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## PRESS RELEASE

### Merger Creates Powerful Force in Financial Services

The final stage of the merger between Britannia and The Co-operative Financial Services (CFS) is now complete. Following the overwhelming support from members together with final approval from the FSA, the new business was legally formed on August 1, 2009.

The merger will create a trusted and ethical alternative to shareholder-owned banks, through the most diverse financial mutual in the UK. The new organisation will have a robust capital position, excellent liquidity and funding, underpinned by strong underlying profits.

The business will be strongly capitalised, with a pro forma Tier 1 ratio of 9.2%, with 100% of loans funded by customer deposits.

Britannia becomes part of CFS and brings together Britannia's extensive high street presence and savings and mortgage product strength, with the personal and corporate banking, insurance and fund management expertise of CFS. The new business will have:

- More than £70 billion of assets
- Nine million customers
- More than 12,000 employees
- More than 300 branches
- 20 corporate banking centres

In April, Britannia members voted nine-to-one in favour of creating this new member-led financial services business, which is a wholly-owned subsidiary of The Co-

operative Group. The Group is the world's largest consumer co-operative – with an annual turnover of over £14 billion and over 4,500 UK outlets, which span its core business interests in the food, financial services, pharmacy, travel and funeralcare sectors.

The merger will create a large financially strong and well diversified mutual business, operating in both retail and corporate markets; providing customers with a greater choice of products through diverse distribution channels. As part of the Co-operative Group, the new business will be characterised by its unique ethical and member reward policies and very high levels of customer advocacy.

The business will be led by former Britannia group chief executive Neville Richardson, with Bob Burlton, the current CFS non-executive chairman, chairing the new CFS board.

Bob Burlton comments: "This merger creates a mutual organisation with the scale, financial strength and reputation to provide a wide range of enriched ethical products to millions of UK households, and we are doing this at a time when many people are calling into question the integrity of their banks".

All three million Britannia members have already joined or been given the opportunity to join The Co-operative Group, where they will continue to earn financial rewards on their existing Britannia products, and in addition will have the opportunity to earn even greater rewards by purchasing qualifying products from across The Group's family of businesses.

Neville Richardson, chief executive of The Co-operative Financial Services, stated; "Through this merger, we take the next step in the renaissance of the co-operative and mutual sector. Trust has become a scarce commodity in other financial businesses of late and we aim to provide a genuine alternative to those disillusioned with shareholder-owned banks; ours will be an ethically-led organisation, which will reward members and be completely accountable to them."

The Co-operative Financial Services will now comprise; The Co-operative Bank – including the Britannia business and internet bank **smile** - The Co-operative Investments and The Co-operative Insurance.

Both CFS and Britannia will retain their independent products and brands as the two businesses are integrated. The intention is to provide consistency across rates on all similar products as soon as possible to offer honest, fair value for all customers. The first example of this is immediate: over 35,000 Britannia members on SVR linked mortgages - 15% of the Britannia mortgage book – are seeing their interest rate fall to 4.24% from their previous rate of 4.49%.

The expanded branch network will be core to the new business and plans are already underway to allow customers from Britannia and The Co-operative Bank to transact in all branches in due course.”

Neville Richardson concludes; “The changes to SVR are the first example of our approach. By harmonising rates to the lower SVR, we are placing fairness to members ahead of margin, because it is the right thing to do and we have the financial strength to do it. Our challenge now is to work hard to deliver the benefits we have promised, as soon as possible. From day one, we will be founded on the principles of trust and reward and provide the scale and strength to meet the expectations of consumers in today’s uncertain climate.”

**-Ends-**

## **Notes to editors:**

### **About The Co-operative Financial Services**

The Co-operative Financial Services (CFS) is part of The Co-operative Group, which is the world's largest consumer co-operative with around five million members, over £14 billion turnover, and core business interests in financial services, food, travel, pharmacy and funeral care. The Co-operative Group has over 4,500 retail trading outlets.

Following the merger with Britannia Building Society on 1 August 2009, it will create a large financially strong and well diversified mutual business operating in both retail and corporate markets.

As part of The Co-operative Group, the new business will be characterised by its unique ethical and member reward policies and very high levels of customer advocacy.

The combined business has £70 billion in assets, 12,000 staff and nine million customers. It has over 300 high street branches, 20 corporate banking centres and a major presence in Manchester, London, Leek, Bristol, Plymouth, Skelmersdale and Stockport. There are also 1,000 face-to-face financial advisers throughout the UK.

It is the only mutual organisation that enables its members to earn financial rewards for the products they hold, as well as giving them the opportunity to have a say in how the business is ran.

### **Corporate Facts:-**

1. We are the only UK financial services organisation to provide rewards to members
2. We are the UK's most diverse financial mutual
3. We have the broadest range of products of any UK financial mutual and the most diversified customer owned business in financial services.
4. We have more than £70 billion of assets, nine million customers, 12,000 employees, over 300 branches and 20 corporate banking centres.
5. Throughout the financial crisis we have managed to retain a position of financial strength and, unlike many competitors, have not required Government handouts
6. We operate for the benefit of members, not shareholders and we are not vulnerable to speculators in The City

7. We are part of the world's largest consumer co-operative with over 4.5 million members, over £14 billion turnover, and core business interests in financial services, food, travel, pharmacy and funeral care
8. The Co-operative Group has 4,500 retail trading outlets - more than McDonalds and Tesco combined

**For more information**

**The Co-operative Financial Services Press Office**

Duncan Bowker

0161 903 3819

07810 756 137

e-mail: [duncan.bowker@cfs.coop](mailto:duncan.bowker@cfs.coop)

Alister Foye

01538 391 701

07595 189 964

e-mail: [alister.foye@britannia.co.uk](mailto:alister.foye@britannia.co.uk)

Brunswick PR

Kevin Byram on 020 7404 5959