existing credit card portfolio of 90,000 accounts to the bank, which is also offering new credit cards to Northern Rock's customer base.

The Co-operative Bank's reputation for ethical banking and Corporate Social Responsibility continues to build. In July 2003 the bank won Business in the Community's (BiTC) prestigious Cause Related Marketing award. The bank's Partnership Report won, for the third consecutive year, the premier sustainability reporting award, at the important UK Sustainability Reporting Awards, organised by the Association of Chartered Certified Accountants (ACCA).

Following the formation of Co-operative Financial Services (CFS) in 2002, work to bring the bank and CIS together under common leadership continues apace. The new combined operation has assets of more than £30 billion and employs some 14,000 staff.

Earlier this year, CFS announced that it was bucking the trend of “off-shoring” call centre jobs abroad by looking to recruit 500 staff for its seven service centres in the North West of England

Mr Pedelty, said: “We have been delighted by messages of support from customers and the general public alike since we announced earlier this year that we have no intention of outsourcing our front-line customer contact services to overseas call centres.

“CFS is now on course to achieve the objective of ensuring that its seven million customers are offered a much broader range of Co-operative financial services than they could previously receive from either the Bank or CIS operating independently.

“With the formation of CFS we stand on the brink of an exciting new era. It is important that we harness the strengths, traditions and values of both CIS and The Co-operative Bank in order to offer customers a broader range of products and an even more convenient service,” explained Mr Pedelty.

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