

20 May 2015

## **The Co-operative Bank**

### **Q1 2015 Trading Update: Continued progress in implementing the turnaround plan**

#### **Acceleration of de-leverage of Non-core assets continues to improve resilience of the Bank**

- Inaugural £1.5 billion whole structure securitisation of part of Optimum residential mortgage portfolio closed on 6 May 2015
- Pro forma impact would have increased the Bank's 31 December 2014 CET1 capital position by approximately 0.9%, from 13.0% to 13.9%
- Deleverage on track against the revised plan accepted by the PRA at time of Bank of England stress tests

#### **Performance of retail bank improves as work continues to rebuild the business**

- Mortgage applications and completions above plan expectations during Q1 2015 with completions totalling £0.5bn. Redemptions at £0.5bn have trended downwards in this period compared to H2 2014
- Current account franchise remained broadly stable throughout Q1 2015
- Net interest income slightly ahead of expectations due to pricing actions on retail deposits lowering funding costs
- Continued investment in brand with new advertising campaign based around ethical credentials and supporting the Bank's distinct current account switching offer

#### **New initiatives launched and customer propositions being developed building on expanded Ethical Policy**

- New overdraft proposition minimising fees and charges developed based on customers' feedback
- Competitive mortgage rates for range of homebuyers including fee free proposition and the UK's lowest ever headline 2 year fixed rate of 1.09%
- Working with customers to develop a new current account proposition
- Investment in branch formats in 2015

#### **Cost reduction programme remains on track**

- 57 branch closures announced in January to be completed by July 2015
- Project portfolio being managed to budget with ongoing prioritisation of project portfolio
- Planned cost reduction in 2015 through improved processes; efficiency savings through outsourcing of some back office functions; rationalisation of ATM network following disposal of Group ATMs and improved management and control of third party costs

#### **Progress addressing legacy conduct issues**

- Conduct remediation activities to be substantially progressed in 2015

#### **Chief Executive, Niall Booker said:**

"During the first quarter of this year, we have continued to progress our turnaround plan based on de-risking the business and reshaping the Bank around our individual and small business customers. The initial securitisation of part of the Optimum portfolio is an important step in further reducing our risk profile and increasing our resilience. In addition, although the Core bank remains very much a work in progress, we are beginning to see performance improve and the launch of a series of competitive product offerings is testament to how far we have come in the last year. There is considerable work ahead to address legacy issues across all areas of the business. Furthermore, the Bank remains exposed to external macroeconomic conditions, including the timing of future interest rate rises and market conditions to support successful asset disposals, but we are pleased with the progress management has made in the areas we control and in what remains the early stage of our recovery."

The Bank is hosting an Investor Day today and the investor presentation will be available on the Bank's website from 9.30am.

## **Enquiries**

### **Lansons**

Tony Langham – 07979 692287

David Masters – 07825 427514

### **The Co-operative Bank Investor Relations**

Jonathan Berger – 07595 567502

## **Forward looking statements**

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The ability of the Bank to implement its revised plan and to achieve the results set out in the plan requires the regulators' continued acceptance of the plan and entails particular challenges including (but are not limited to): ability to execute a substantial re-engineering of the Bank's operating model and a very large and complex IT remediation programme; ability to achieve targeted cost savings; ability to retain customers and deposits; the timing and quantum of impacts to capital from the Bank's asset reduction exercise; meeting its planned improvements in net interest margin; a possible deterioration in the quality of the Bank's asset portfolio; unplanned costs from (for example) conduct risk matters; ability to maintain the Bank's access at an appropriate cost to liquidity and funding and the ability of the Bank to raise further capital assumed in its revised plan.

Any forward-looking statements made in this document speak only as of the date they are made and it should not be assumed that they have been revised or updated in the light of new information of future events. Except as required by the Prudential Regulation Authority, the Financial Conduct Authority, the London Stock Exchange plc or applicable law, The Co-operative Bank expressly disclaims any obligation or undertaking to release

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